Annual Report 2022

Driven by our **Purpose**
Inspired by our **Guests**
Led by our **Strategy**

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The Board of Directors of Nahdi Medical Company is pleased to present to the honorable shareholders its 2022 Annual Report, accompanied by the audited financial statements for the financial year ending on 31st December 2022, and the Auditor's Report on the Company's financial results.

It also includes the most important developments, results, operating activities and goals achieved during this year.

01 Overview

About Nahdi

For over 35 years, Nahdi has solidified its position as a leading healthcare brand in Saudi Arabia with its purpose of "adding beats to the lives of its Guests every day." Nahdi is proud of its strong and trusted partnership with millions of loyal Guests served through 1,086 pharmacies and a fast-growing primary healthcare services business, underpinned by state-of-the-art digital channels.

Today, Nahdi is a leading pharmaceutical retailer, serving 97% of the population of the Kingdom across 140 cities and villages in the pharmaceutical and health products sector, such as medicine, wellness, mom & baby, beauty and other wide-ranging FMCG products.

Additionally, the Company provides omnihealth services through its polyclinics, express clinics (non-urgent care), and home healthcare, and provides Guests across the Kingdom access to health services through its specialized and dedicated virtual medical consultation service platforms.

The Company's culture of identifying opportunities, analyzing market trends, and building on evolving Guest behavior has enabled it to better plan for the future to meet challenges, develop innovative solutions to serve its Guests, and invest in the Company's infrastructure, all while streamlining operations.

This includes identifying where to develop product and service offerings, such as Nahdi's Private Label brands and Direct Import products, that suit its Guests and exceeds their expectations, while establishing a fast-growing brand in excess of SAR 1 billion.

Moreover, the Company aims to remain at the forefront of providing a unique and interactive shopping experience through the latest virtual reality and artificial intelligence technologies, and robotic pharmacy, all of which became part of the Company's unique culture.

Nahdi also plans to carry out our supply chain and distribution capabilities using the best artificial intelligence and automated systems to support our logistics operations, expansion and future growth.

Nahdi has become an integral part of the communities it operates in. The Company aims to add 36 million beats to Guests' lives by 2030 through its ongoing sustainable programs that promote health, wellness and mom & baby care.

Our Purpose

We exist to add beats to our Guests' lives every day.

Our Vision

To be the most loved and trusted health and wellbeing partner for all our Guests.

Our Mission

To exceed our Guests' expectations by providing superior personalized life care experiences every day, everywhere.

Our Core Values

Integrity

We aim to deliver on our promises and do what is right; within our Company, with our Guests, and with the entire community.

Leading with Purpose

We aim to lead with curiosity and innovation in all that we do for the benefit of our Guests while remaining true to our mission.

Care

We aim to care for our Guests and respect their preferences, needs and values. We are committed to 'go the extra mile' for our Guests each and every day.

Excellence

We aim to work with high efficiency and effectiveness for our Guests and take ownership in all what we do while aiming to be the 'Best in Class'.

Collaboration

We aim to work collaboratively among ourselves, with our business partners and the entire community to achieve shared success.

At a glance

Driven by our purpose. Inspired by our Guests. Led by our strategy.

Operational highlights

3 NahdiCare Polyclinics

48 Nahdi Care Express Clinics (non-urgent care)

143 Cities and villages served[1]

1,086 Nahdi pharmacies

Financial highlights

Revenue
(SAR billion)

2022	8.6
2021	8.1
2020	8.6
2019	7.8
2018	7.4

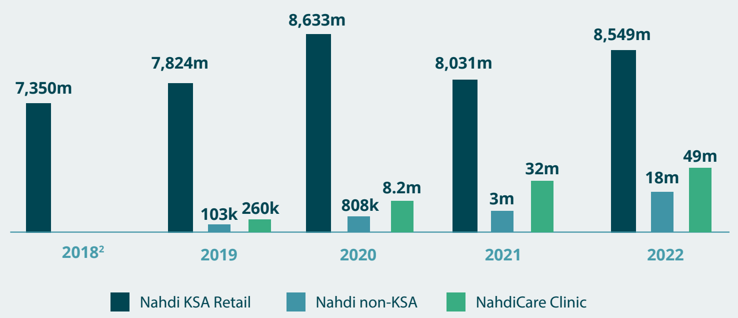
Net profit
(SAR million)

2022	888
2021	813
2020	849
2019	692
2018	611

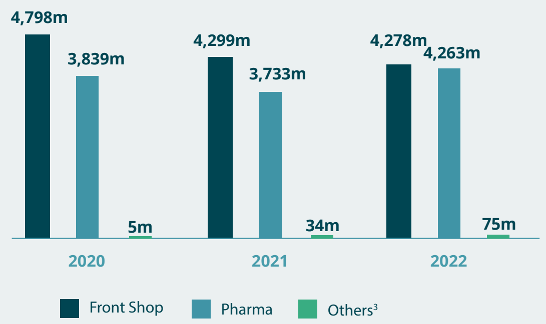
Earnings per share (EPS)
(SAR)

2022	6.8
2021	6.3
2020	6.5
2019	5.3
2018	4.7

Analysis of revenue of the Company and its subsidiaries



Analysis of revenue type



[1] Including KSA and UAE
[2] 2018 pre-IFRS
[3] This includes revenue generated from non-KSA, NahdiCare Clinic, and other revenue streams/eliminations.

Awards and recognition

Consistently ranked among the Top 20 List of "Great Places to Work" (GPTW) in Saudi, GCC and Asia since 2014. In 2022 Nahdi received the GPTW Award in three categories, among them the third (GPTW) in Asia (large companies)

Nahdi was awarded the Guinness World Record for the largest attendance of a virtual pharmaceutical conference in one day (2,371 pharmacists participated)

Nahdi received the LEED certificate for the efficient use of resources for the operation of the largest Smart Logistics Distribution Center (IMDAD)

Nahdi received the Client of the Year Certificate by the FIDIC Contract Users' Awards "FIDIC" during the FIDIC International Contract Users' Conference, which was held in Geneva

Nahdi was recognized by the British Safety Awards (Distinguished), certifying that Nahdi's operations meet an international safety standard

NahdiCare Clinics were awarded the Australian Healthcare Council (ACHSI) Award for Quality Improvement for the year 2022

Brand of the Year for 2022 to 2023 in the Healthcare and Pharmaceutical category at the World Branding Awards for the fourth year in a row

Nahdi won the Contracting Excellence Award for best project (IMDAD) with the Saudi Contractors Authority

NahdiCare Clinics were accredited by the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI)

Where we operate

No. of pharmacies

1,079 in KSA	235 in Jeddah	155 in Makkah	298 in Riyadh
7 in UAE	91 in Eastern Region	101 in Madina and Northern Region	199 in Southern Region

Pharmacy type

7 Flagship	471 Destination	485 Neighborhood	123 Other

No. cities and villages

140 in KSA	3 in UAE

No. of clinics

48 Express Clinics (non-urgent care)	3 Polyclinics

1,086
regional stores in 143 cities and villages by end of year 2022*

We provide our services to
97%
of the Kingdom

*Including KSA and UAE

Our growth journey

1986-2002

Establishment of Nahdi.

Nahdi opens its first pharmacy in the city of Jeddah, with significant expansion over the following years to reach 50 pharmacies in Jeddah in 1998, and 100 pharmacies in 2002.

Disrupting the industry

2003

SEDCO Holding (through Tawjeeh Services & Commercial Investments Company) acquires 50% of the shares of Nahdi Medical Company LLC.

2009

Nahdi adopts a strategy for coordinating offers across pharmacies.

Nahdi promoted the development of supply chain operations.

The Nahdi Academy is established to train and develop employees.

2010

The number of Nahdi pharmacies in the Kingdom reaches 500 and 50 million Guest transactions.

Elevating through institutionalization

2012

Nahdi wins an award for best work environment in the Kingdom.

Nahdi commences the implementation of a strategy for Social Responsibility and diabetes education programs.

2013

Nahdi launches its new corporate identity with the aim of carrying out its activities according to the "community pharmacy" concept.

Evolving the Guest-centric brand position

2014

The "Nuhdeek" loyalty program is launched to serve Nahdi's Guests and contribute to creating a unique experience.

Nahdi introduces the insurance programs within the pharmacies.

Nahdi redefines the pharmacy design to enhance the shopping experience for the Guests.

2015

Nahdi opens its first pharmacy inside commercial centers and malls.

Nahdi launches the Wazen Health Program to achieve a healthy lifestyle for the community.

2016

Nahdi launches its omnichannel sales service.

Nahdi's number of pharmacies reaches 1,000 stores and 80 million Guest transactions.

Nahdi launches the "Nahdi" mobile application.

2017

A new strategy is introduced to keep pace with the objectives of the Kingdom's Vision 2030 for the healthcare sector.

Nahdi launches the "Beats of Hope" strategy for sustainable social responsibility.

Nahdi opens its first and largest central pharmacy to add a unique shopping experience for all its Guests.

2018

Nahdi launches a new strategy for omnichannel e-commerce.

Nahdi initiates a community partnership by entering into an agreement with the Ministry of Health.

Leveraging strong equity into healthcare

2019

The first ever NahdiCare polyclinic is opened.

Nahdi expands its operations outside of the Kingdom by opening a new pharmacy in the UAE.

2020

Nahdi opens its first NahdiCare Express clinic (non-urgent care).

Nahdi's number of pharmacies reaches 1,148 pharmacies and 100 million Guest transactions.

2021

Nahdi concludes the construction of and initiates test operations within its largest Smart Logistics Distribution Center (IMDAD).

Key milestones in 2022

2022 will be remembered as a landmark year for Nahdi, as we set new benchmarks, accelerated our strategy, became a publicly listed company, grew our footprint and added beats to the lives of more Guests than ever before.

Strengthen our core retail offering

- We continued to **grow market share** ahead of the industry market in key categories.*
- We **expanded our offering** in key core categories that provide additional benefits to our Guests.
- Recognized for our commitment to **adding beats to lives of people every day,** with store Equity score index of seven as a testament to our dedication.
- We launched the Wazen Hayatak Program across **800 stores** in Saudi Arabia, where we provide **70%** of the Saudi population with access to free wellness services.
- In line with our commitment to promoting health and wellbeing, we launched the **"Move to Donate"** campaign, in collaboration with Ehsan and SDAIA, to raise awareness about personal wellness and the wellbeing of loved ones.
- We have proven our capability to build strategic private label mega brands, resulting in more than **SAR 1 billion** in private label sales, offering our Guests access to high quality and competitively-priced products.

Expand the omnichannel retail footprint

- Nahdi's **largest flagship** pharmacy in Saudi Arabia opened in Riyadh to elevate our Guests' retail experience in line with our drive to move **from convenience to experience.**
- By scaling up our **digital experience** to build Nahdi's website and application as a destination for products, solutions and knowledge, while providing our Guests with a seamless experience, we achieved significant growth as online sales have reached SAR 1 billion.
- We introduced our new E-Pharmacist service, providing **free virtual consultations** and more to all our Guests through Nahdi App. It is a testimony to our commitment of making healthcare more accessible with the use of cutting-edge technology.
- **Nahdi Global** was launched to significantly increase our e-commerce offering to our Guests. This new revenue stream provides our Guests with access to a significantly wider array of competitively priced products, sourced from trusted international manufacturers all over the world, and delivered quickly and conveniently to the Guest's doorstep.
- As part of our omnichannel retail footprint, we continued our **regional expansion,** reaching seven pharmacies in the UAE, while driving our omnichannel offering through e-commerce platforms and the E-Pharmacists.

*According to Nielsen

Evolve into a leading omnihealth platform

- Utilizing Nahdi's unparalleled coverage across the Kingdom, we opened a total of **48 NahdiCare Express clinics** (non-urgent care) to provide access to initial primary healthcare for our Guests.
- We launched our **third polyclinic** in Jeddah, providing access to around 300,000 Guests to healthcare services.
- The total number of **virtual consultations** reached approximately 276,000 by the end of the year 2022, from 57,000 end of 2021.

Enable Nahdi's key strategic functions

- Our **IMDAD smart distribution center** was launched, serving all the healthcare needs of our Guests across the GCC through Nahdi's state-of-the-art distribution and supply chain capabilities.
- At Nahdi, we have been disrupting the industry with innovative initiatives for almost four decades. This tradition continued as we signed an agreement with the **Zakat, Tax, and Customs Authority (ZATCA)** to open a bonded zone area in Nahdi's smart distribution center (IMDAD), paving the way for the launch of Nahdi Global in Q4 of 2022, which provides our Guests access to a wide array of global health and wellness products.
- Riyadh is a growth market for Nahdi, and to accommodate future expansion, we increased our storage capacity in Riyadh by 60% through the **Riyadh Excellence Project.**
- Continuous learning is at the heart of Nahdi, with more than **500,000 training hours** delivered to Nahdi employees throughout the year.
- Nahdi has trained more than **1,000 university students,** by qualifying and empowering them with the knowledge and skills needed in the job market as future pharmacists, in partnership with 24 universities, including two strategic partnerships that were signed with King Abdulaziz University and King Saudi University in 2022.
- Nahdi was one of the first companies in the Kingdom to partner with ZATCA to implement an **e-invoicing system** successfully, as part of our commitment to compliance.
- Nahdi was successfully listed in the first quarter of 2022 and was valuated at SAR 17 billion with a subscription coverage of c.59x (institutional) which was the **largest listing in EMEA,** and the largest since Saudi Arabian Oil Co. "Saudi Aramco" in Saudi Arabia at that time.
- Nahdi announced and made its **cash dividend distribution** for the first half of 2022, and has approved the cash dividend distribution for the second half of the year to be distributed in Q2 2023.
- We held Nahdi's **first Extraordinary General Assembly Meeting** and Ordinary General Assembly Meeting, which represented the first official interaction with shareholders post-listing, in line with our commitment to transparency and compliance.
- Nahdi Medical Company was added to the **MSCI Saudi Arabia Standard Index Emerging Markets,** as a result of the international governance standards we have in place, in addition to robust financial performance.

Theme of the year

Driven by our Purpose. Inspired by our Guests. Led by our Strategy.

Nahdi is a purpose-driven healthcare and wellbeing company with a heart, transforming the delivery of healthcare to millions, one beat at a time. Composed of the largest chain of retail pharmacies in Saudi Arabia and a growing healthcare services platform, Nahdi constantly pushes the boundaries of possibility to keep our Guests top of mind and heart.

Today, Nahdi's retail pharmacy chain is a market leader with 1,086 stores across 143 cities serving our Guests medicine, wellness, mom & baby, beauty, and other wide-ranging FMCG products through an omnichannel platform.

Our fully-fledged and diversified healthcare services include polyclinics, express clinics, telemedicine services, home healthcare and an E-Pharmacist platform. The fact that we have been financially healthy while delivering consistent revenue growth, above-average returns on equity and maintaining a zero-leverage position is testament to the clarity of our purpose, our systematic approach to growth and the success of our strategy.

Our strategy keeps us winning with our Guests

We remain focused on our core retail offering, and continue to invest in our strong foundation, improving key functions, attracting and retaining top talent and expanding strategic partnerships. We always aim to live up to our vision of being the most loved and trusted partner to our Guests by thinking of new ways to add more beats to their lives every day.

Our relentless passion drives us to leverage technological and supply chain innovations to bring the full health and wellness ecosystem to the fingertips and doorsteps of our Guests. We do this by seamlessly integrating our omnichannel pharmacy stores with our healthcare services to create a unique ecosystem "Omnihealth gateway" – that meets the comprehensive healthcare needs of our Guests.

By continuing to focus on our strategy, pursue our purpose and live by our values, we reinforced our position as a world-class pharmacy retail and healthcare business, innovating for the future to deliver offerings, engagement solutions that elevate the experience of our Guests each day.

Driven by our **Purpose**

Inspired by our **Guests**

Led by our **Strategy**

Investment case

Over the last 35 years, Nahdi has grown to become a beloved brand and leading healthcare provider in Saudi Arabia, delivering excellent service that "adds beats to the lives of our guests every day" while continuously growing, innovating and diversifying to create strong and sustainable value for all our stakeholders. Nahdi is a leading KSA pharmacy retailer and a fast-growing GCC omnihealth platform.

1. Highly qualified staff led by a strong Board and Management
2. Saudi Arabia's leading pharmacy with growing Private Label brands, and Direct Import products
3. Seamless omnichannel experience underpinned by best-in-class digital and online offerings and state-of-the-art distribution and supply chain capabilities

4. Integrated healthcare services delivered through a comprehensive 'omnihealth' platform
5. Robust business and financial profile

1 Highly qualified staff led by a strong Board and Management

- The Company believes that its employees are its greatest assets and therefore devotes its attention to fostering a unique culture underpinned by its values.
- Nahdi is overseen by a highly qualified Executive leadership team with more than 200 years of cumulative deep experience in the sector, guided by an independent Board with multinational corporation experience.
- Nahdi also has strong corporate governance and compliance standards in place, that resulted in 100% regulatory compliance across our various businesses.
- Continuous learning is at the heart of Nahdi with more than 500,000 hours of training conducted in 2022 for its 5,382 full-time employees*.
- Nahdi hired 380 National pharmacists in 2022 reaching a total of 1,000 National pharmacists of which 50% are females. This has led to Nahdi's overall national headcount to reach 33%.
- Consistently ranked among the Top 20 List of "Great Places to Work" (GPTW) in three categories, Saudi, GCC and Asia since 2014. In 2022 Nahdi received the GPTW Award in three categories, among them the third (GPTW) in Asia (large companies).

1,000

total National pharmacists of which 50% are females

5,382

full-time employees*

*Total number of Nahdi and subsidiary staff is 10,638

2 Saudi Arabia's leading pharmacy with growing Private Label brands, and Direct Import products

- Nahdi is a well-established Saudi brand that started and grew with its purpose of "adding beats to the lives of its Guests every day".
- Over the last four decades, Nahdi has developed unparalleled coverage across Saudi Arabia with 1,079 pharmacies, representing around 10% of the total number of pharmacies in the Kingdom with an accessibility to 97% of the Saudi population.
- The Company represents 31% of the market share value in the private retail pharmaceutical sector with a market capitalization of SAR 21.7 billion as at the end of December 2022.
- Nahdi continued its geographical expansion in the GCC market reaching seven pharmacies in the UAE and more in the pipeline.
- The Company has also launched "Nahdi Global" which is a new revenue stream that will provide its Guests with access to a significantly wider array of competitively priced products, sourced from trusted international manufacturers all over the world, and delivered quickly and conveniently to the Guest's doorstep.
- Nahdi's strong brand equity has been growing year after year, as evidenced by our "Nuhdeek" membership base, generating approximately 75% of revenue.
- Nahdi's high quality and competitively priced Private Label brands and Direct Import products contributed around 13% of revenue and exceeded SAR 1 billion sales this year.

10%

of the total number of pharmacies in the Kingdom

31%

of the market share value

97%

accessibility to the Saudi population

3 Seamless omnichannel experience underpinned by best-in-class digital and online offerings and state-of-the-art distribution and supply chain capabilities

- Nahdi has created a seamless "omnichannel" experience connecting our pharmacies and online platforms, thereby keeping Guests firmly in the center of all our activities.
- The pharmacy presence has evolved from convenience to experience by optimizing the store mix and investing heavily in our IT infrastructure to best serve its Guests, which resulted in an NPS of 85%, and a 4% increase in the basket size to become SAR 85 as at the end of 2022.

- Nahdi's online transactions increased by 36% including the website and mobile application, with the online sales crossing the SAR 1 billion mark for the first time this year.
- Nahdi's digital platforms have had more than 145 million sessions in 2022, including its applications and online websites.
- In early 2022, Nahdi launched its semi-automated state-of-the-art distribution center (IMDAD), giving a total of three distribution centers that deliver more than 236 million units to meet the Guests' health needs.

4 Integrated healthcare services delivered through a comprehensive 'omnihealth' platform

- Nahdi seamlessly integrated its omnichannel experience with its healthcare services, creating a unique ecosystem "omnihealth gateway" that meets the healthcare needs of its Guests. This is a model that is yet to evolve globally and would consider Nahdi to be one of the leading companies in the segment.
- Nahdi's virtual medical consultation services, home healthcare, Express clinics (non-urgent care), and polyclinics go above and beyond the standard retail pharmacy to become the gateway for healthcare in KSA.
- Nahdi currently operates three polyclinics that have served the hundreds of thousands of Jeddah residents, while home healthcare services reached around 3,200 visits as of the end of 2022.
- Moreover, NahdiCare Express clinics (non-urgent care) jumped from seven* to reach 48 clinics.
- In 2022, the total number of virtual medical consultation services reached approximately 276,000 from 57,000 at the end of last year.
- Nahdi built a strategic partnership with world-class medical providers to enhance the Guest experience and be the most trusted health and wellbeing partner.

3
Nahdi-operated polyclinics

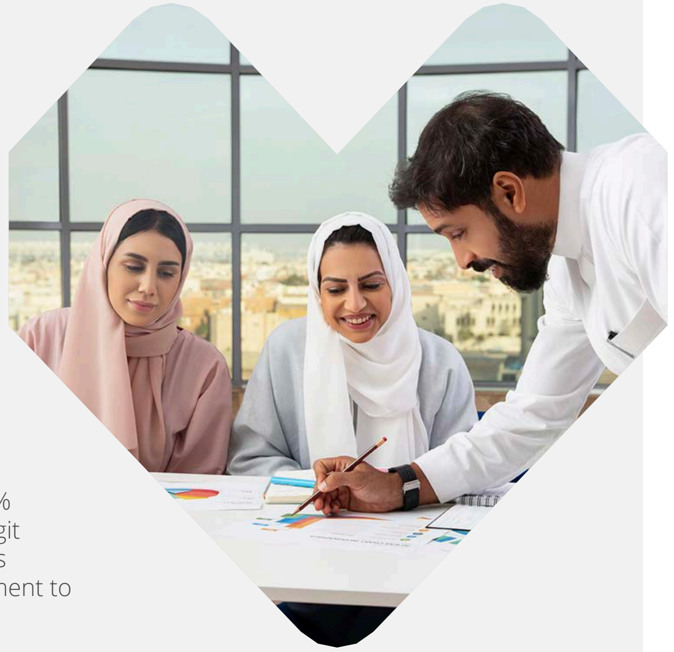
276,000
virtual medical consultation services

48
NahdiCare Express clinics

Around 3,200
Nahdi home healthcare visits

*As of HY 2021

5 Robust business and financial profile



- Nahdi witnessed a healthy revenue increase of 6.8% (SAR 8.6 billion compared to SAR 8.1 billion at year-end 2021), in comparison with 3.1% CAGR over the last four years (2018 – 2021).
- Nahdi's gross profit increased by 6.5% reaching SAR 3,521 million compared to SAR 3,305 in 2021, delivering a gross margin of 40.9% which is flat versus last year.
- In 2022, Nahdi's net profit grew by 9.3% to reach SAR 888 million (10.3% of revenue) compared to SAR 813 million (10.1% of revenue) in 2021, maintaining a double-digit bottom line, which was mainly driven by sales growth, and efficient OPEX / CAPEX management to mitigate additional expenses.

- Highly profitable business with 39.6% ROE and 18.0% ROA, significantly higher compared to retailers' industry averages in 2022.
- Well-invested business to support the next phase of growth with limited working capital requirements as Nahdi enjoys zero debt to date, and a very strong financial position that can self-fund its future expansion plans in both omnichannel and omnihealth.
- For the year of 2022, Nahdi's Board has approved a cash dividend distribution of c. 78% which is above the historical dividend payout average.

Shareholders' information

Date established	18.06.1986
Listing date	22.03.2022
Trading name	NAHDI
Tadawul code	4164
ISIN code	SA15HG521213
Exchange	Saudi Exchange – Main Market – Tadawul
Sector	Consumer Staples
Industry group	Food and Staples Retailing
Number of shares issued	130 million shares
Paid capital	SAR 1.3 billion
Par value/share	SAR 10
Free float	30%
Foreign ownership as of December 2022	9.90%
Closing price as of December 2022	SAR 167.20
Market cap as of December 2022	SAR 21,736,000,000

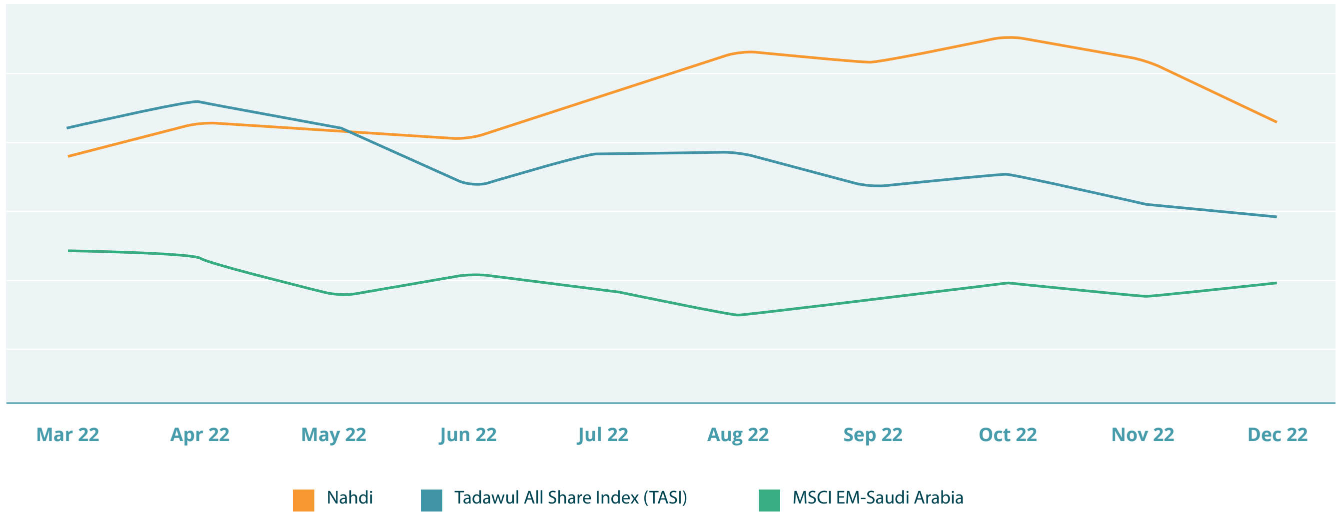
Major Shareholders as Year-End 2022

Name	Number of shares	(%) of Total Nahdi Medical Company Shares
Al Nahdi Holding Company	45,500,000	35%
SEDCO Holding	45,500,000	35%

2022 financial and events calendar

Date	Event
28.03.2022	Annual Financial Results 31.12.2021
17.05.2022	Q1 2022 Financial Results (3 months)
24.05.2022	1st Ordinary General Assembly Meeting
09.08.2022	Q2 2022 Financial Results (6 months)
09.08.2022	Distribution of Cash Dividend 1st Half of 2022
19.09.2022	1st Extraordinary General Assembly Meeting
02.11.2022	Q3 2022 Financial Results (9 months)

Share price performance vs. Benchmark equity indices



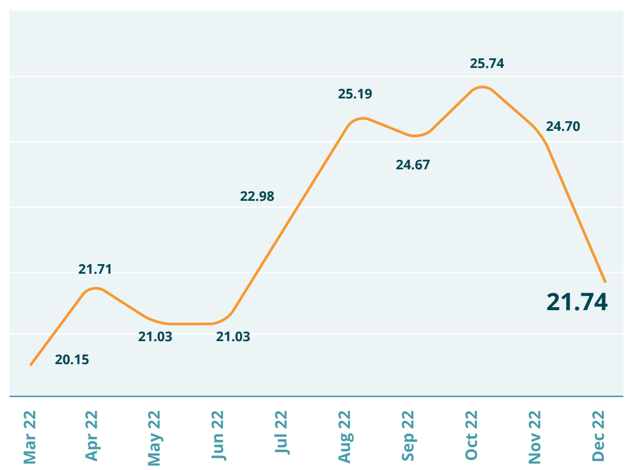
Share performance – monthly closing price

(SAR)

Source: Tadawul – Saudi Exchange disclosure

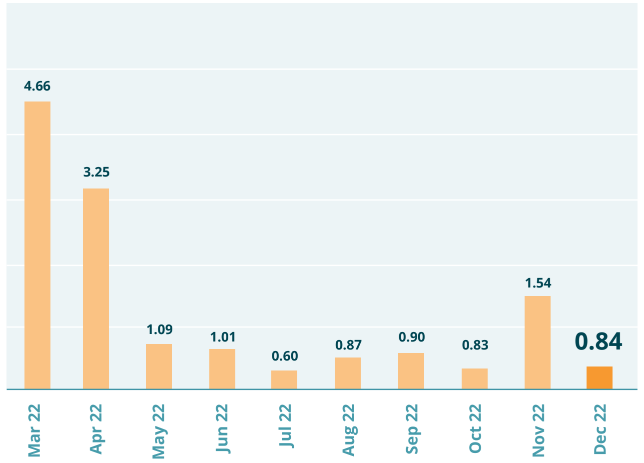
Share Performance – monthly market cap

(SAR billion)



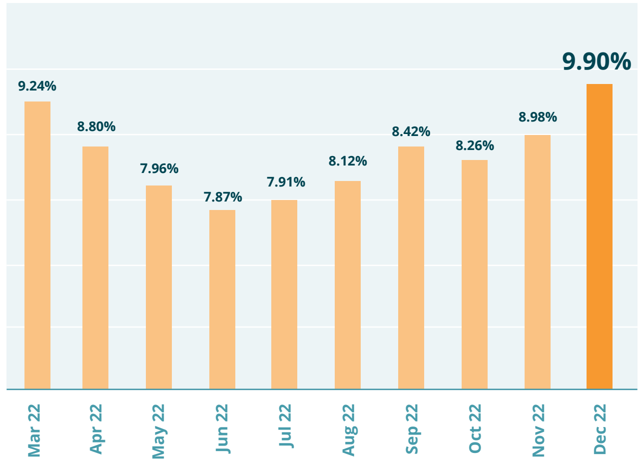
Source: Tadawul – Saudi Exchange disclosure

Share performance – monthly volume traded
(SAR)



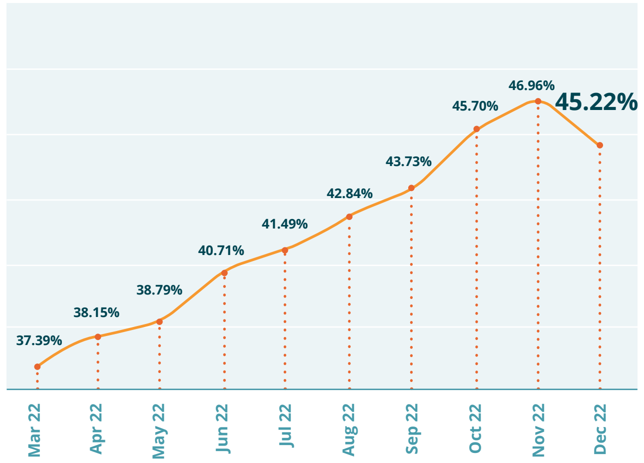
Source: Tadawul – Saudi Exchange disclosure

Monthly closing foreign ownership %



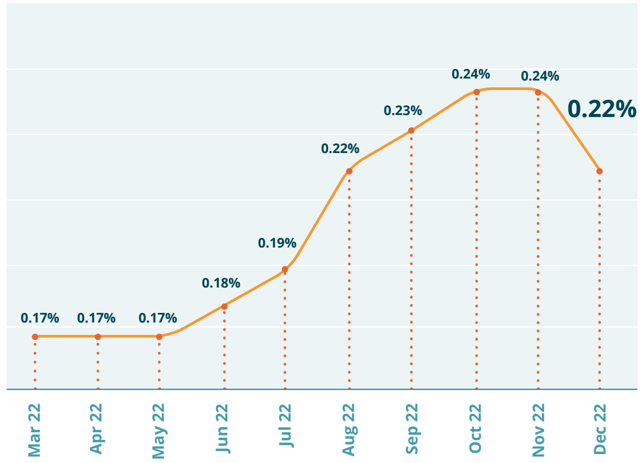
Source: Tadawul – Saudi Exchange disclosure

Monthly closing Nahdi % of industry sector



Source: Tadawul – Saudi Exchange disclosure

Monthly closing Nahdi % of market (TASI)



Source: Tadawul – Saudi Exchange disclosure

Shareholders and investors

- Nahdi is committed to achieving the principles and protection of shareholders' rights, and ensuring fairness and quality by providing the appropriate information at the right time.
- The Company provides details on its performance and activities throughout the year by means of the Annual Report and Annual General Assembly Meeting. It also updates its shareholders and investors about any other significant development that may occur and thereby affect its financial position and business in a way that does not affect its competitiveness. Nahdi does this through several channels, such as the official Tadawul website, the Company's Investor Relations website and other means of communications. This ensures that all beneficiaries have equal opportunities to access such information and help them make investment decisions based on correct and timely information.
- Nahdi is fully committed to implementing all policies and procedures for disclosing financial statements and performance reports, in accordance with legal requirements and applicable regulations and instructions received from relevant authorities.
- Nahdi is keen on distributing due dividends to shareholders in a timely fashion. The Company regularly reminds them to update their personal information and to link their bank accounts to Tadawul's portfolios, to prevent delays in dividend distributions.
- Nahdi communicates and collaborates with participants in global capital markets including institutions, individuals, and financial buy-side or sell-side analysts, through continuous and open communication, periodic meetings and participation in investor conferences.
- The Company has an Investor Relations Department, with team members that are certified by IFSAH and Investor Relations Officer Certification (CIRO).
- During 2022, Nahdi requested the Shareholders' Register **12 times** from the Securities Depository Center (Eda'a). The dates and reasons for such requests are listed below:

No. of requests	Date of the request	Reasons
1	21 March	For the Company's Internal Reporting and Procedures Purposes
2	20 April	For the Company's Internal Reporting and Procedures Purposes
3	15 May	For the Annual General Meeting Purposes
4	30 June	For the Company's Internal Reporting and Procedures Purposes
5	30 June	For the Dividend Entitlement Purposes
6	11 August	For the Company's Internal Reporting and Procedures Purposes
7	31 August	For the Ordinary General Assembly Purposes
8	8 September	For the Company's Internal Reporting and Procedures Purposes
9	4 October	For the Company's Internal Reporting and Procedures Purposes
10	6 November	For the Company's Internal Reporting and Procedures Purposes
11	6 December	For the Company's Internal Reporting and Procedures Purposes
12	29 December	For the Company's Internal Reporting and Procedures Purposes

- Nahdi's Board of Directors recommended the distribution of dividends to shareholders for the fiscal year ending on 31st December 2022, as stated below:

No.	Announcement date	Eligibility date	Distribution date	Profit distributed per share	Status
1	09 August 2022	15 August 2022	25 August 2022	SAR 2.31	Approved and distributed on August 2022
2	20 March 2023	28 March 2023	10 April 2023	SAR 3.00	Approved and to be distributed in April 2023

For more information, please visit our Nahdi Investor Relations Website: https://investors.nahdi.sa/

For any further queries or questions, please contact us directly through our email: IR@nahdi.sa

02

Strategic Review

Chairman's statement

Adding beats to the lives of our Guests every day

Since its foundation in 1986, Nahdi has become a beloved brand and leading healthcare provider in Saudi Arabia, delivering superior products and services that add beats to the lives of our Guests every day.

Nahdi has established itself as a comprehensive health and wellbeing destination, offering pharmaceutical retail and healthcare services to more than 100 million Guests/ transactions per year. We are continuously growing, innovating and diversifying to create strong and sustainable value for all our stakeholders, including our new shareholders following our listing and ensuring the promises we made during our IPO are met.

As I reflect on our IPO journey at the end of our first year as a publicly listed company, I am extremely grateful for the highly supportive and strong investment market environment that allowed our listing to be an unparalleled success. I would like to thank the leadership of Saudi Arabia for showing us a path forward with their wisdom and vision, along with the Capital Market Authority for demonstrating incredible collaboration and support as the market regulatory authority of our Kingdom. The Financial Sector Development Pillar of Vision 2030 allows companies like Nahdi to engage seamlessly and directly with local and international investors in a fair and transparent environment and for that we are also grateful.

Being a listed company is a transformational step in our lifelong journey of adding beats to the lives of our Guests every day and the support of the regulatory bodies throughout the process was a critical factor in our success.

Nahdi is now well-positioned to pursue its ambitious long-term objective of redefining the future of primary healthcare across Saudi Arabia.

The transforming Saudi healthcare sector

Providing access for 97% of the Saudi population to health and wellbeing solutions as well as our regional expansion, the Company is ideally positioned to capture further market share and reinforce its leading position.

Positive market and demographic trends support significant and sustained growth in the pharmaceutical, retail and healthcare sector.

Under Vision 2030, Saudi Arabia is looking to improve access to and increase the value of healthcare services across the Kingdom. This will create a strong shift towards the privatization of healthcare services. At the same time, the anticipated mandatory private health insurance in the private sector, along with continued increased medical health demand, will continue to drive up the need for comprehensive healthcare products and services. As the Kingdom of Saudi Arabia works to transform the healthcare system to create more value for those in need, Nahdi is well positioned, and a strong and important partner in the provision of health and wellbeing services across the Kingdom.

Saleh Salem Ahmed Bin Mahfouz
Chairman

Winning with our Guests

Nahdi's ability to seize opportunities and further cement its leading market position was due to the strength of its five-year growth strategy and the executional excellence that keeps us winning with our Guests. It gives me a great pleasure to announce that we are not only in line with our strategic targets but also exceeding many of them.

As a result, we achieved revenues of SAR 8.6 billion, a 6.8% increase compared to SAR 8.1 billion in 2021. Net profit increased by 9.3% to SAR 888 million in 2022 compared to SAR 813 million in 2021. ROA at 18.0%, and ROE at 39.6%. We were able to generate an EPS of SAR 6.8 for the year 2022 where we approved a total cash dividend distribution of SAR 690 million, equivalent to SAR 5.31 per share.

World-class governance and risk management

Becoming a publicly listed company was a natural progression for a company like Nahdi as we have, and will continue to have, governance and risk management policies that are in line with the international market's standards. Nahdi's inclusion to the MSCI Saudi Arabia Standard Index in November 2022 bears witness to that. Our comprehensive corporate governance structure with policies and procedures is enacted through our Audit Committee, Nomination and Remuneration Committee, and Digital Transformation and Cyber Security Committee.

Adding beats of hope to our communities

With more than 35 years of experience providing the Saudi population access to health and wellbeing products and services, at Nahdi we know our Guests' wellbeing needs better than anyone.

We have a strong commitment to corporate social responsibility, with a focus on sustainable wellness and the ultimate goal of adding beats to 36 million people by 2030. We have a range of impactful and award-winning initiatives underway, addressing chronic disease, overall wellness and mom & baby wellbeing.

Acknowledgements

On behalf of myself and my colleagues on the Board, I wish to thank our Executive Management and the whole Nahdi team for their strategic execution and operational excellence this year. Their dynamism and perceptive decision-making during 2022 have been vital factors to Nahdi's remarkable performance.

Finally, I would also like to express our gratitude and loyalty to The Custodian of the Two Holy Mosques, and His Royal Highness, The Crown Prince, for their wise leadership fostering progress, prosperity, and wellness in the Kingdom.

"Nahdi is now well-positioned to pursue its ambitious long-term objective of redefining the future of primary healthcare across Saudi Arabia."

Saleh Salem Ahmed Bin Mahfouz
Chairman

CEO’s message

Driven by purpose and values

2022 was a historic year for Nahdi, as we transformed from a private to a publicly listed company. Through this momentous year, we accelerated ahead of our strategic targets while remaining true to our purpose: To add beats to our Guests’ lives every day.

Our successful IPO during 2022 is a natural progression for a company that has its Guests at its heart and has therefore grown from strength to strength and expanded across the Kingdom and beyond over the past four decades. This positive momentum continued for the full year, with strong operational and financial results and value creation for all our stakeholders.

We are driven by our purpose, inspired by our Guests, and led by our strategy. This strategy, which keeps us winning with our Guests, is built on four strategic pillars that drive our performance and expansion: Strengthening our core pharma-retail offering; Expanding our omnichannel retail footprint; Becoming an integrated health services gateway (omnihealth); and developing strategic capabilities to support the Company’s growth.

We are firmly established as Saudi Arabia’s leading pharmacy, providing 97% of the Saudi population with access to health and wellbeing products and services, and we have won the trust of tens of millions of Guests by answering their needs and providing them with the right solutions.

We continue to grow our key categories ahead of the market while providing relevant innovations such as the E-pharmacist, which offers free virtual medical consultation services to Guests and is part of Nahdi’s commitment to making healthcare accessible through cutting-edge technology.

We have proven our capability to build strategic Private Label brands and Direct Import products offering Guests access to high quality and competitively priced products, exceeding SAR 1 billion in sales and continuing to grow market share.

We also experienced many new pharmacy openings this year, packed with bold innovations and creative solutions for our Guests everywhere, such as the drive-thru, Scan&Go services, Wazen Hayatak Program and many other services, alongside consultation and medical adherence programs. Furthermore, Guests and their families benefit from the even greater value and personalized offers through Nahdi’s well-established Nuhdeek loyalty program.

This application is among the top five most downloaded applications the Kingdom’s healthcare sector for the year 2022, according to the Saudi Internet report issued by the Communications, Space & Technology Commission. We further expanded Nahdi’s footprint in the region by opening seven pharmacies in the UAE with more to come. We have also established ourselves as a key regional industry player in the competitive e-commerce sector. The Company scaled up its digital experience to build Nahdi’s website and application as destinations for products, solutions and knowledge that provide our Guests with seamless experiences.

Yasser Ghulam Abdulaziz Joharji
Chief Executive Officer

At the end of 2022, we expanded the digital health and wellbeing offerings for our Guests in the region via our new Nahdi Global service, which offers Guests a massive range of global products sourced from trusted international manufacturers and delivered efficiently to the Guests' doorsteps – all at competitive prices while ensuring the highest quality standards.

Since our IPO, we have made significant progress in seamlessly integrating our omnichannel experience with our healthcare services, creating a unique ecosystem "omnihealth gateway" that meets the comprehensive healthcare needs of our Guests. This is a model that is evolving rapidly in markets worldwide and I can proudly say that Nahdi is at the forefront of this evolution as one of the leading companies globally.

We increased the number of NahdiCare Express Clinics (non-urgent care) within our pharmacies from seven* to 48 and provided more than 276,000 virtual medical consultation services during this year. We also opened one polyclinic, bringing the total to three as of year-end, with more in the pipeline to open in 2023, including a specialized and dedicated Virtual Medical Consultation Center which will offer access to healthcare services to hundreds of thousands of Guests across the Kingdom.

To support our growing operations and Guest's demands, we opened our innovative distribution center IMDAD earlier this year. It serves all the healthcare needs of Guests across the GCC through state-of-the-art distribution and supply chain capabilities, and sets the foundation for the future, including our first bonded zone within IMDAD, which was licensed and launched this year.

Continuous learning is at the heart of Nahdi's culture and sustainable success. More than 500,000 training hours have been delivered to Nahdi employees. Nahdi's "Passion 4 People" strategy is what underlies our consistent rankings among the top 20 "Great Places to Work" in Saudi, the GCC, and Asia since 2014, which culminated in a top three ranking across all of Asia for 2022.

With all these outstanding milestones delivered in our first year following our successful listing and the first year of our five-year strategy, Nahdi demonstrated that we are not only led by a strong strategy, but also deliver on promises we made during the IPO. We have again showed that we are on the right path for continued growth across all aspects of our business as a result of being driven by our purpose, inspired by our Guests and led by our strategy.

At the end of a healthy financial and operational year, I would like to express my deep gratitude to the Board of Directors for navigating and leading Nahdi in the right direction, ensuring they fulfill their roles and responsibilities in the long-term interest of all our stakeholders.

Importantly, thank you to our Nahdi employees for relentlessly and passionately working to give their best, ensuring to create opportunities to better serve our Guests.

Finally, I would like to thank our partners for their commitment and support, which has allowed us to reach new heights and look to the future with optimism.

"We are driven by our purpose, inspired by our Guests, and led by our strategy. This strategy, which keeps us winning with our Guests, is built on four strategic pillars that drive our performance and expansion."

Yasser Ghutam Abdulaziz Joharji
Chief Executive Officer

*As of HY 2021

Business model

For over 35 years, Nahdi has been on a continuous journey of expansion and diversification, building our rich history and unique value proposition as the leading Saudi pharmacy retailer and fastest growing omnihealth platform in the GCC, to create strong and sustainable value for all our stakeholders.

Our strengths

Highly qualified staff led by strong Board and Management

- Independent Board members with multinational experience
- Executive team with a deep understanding of the sector and over 200 years of cumulative management experience
- Supported by comprehensive corporate governance structure with policies and procedures
- Exceptionally highly trained talents of 5,382 employees* (500,000 training hours)
- Vibrant culture and consistently among the top 20 since 2014 (GPTW Award)

Market-leading pharmacy with growing Private Label brands, and Direct Import products

- Access to 97% of the Saudi population
- 1,086 stores regionally in 143 cities
- 31% market share representing 10% of total pharmacies in KSA
- Adding 36 million Beats to our community through corporate social responsibility by 2030
- High quality and competitively priced Private Label brands and Direct Import products contributed around 13% of revenue and exceeded SAR 1 billion in 2022

State-of-the-art distribution capabilities

- State-of-the-art distribution center (IMDAD) that delivers more than 236 million units each year
- Seamless omnichannel experience underpinned by best-in-class digital and online offerings

Seamless omnichannel experience underpinned by best-in-class digital and online offerings

- Delivering a compelling omnichannel experience by providing Guests with seamless online and offline optionality
- Regional footprint (KSA and UAE) with mix of flagship, destination, neighborhood and other stores
- Market-leading digital platforms, with more than 145 million sessions annually
- Best in-class digital and online offerings including e-commerce, Nahdi Global, E-Pharmacists, store to home, and click & collect

Integrated healthcare services delivered through Omnihealth platform

- More than 500,000 visits to our polyclinic
- More than 276,000 virtual consultations
- More than 3,000 home healthcare visits

Robust business and financial profile

- High profitability with above market growth
- Zero debt
- Maintaining Nahdi's overall margin
- Growing revenue and market share and exceeding targets

Add beats

Purpose

We exist to add beats to our Guests' lives every day

Vision

To be the most loved and trusted health and wellbeing partner for all our Guests

Mission

To exceed all Guests' expectations by providing superior personalized lifecare experiences every day, everywhere

Values

Integrity, Leading with Purpose, Care, Excellence and Collaboration

For our stakeholders

Investors

- SAR 2.31 dividend per share for the first half of 2022 and an approved cash dividend distribution of SAR 3.00 per share for the second half of 2022

Guests

- Market-leading NPS score of 85%
- 75% of sales generated by "Nuhdeek" members

Employees

- Consistently ranked among the Top 20 List of "Great Places to Work" in Saudi, GCC and Asia since 2014

Community

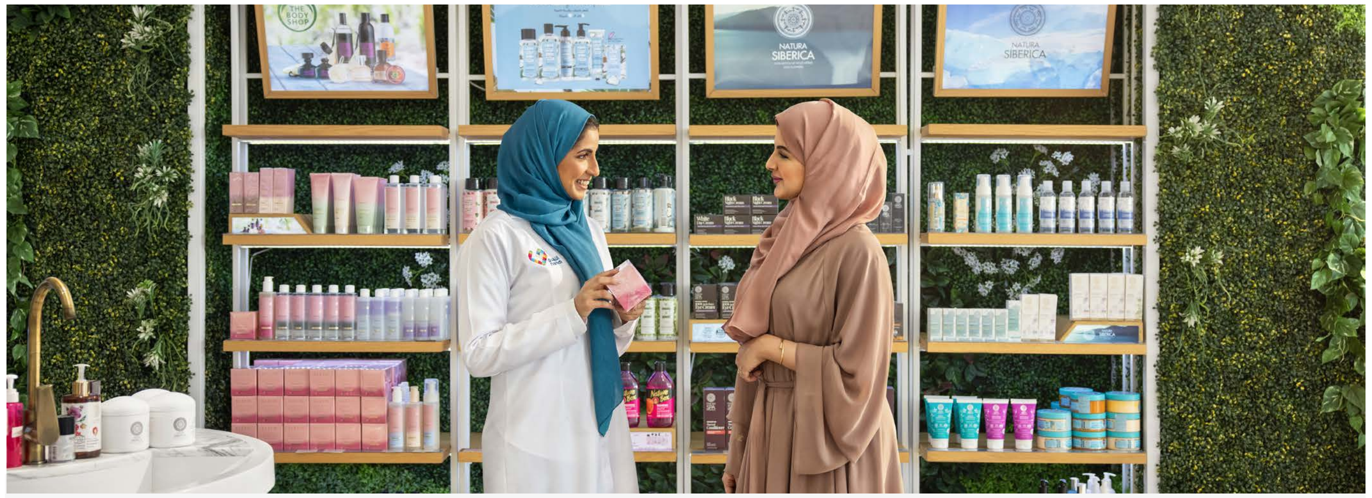
- **Health responsibility** 1.7+ million Guests impacted
- **Wellness responsibility** 1+ million Guests impacted
- **Mom & Baby responsibility** 850,000 Guests impacted

Government and regulators

- Maintaining high standards of governance and disclosure through a strong collaboration with CMA and Tadawul pre and post listing (second largest IPO in 2022)
- Cooperation with ZATCA on the Nahdi Global launching and the successful implementation of e-invoicing and ZATCA recognition as one of the first companies to do so
- Nahdi Primary healthcare services are in line with Ministry of Health "MOH" 2030 healthcare strategy (three polyclinics, 48 express clinics (non-urgent care))
- Working hand in hand with the Ministry of Human Resources and Social Development to drive Saudization (currently 33% and15% female contribution)
- IMDAD cooperation with MODON to achieve medical security for the Kingdom
- Cooperation with Ehsan and Saudi Sports for All Federation towards a healthier community

*Total number of Nahdi and subsidiary staff is 10,638

Strategy and KPIs



Purpose

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Values

- Integrity
- Excellence
- Leading with Purpose
- Collaboration
- Care

Through Nahdi's strong regional footprint, well-diversified store formats, products, product categories and services, the Company maintains a robust, systematic approach to achieving long-term sustainable growth.

Our strategic pillars

1 Strengthening our core retail offering

KPIs

1. Boost strategic product categories
2. Enhance strong brand image and loyalty
3. Grow Private Label brands and Direct Import products' contribution

2022 Achievements

- 98.4 million transactions in 2022 compared to 95.8 million in 2021 (+2.75% increase)
- An overall pharmaceutical retail Net Promoter Score (NPS) of 85%
- Private label represents 13% of Company's total revenue, exceeding SAR 1 billion in 2022

2 Expand the omnichannel retail footprint

KPIs

1. Extend footprint in KSA
2. Continue to expand our footprint in the UAE
3. Drive omnichannel offering

2022 Achievements

- Refreshing store mix with two new flagship pharmacies, 20 new pharmacies opened in KSA, and two pharmacies opened in the UAE
- Opening 43 larger pharmacies and closing 105 smaller pharmacies, resulting in better throughput and productivity
- More than 13% of Nahdi's revenues are from online channels, with e-commerce crossing the SAR 1 billion business mark
- Delivering SAR 18 million in non-KSA revenue vs SAR 3 million in 2021 (+461%)

3 Evolve into a leading omnihealth platform

KPIs

1. Become a primary care hub with Express clinics (non-urgent care)
2. Expand health services via polyclinics and home healthcare
3. Further enhance Nahdi virtual medical consultation services

2022 Achievements

- Nahdi clinics served more than 500,000 Guests with an NPS of 75%
- Delivering around SAR 49 million sales in omnihealth
- Opening 48 Express clinics (non-urgent care) across KSA
- Opening our third Polyclinic in Jeddah

4 Enable Nahdi's key strategic functions

KPIs

1. Enhance tech and supply chain capabilities
2. Attract and retain top talents
3. Expand strategic partnerships

2022 Achievements

- Securing talent for required business operation, with more than 1,000 national pharmacists, of which 50% are female
- Nahdi's unique workplace culture has continued to be recognized (fourth place for Saudi Nationals, second place in Saudi, third place in Asia)
- C. 90% was the highest ever participation rate since we started GPTW exercise in 2014
- Nahdi's efficient supply chain and distribution capabilities with 96% shelf availability
- Total digital transactions in 2022 around 5.5 million

Market overview

Nahdi is firmly positioned as the leading player in a growing market that is supported by strong demographic tailwinds, positioning the Company for strong and sustainable growth in the years ahead.

The overall growth in the market is underpinned by strong demographic drivers including:

Population growth

Saudi Arabia is the largest GCC economy with a population size of 34.1 million according to the last report from the General Authority of Statistics. The population in Saudi Arabia is expected to grow and reach c.37 million by 2026, with a projected rise of 6.6% in the 65-year-old plus demographic to reach 1.8 million in 2026, which would manifest in terms of strong demand for healthcare services.

GDP growth

Overall, the outlook for growth in Saudi Arabia in 2023 is positive, though slower than the stellar performance in 2022. Downside risks include risks of emerging COVID-19 variants and their impact on economic activity, and the downturn in growth globally, especially in Saudi's major trade and foreign direct investment (FDI) partners.

Growth in 2022 exceeded the Ministry of Finance's (MOF) projections from the previous year and marked a substantial improvement over 2021 as oil prices rebounded and non-oil activity continued to be supported by the relaxation of COVID-19 restrictions and government reforms.

The real GDP growth is estimated at 8.5% in 2022, higher than the 7.4% budgeted for 2022 and compared with growth of 3.2% in 2021.

The 2023 budget assumes real GDP growth of 3.1%. The 2023 forecast assumes continued momentum from 2022 and growth in non-oil domestic economic activity in 2023, led by the private sector. This is while many global economies face more downbeat forecasts including fears of a recession in some.

Controlled inflation

The annual inflation rate in Saudi Arabia increased to 3.3% in December 2022 from 2.9% in the previous month. It was the highest inflation rate since June 2021, due to accelerating increases in housing, food, and transport prices. Controlling inflation in Saudi Arabia is made possible by a number of factors, including the Government's efficient supply chain management strategies, fuel, and food subsidies, the peg of the Saudi Riyal to the strong US Dollar (which helps to control import inflation), and higher oil revenues (which helps keep the impact of high global commodity prices on domestic inflation in check).

Due to the Saudi Riyal's peg to the US Dollar, any changes by the Saudi Arabian Monetary Authority (SAMA) in response to fluctuations in inflation levels, will be in tandem with moves by the US Federal Reserve. The inflation rate in Saudi Arabia looks set to continue to be the lowest among G20 members and among the lowest worldwide in 2023, supporting, among other things, private consumption and tourism in the country.

Growing need for cost effective healthcare

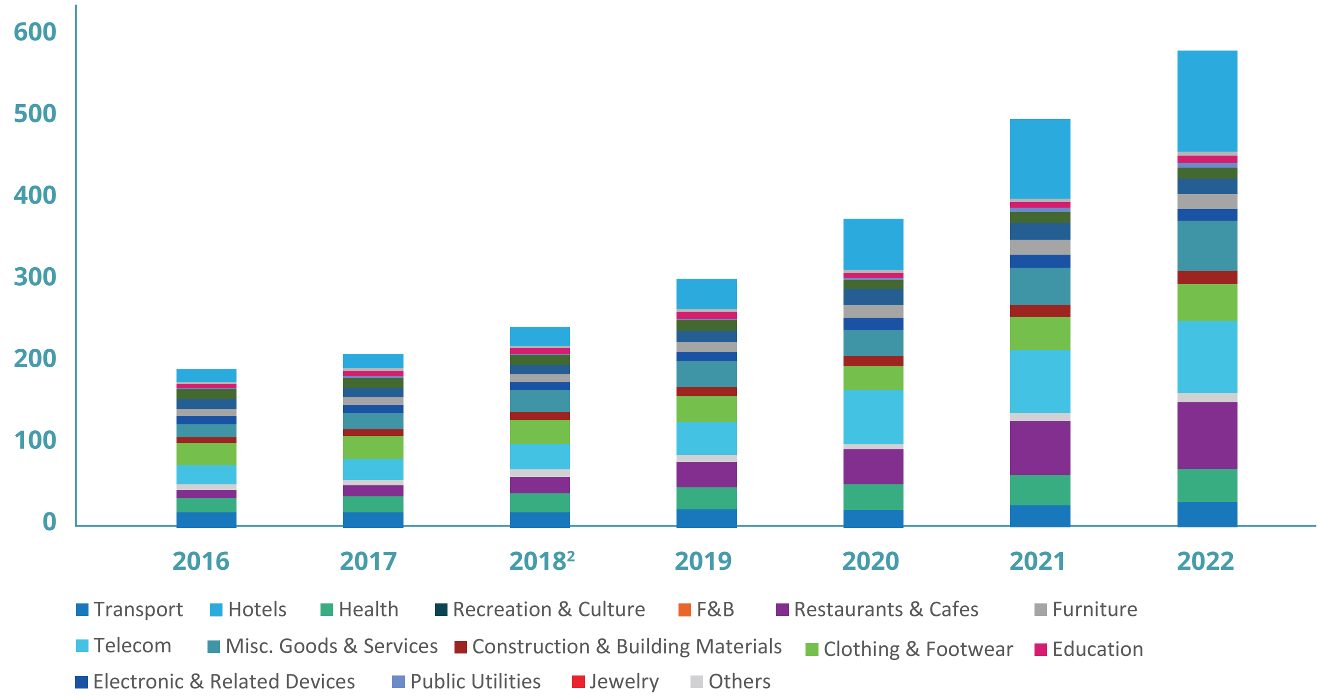
Due to the prevalence of modern lifestyle diseases, chronic diseases such as diabetes and obesity are set to become more widespread in KSA, rising from 15.8% and 36.8% in 2016 to 24.3% and 42.9% in 2026, respectively, according to Euromonitor. The same study forecasted, by 2026, private sector expenditure in healthcare would increase to SAR 25 billion at a 5.5% CAGR, thereby directly impacting the demand for treatment as well as preventative care in pharma retailing and primary care.

E-commerce sales and transactions growth

Despite higher inflation in 2022, data on point-of-sale (POS) and e-commerce transactions – indicators of private consumption – showed healthy spending. The value of

POS transactions growth

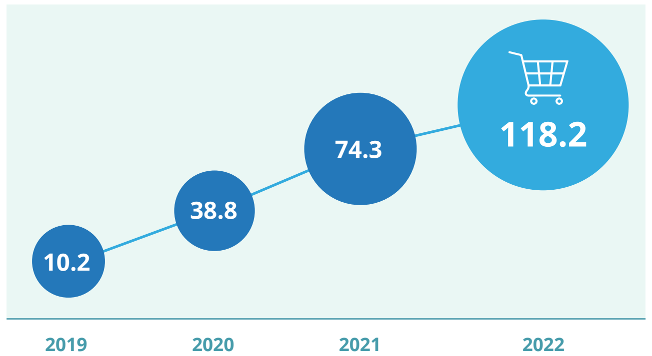
Saudi Arabia point of sale trasnactions (SAR, B)[1]



e-commerce transactions was also at a record high in Q3 2022 since 2019 when SAMA started reporting data on this indicator. Higher interest rates could weigh on credit-based consumer spending in 2023, but this could be tempered by easing inflation and potentially increased public wages.

E-commerce transactions growth

Saudi Arabia E-commerce Sales (SAR, B)[1]



Mandatory health insurance

Private health insurance is forecast to expand at a 7% CAGR to SAR 27.6 billion by 2026, and claim values are expected to grow at 15% CAGR through to 2025. These trends are driven by mandatory private insurance for the private sector, population growth, as well as medical health inflation which refers to medical trends and developments, and the increase in cost to support them.

Saudi Vision 2030: healthcare and privatization

Among the goals of Vision 2030, Saudi Arabia is looking to improve the healthcare system to offer a fulfilling and healthy life to citizens by making it easier to access healthcare services, improving the value of healthcare services and strengthening preventative measures against health threats. The private sector is expected to play a pivotal role throughout this journey and is underpinned by the strong shift towards the privatization of healthcare services as the Government aims to increase private sector participation to 35% by 2025.

Firmly positioned as the market leader

Nahdi is ideally positioned to continue to capitalize on these supportive trends to capture market share and reinforce its market leadership.

[1] SAMA. Full-year 2022 data was annualized using Q1-Q3 available data from SAMA.
Saudi Arabia Economic Outlook 2023, Strategic Gears Management Cons.
https://strategicgears.com/index.php/providers/reports/13-reports/73-saudi-arabia-economic-outlook-2023
[2] 2018 pre-IFRS

CFO's review

As the leading Company in the food and staple retail sector, Nahdi has continued to grow and deliver outstanding financial results. During a landmark year that featured our successful IPO and many more milestones and strategic achievements, we continued to grow our core business while accelerating and strengthening key strategic areas and initiatives in line with our guidance to our shareholders and stakeholders alike.

During 2022, Nahdi continued to build on our robust business and financial profile by maintaining focus on our strategic ambitions to drive progress across all areas of our business.

We capitalized on our unique size and scale in our market to achieve solid top and bottom-line growth during the year, while investing in strategic growth and diversification and maintaining healthy cash flows and zero debt, while maintaining our CAPEX at c.3% level.

We remain on track to deliver on our published medium-term financial guidance of achieving above mid-single digit revenue growth and maintaining a bottom-line margin in our core pharmaceutical retail business, while pursuing exponential growth in our emerging healthcare business, regional expansion and the launching of our new state-of-the-art IMDAD distribution center, driving efficiency and productivity.

Solid revenue and profit growth

Revenue increased by 6.8% during 2022 compared to the previous year, to reach SAR 8,616 million for the year, ahead of the previous four-year CAGR of 3.1% (2018-2021). This was primarily driven by growth in our retail segment and the return of religious tourism to the two Holy Mosques in Makkah and Madinah to normal levels, as well as key strategic initiatives beginning to create value.

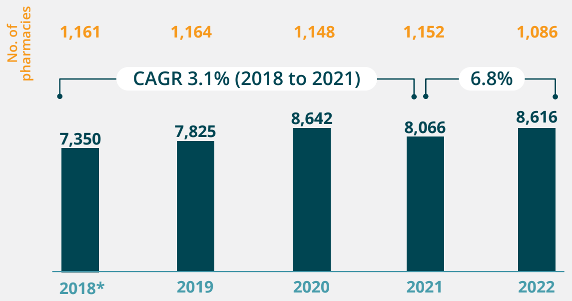
Gross profit increased by 6.5% compared to last year, driven by sales growth, while gross margin maintained the same level as last year at 40.9%. Growth in Private Label brands and Direct Import products enabled us to stay competitive and invest into the growth of new incremental revenue streams. On the other hand, operating expenses increased to support business growth at a rate of 4.6%, slightly below revenue growth.

This resulted in net profit increasing by 9.3% in 2022 compared to the previous year, to reach SAR 888 million from SAR 813 million in 2021. This reinforces Nahdi's proposition as a growing and profitable business, driven by increased sales, best-in-class margins (including Private Label brands and Direct Import products), along with strong OPEX and CAPEX management driving efficiencies and minimizing spending, thus maintaining the double-digit net profit margin.

EBITDA maintained its positive trajectory to reach SAR 1,602 million for the year, growing at 6.3% compared to last year, with an EBITDA margin of 18.6%.

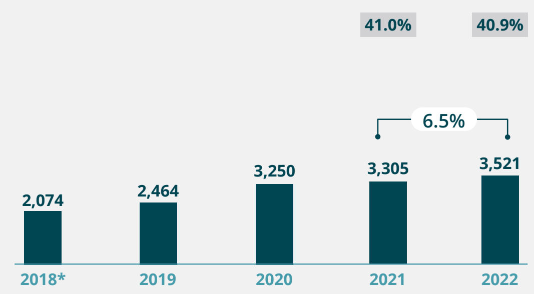
Mohammed Al-Khubani
Chief Financial Officer

Revenue growth (SAR million)



Source: Company Disclosure

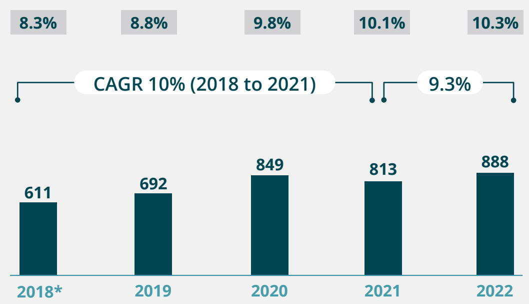
Gross profit (SAR million)



Gross profit Gross margin

Source: Company Disclosure

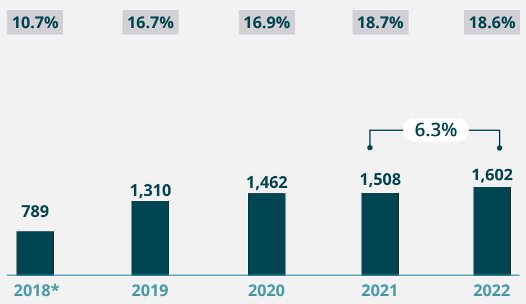
Net profit (SAR million)



% Net profit/revenue

Source: Company Disclosure

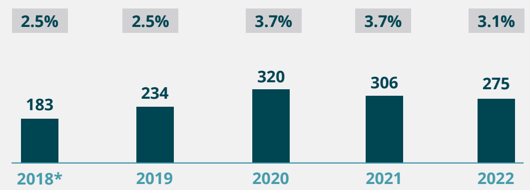
EBITDA (SAR million)



EBITDA/Revenue

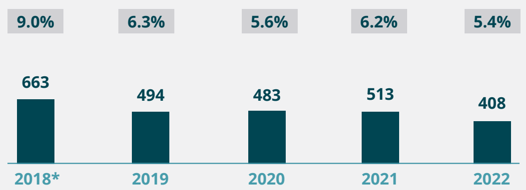
Source: Company Disclosure

CAPEX (SAR million)



% Capex/Revenue

Net working capital (SAR million)



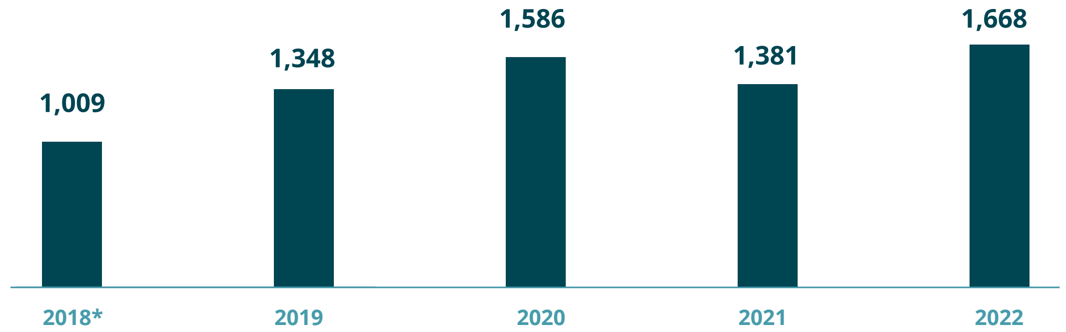
% Net working capital/Revenue

Source: Company Disclosure

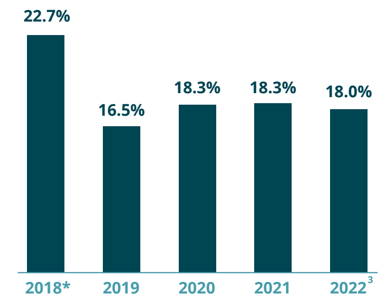
*2018 pre-IFRS

Net cash generated from operating activities

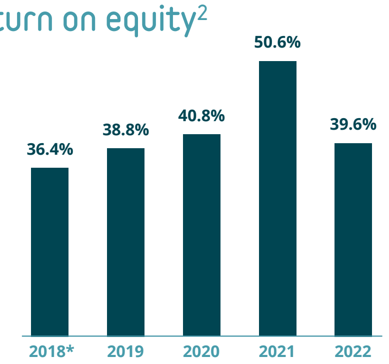
(SAR million)



Return on assets[1]



Return on equity[2]



Source: Company Disclosure

[1] Calculated as net profit of the year divided by total assets

[2] Calculated as net profit of the year divided by total equity

SAR	2018*	2019	2020	2021	2022
Revenues (million)	7,350	7,825	8,642	8,066	8,616
EBITDA (million)	789	1,310	1,462	1,508	1,602
EBITDA margin	**10.7%**	**16.7%**	**16.9%**	**18.7%**	**18.6%**
Net profit (million)	611	692	849	813	888
Net profit margin (million)	**8.3%**	**8.8%**	**9.8%**	**10.1%**	**10.3%**
CAPEX (million)	183	228	320	306	275
Cash flow from operations (million)	1,009	1,348	1,586	1,381	1,668

Strong financial fundamentals

Our robust balance sheet demonstrates the unique proposition that we offer our shareholders, the strength of our financial foundations and the opportunities that we have to invest in further growth in the future.

During 2022, we maintained a zero debt position and strong cash generation, with cash and cash equivalents sitting at over SAR 1 billion as of year-end returning back to the 2020 level. Total assets increased to reach SAR 4,934 million, a rise of 15.1% from SAR 4,287 million at the end of 2021, driven by a growth in current assets and in particular our cash position. This is mainly driven by the business growth and enhanced cash conversion cycle. It is worth mentioning that there was a temporary increase in the cash balance due to the unreadiness of some of the suppliers for the implementation of the E-invoicing project.

Total equity returned to the historical levels reaching SAR 2,243 million as of year-end 2022, while total liabilities maintained its position at SAR 2,691 million.

Demonstrating the sustainable profitability of our business, return on assets (ROA) reached 18.0% for 2022. Similarly, return on equity (ROE), maintained historical levels, reaching 39.6% for 2022. Both indicators remain significantly higher than retailers' industry averages.

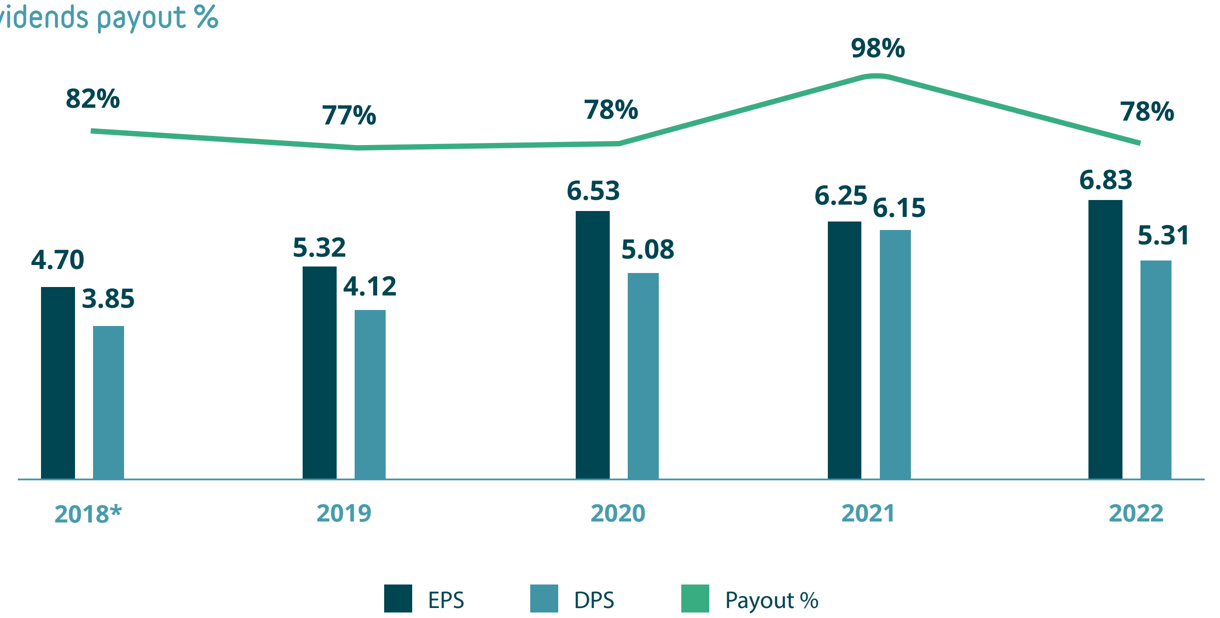
SAR	2018*	2019	2020	2021	2022
Total assets (million)	2,689	4,186	4,666	4,287	4,934
Total equity (million)	1,679	1,784	2,079	1,604	2,243
Total liabilities (million)	1,010	2,402	2,587	2,683	2,691
Return on assets	22.7%	16.5%	18.2%	19.0%	18.0%
Return on equity	36.4%	38.8%	40.8%	50.7%	39.6%

As a result of this strong financial performance, the Board of Directors approved a cash dividend distribution for the first half of 2022 of SAR 2.31. Moreover, the Board has approved a cash dividend distribution of SAR 390 million (SAR 3.00 per share) for the second half of 2022, which will be distributed in Q2 2023, bringing the total up to SAR 690 million, representing 78% of the 2022 net profit. This is in line with the Company's dividend distribution policy to reward our valued shareholders.

Dividend distribution (2018 – 2022)

	2018*	2019	2020	2021	2022
Net profit for the year (million)	611	692	849	813	888
First dividends distribution amount (million)	200	200	200	800	300
Second dividends distribution amount (million)	300	335	460	-	390
Total dividends distribution amount (million)	500	535	660	800	690
Dividend per share "first dividends distribution" (SAR per share)	1.54	1.54	1.54	6.15	2.31
Dividend per share "second dividends distribution" (SAR per share)	2.31	2.58	3.54	-	3.00
Dividend per share "total dividends distribution" (SAR per share)	3.85	4.12	5.08	6.15	5.31
Earnings per share "EPS" (SAR per share)	**4.70**	**5.32**	**6.53**	**6.25**	**6.83**
Dividend per share "DPS" (SAR per share)	**3.85**	**4.12**	**5.08**	**6.15**	**5.31**
Dividend payout percentage (% of net profit)	**82%**	**77%**	**78%**	**98%**	**78%**

Dividends payout %



*2018 pre-IFRS

Risk management

Effective risk management is core to Nahdi's management practices that help deliver strategy and commitments to our Guests, investors, community and stakeholders.

The Executive team regularly monitors the overall risk profile of the Company by determining adequate policies to ensure that key risks are managed at acceptable levels. Where a risk is not managed at an acceptable level, the Executive team formulates an action plan to mitigate the risk with clear responsibilities and timeline for completion. The Executive team conducts regular follow up to ensure timely progress of these action plans.

Risk management framework

Nahdi's risk management framework is aligned with leading global standards and better industry practices.

Identify

The process starts with identification of the risk by analyzing the Company's business operations, the external environment within which the Company operates and the regulatory landscape. This includes the impacts on the Company's strategy, objectives and key processes.

Prioritize

Identified risks are prioritized to optimize the resources and facilitate sound decision-making. The risk prioritization is based on the likelihood of the risk occurring and the potential impact on the Company.

Response

Necessary measures are taken and closely monitored in order to avoid, mitigate or reduce the risks to avert any potential damages they may cause.

Key risks

The Company is exposed to various risks which impact the Company directly and/or indirectly. The following are the details:

Global political and microeconomic environment

The Company could be impacted by the current global political and economic environment which is resulting in high inflation and increased costs.

The Company is aware of the microeconomic variables through understanding and studying the market along with a rigorous process to assess the impact of these microeconomic developments on its suppliers, Guests and customers. An adequate, diligent approach is in place to deal with any adverse outcome.

Competitive environment

The Company may be impacted by competition from the domestic and international operators. The Company has a variety of competitors which includes other pharmacies, clinics, retailers and online stores.

The Executive team continuously monitors the prices and promotions of products and services to maximize competitive edge. The Company has a strategy to strengthen its own brand and continuously improve the quality of products and services. The Company is continuously enhancing its omnichannel platform and adding more services to its online platform to facilitate improved Guest and customer experience. A healthy loyalty program is also in place to retain current Guests and increase Nahdi's market share.

Supply chain disruption

The Company is exposed to disruptions when delivering of products doesn't take place to distribution centers and stores due to unavailability of key products, in particular due to global supply chain disruptions following events such as the COVID-19 outbreak and the current Ukraine war.

The Company maintains strategic relationships with both local and international suppliers and works proactively with them. The Executive team closely monitors the products' inventory level regularly and has a robust procurement and inventory management process in place.

Regulatory compliance

The Company is subject to comply with a number of regulatory requirements such as the Ministry of Health, Ministry of Commerce, Saudi Food and Drug Authority, Saudi Commission for Health Specialties, Zakat, Tax and Customs Authority, Human Resources and Social Development, Capital Market Authority, Saudi Exchange, and more.

The Company has a robust process to manage regulatory compliance and it maintains healthy relationships with key regulatory bodies. The Executive team closely monitors compliance with all applicable standards on a regular basis. The Company also has a strong second and third line of defense to seek assurance of continuous regulatory compliance.

Cyber security

A cyber security incident can result in unauthorized access to, or misuse of the information systems, or data. This could lead to leakage of sensitive information, loss of critical assets, impact on trade and operations, and reputational damage.

The Executive team monitors the Cyber Security program regularly and the Company continuously adopt new technologies by implementing advanced tools to identify and mitigate all possible cyber security threats and security breaches. The Company also continues to enhance its technology infrastructure to improve resilience capabilities. Adequate business continuity plans, and mechanisms are in place to minimize disruption in the event of a technology failure.

Operating review

Our four strategic pillars continue to drive Nahdi's performance and expansion in its constant pursuit to add beats to Guests' lives every day

1 Strengthening our core retail offering

Nahdi aspires to be the most trusted and preferred health and wellbeing partner for all its Guests. It is therefore important that the Company's pharmaceutical retail business provides its Guests with access to a wide range of superior health and wellbeing products and services. Nahdi's Private Label brands and Direct Import products, and strategic product categories have together contributed to success across the retail business.

Today, Nahdi is the leading pharmaceutical retailer and healthcare provider, serving 97% of the population of the Kingdom across 140 cities and villages in the pharmaceutical and health products sector, such as medicine, wellness, mom & baby, beauty and other wide-ranging FMCG products. This is in addition to an ever-expanding Private Label brands and Direct Import products segment, providing Guests with high-quality and competitively-priced products.

Nahdi continues to win with its Guests by providing top-class products, services and solutions. Guests have access to these products through the Company's brick and mortar or in the comfort of their homes through Nahdi's best-in-class digital services, with a compelling omnichannel experience, providing Guests with seamless online and offline optionality.

Boosting strategic product categories and growing Private Label brands and Direct Import products' contribution

Since its incorporation in 1986, Nahdi has continued to exceed its Guests' expectations and add beats to their lives. This has contributed to a paradigm shift in the pharmaceutical sector, with the introduction of new categories to the Company's products and brands to meet all its Guests' needs. As a result, Nahdi's operations have significantly expanded, making it the leading pharmacy retailer today.

Nahdi's continued and sustained performance in 2022 was also dependent on a winning merchandise strategy at its core. The Company enjoys a leading market share in several categories not exclusive to medicine. Over the years, Nahdi managed to establish a leading share position in a spectrum of adjacent categories such as prescription medicine, self-medication and wellness categories, which includes vitamins, minerals and supplements, home healthcare and healthy foods, including sports nutrition. Being a destination for mothers and their babies, Nahdi is considered a leader in diapers, baby toiletries, baby milk and specialty formulas, in addition to a large assortment of mother and baby needs and accessories, hence completing the totality of the baskets' needs. Furthermore, Nahdi is also a destination for beauty and personal care categories, where the Company enjoys a substantial market share in dermo-cosmetics, hair and oral care, bath and body, cosmetics, colors and beauty accessories.

The commercial category strategy also enjoys a rich breadth and width of assortment, where the Company partners with leading local and multinational companies to distribute and market its well-known brands, and also relies on a great deal of differentiation via its Private Label and Direct Importation of brands. During 2022, Nahdi managed to reinforce its market position in medicine through its assortment, price, promotion and differentiation strategy.

As a core part of the business, Nahdi has developed a range of Private Label brands and Direct Import products over recent years to offer Guests high-quality products at competitive prices. The Company manages products at all stages of production, from conception, to shelving the products in its pharmacies, based on its Guests' feedback and needs. The Company, however, is not involved in product manufacturing.

Private label products cover most product categories, including medical accessories, baby food, beauty products, self-medication and health food, and are sourced from a number of reputable international manufacturers with whom the Company has long-established strategic relationships.

The Company has been able to build strong Private Label Brands, and is growing them exponentially. These include, but are not limited to: Gamar mom & baby care brand; Beatswell, Febella and Velveta feminine care brands; Nahdi home healthcare brand; Viora and Clevie skin care brands, Orex oral care brand, etc. Their contribution to sales has proved the success of Nahdi's brand. The Company's strategy aims to continue enhancing its Private Label portfolio by constantly updating and expanding the range of its products and breaking into new categories to

1

further serve the needs of Nahdi Guests. Its Gamar mom & baby brand has established itself as one of the key players in the segment of diaper brands in Saudi Arabia.

In 2022, Nahdi increased the number of its Private Label's and Direct Import SKUs to reach approximately 4,600 and Private Label and Direct Import brands to reach around 320, as the sales from such products exceeded SAR 1 billion for the first time in 2022, representing a 13% in net sales.

Enhance strong brand image and loyalty

For over 35 years, Nahdi has delivered its purpose through 1,086 pharmacies and three NahdiCare clinics with the help of its frontline pharmacists and doctors, who have contributed greatly to establishing a close relationship of care and trust with millions of Guests across the Kingdom and in the region. This relationship has been further strengthened through the Company's efficient digital presence, offering the Guests different services such as e-commerce, home healthcare, home delivery, virtual medical consultation services and other omnihealth services. The interactions with millions of Guests across all communication channels focuses on providing superior care through an integrated health and wellness experience.

Nahdi won the Brand of the Year 2022 in the Healthcare and Pharmaceutical category for the fourth year in a row, at the World Branding Awards. Moreover, Guests and their families benefit from even greater value and personalized offers through Nahdi's well-established "Nuhdeek" loyalty program. Nuhdeek provides the best services and offers, new products, and health tips, catering to Nahdi's Guests' health and wellbeing needs by directly engaging with them and allowing them to receive rewards in the form of free products, vouchers, or charitable donations after each purchase. Guests' continuous engagement and participation in the "Nuhdeek" program has contributed to 75% of the Company's sales. In line with accelerating digital transformation driven by the 2030 Vision, it is expected that the rate of digital interaction will continue to increase.

Approximately
4,600
Private Label and Direct Import SKUs

Around
320
Private Label and Direct Import brands

SAR 1 billion
sales in Private Label and Direct Import products

75%
of "Nuhdeek" program contributed to Company sales

2

Expanding our omnichannel retail footprint

From convenience to experience with the Guests in our heart

Nahdi is proud of its strong and trusted partnership with millions of loyal Guests served through its 1,086 pharmacies and an integrated network of clinics, underpinned by its state-of-the-art digital channels. As Nahdi adopts a Guest-centric approach, this partnership has gone above and beyond simply providing products and services, to become a unique healthcare experience delivered through multiple channels, operational excellence and highly trained and skilled staff. This has led to Nahdi continuously winning with its Guests and has achieved an NPS of 85%.

Nahdi is proud to have nationwide coverage in Saudi Arabia, with strategically located stores within proximity of the majority of the Saudi population. In 2022, Nahdi optimized its store mix as the Company aims to provide its Guests with even better and improved experiences through the transition from convenience to experience, physically and digitally. During this transition of opening 43 new larger sized pharmacies and closing around 105 smaller pharmacies, Nahdi was successful in retaining the vast majority of its Guests, resulting in better throughput and productivity for the relevant stores and therefore an increased basket size. Testament to this development is the opening of Nahdi's largest flagship pharmacy in the Kingdom, with a total of 2,700 square meters in the center of Riyadh, that is designed to further elevate its Guests' retail experience and support the Company's leading position by maintaining its market share. As a result, pharmaceutical sales for the 2022 year reached SAR 8.5 million, an increase of 6.4% from last year.

Nahdi upped the ante for Guest experience, improving quality checks and doubling visits from mystery shoppers. The Company also ensured the quality and safety of our products and services, meeting 100% compliance with all regulators' required licenses and certifications.

The Company aims to remain at the forefront of providing the best services to its Guests through building innovative experiential pharmacies, providing unique and interactive shopping experiences through the latest virtual reality and artificial intelligence technologies, and a robotic pharmacy, all of which became part of Nahdi's unique culture. Guests are at the heart of Nahdi's omnichannel offering. They benefit from a range of services within the Company's pharmacies such as consultations, medical adherence programs, beauty applications, Scan&Go and drive-thru, in addition to Nahdi's free wellness program, Wazen Hayatak, and increased assortments.

From the convenience of their homes and with a click of a button, Guests also have access to services such as Nahdi's e-commerce platforms, store to home delivery, click & collect, and the newly introduced E-pharmacist service which provides free virtual medical consultation services and more to all Guests via Nahdi App. This is a testament to Nahdi's commitment of making healthcare more accessible with the use of cutting-edge technology.

"From the world to the Guests' doorsteps" elevating a seamless Guest experience

Nahdi has been disrupting the industry with innovative initiatives for almost four decades. This tradition continues with the launch of Nahdi Global, which provides Guests with access to a significantly wider array of products such as vitamins, minerals and mom & baby products from all over the world and more to be included in the future. The launch of IMDAD in early 2022, and the establishment of the first licensed bonded zone for a private company, have set the right foundation and capabilities to make this feature available on the Company's e-commerce platform. Nahdi wants to give its Guests the peace of mind that they are procuring products from a reputable Saudi company that sources its inventory from trustworthy manufacturers and ensures storage and distribution quality are maintained at the highest levels possible. At the same time, Guests are sure to benefit from speedy delivery.

Nahdi is committed to delivering a compelling omnichannel experience by providing Guests with seamless online and offline optionality. The Company is consistently scaling up its digital experience to build Nahdi's website and applications as a destination for products, solutions and knowledge. Providing a seamless Guest experience is at the heart of Nahdi's success, resulting in online sales reaching SAR 1 billion, for the first time in 2022. This has been a historic moment.

Moreover, Nahdi's digital efforts paid off this year with a marked increase in traffic. The total Nahdi number of sessions was 145 million through all its applications and websites.

Expanding our regional footprint

After the end of the COVID-19 pandemic, Nahdi continued to focus its efforts on expanding its footprint in the UAE market. Nahdi expanded its presence in the UAE from one[1] to seven pharmacies by the end of 2022, with 461% annual revenue growth and plans underway to expand further. Guests in the UAE benefit from the same seamless experience of Nahdi's e-commerce platforms, and will benefit from the E-pharmacist and Nahdi Global services soon.

Delivering a seamless omnichannel experience to Nahdi's Guests

1,086
stores in 143 cities and villages (locally and regionally)

418Km²
total store area

5.5 million
total online transactions including website, Nahdi application, and Nahdi Clinic application in 2022

SAR 1 billion
in e-commerce business online in 2022

#1
with 31% market share and 10% of the total stores in KSA

[1]As of H1 2021

3 Evolving into a leading omnihealth platform

Nahdi offers integrated healthcare services for all key healthcare needs through our proprietary omnihealth platform.

Tele-medicine

Polyclinics

Home healthcare

Express clinics (non-urgent care)

Nahdi is leading the charge in redefining the future of healthcare in the Kingdom by seamlessly integrating healthcare, pharmacy and digital services. The Company is leveraging emerging synergies to create a 360-degree healthcare environment built around the needs of its Guests – a groundbreaking model that is in line with its strategy to become the omnihealth gateway for healthcare in the Kingdom and beyond.

Above and beyond retail pharmacy, Nahdi's fully-fledged healthcare services are also growing significantly. Nahdi's omnihealth platform offers integrated healthcare services to its Guests along with all their key healthcare needs. The Company's fully-fledged healthcare services include polyclinics, Express Care (non-urgent care) clinics, virtual medical consultation services and home healthcare.

Since the opening of the first NahdiCare clinic in 2019, Nahdi has been rigorously working on building up all primary healthcare touchpoints to become the gateway of healthcare in the KSA. The Company aims to provide Guests with a unique experience, in line with the quality of experience they are used to from Nahdi's pharmacies.

3
Nahdi Polyclinics

48
Nahdi Care Express Clinics (non-urgent care)

3,230
Guests served through home healthcare services

Following the ongoing success of the omnihealth services, constant innovation, rigorous testing and ongoing Guest feedback, Nahdi began scaling up in 2022, to become a national player in primary healthcare. Nahdi now offers Guests across the Kingdom access to consultations with a GP or specialist through its specialized virtual medical consultation services. Nahdi's three care clinics also provide a wide range of specialized services related to pediatrics, dentistry, ophthalmology, dermatology, radiology, cardiology, emergency rooms, family medicine, gynecology, orthopedics and otolaryngology, laryngology, internal medicine, neurology, urology and speech therapy.

The Company has seen a significant jump in its healthcare services, which now includes Magnetic Resonance Imaging "MRI" services in partnership with Diagnostics Elite. Under this partnership agreement, specialized medical imaging centers have been established in different sites of NahdiCare clinics to provide Computed Tomography "CT", in addition to the MRI services, using the latest medical devices and technologies. These include artificial intelligence technologies and smart communication applications, and guarantee Guests the best diagnostic quality with the lowest radiation doses, according to international standards. Nahdi's clinic services are 100% compliant with all regulators' required licenses and certifications. All Nahdi clinics are fully certified by the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI).

In 2022, NahdiCare clinics recorded around 500,000 visitors and a revenue of SAR 49 million. Moreover, Nahdi achieved a NPS of 75% in healthcare services provided in its clinics.

The Company's omnihealth offering is now fully integrated with its core business, and these services have extended our services. This is in line with Nahdi's aim to become a gateway for its Guests and establish a primary healthcare system underpinned by best-in-class digital solutions through technology and data. In this regard, the Company has introduced market-leading digital services through its first virtual medical consultation center giving access to health services to Guests across the Kingdom.

Through Nahdi's virtual medical consultation services, Guests can consult with a GP or a specialist and access medical services remotely through the Nahdi Care application. The Company has seen significant growth through these services, with a total of 276,000 consultation calls by the end of the year. In addition, Nahdi provides home healthcare services to Guests at a location of their choice, which served 3,230 Guests by year-end 2022.

Nahdi offers a range of online services that allow Guests to access expert care and advice from the comfort of their own homes. These online services through the Nahdi Care website or app include:

- Scheduling medical appointments
- Participating in virtual medical consultations with short wait times
- Accessing health records and prescriptions through the Nahdi app or web-based profile
- Receiving treatments and prescriptions online or at a physical location
- Submitting claims to health insurance companies to purchase medication
- Monitoring Guest adherence and receiving health advice through various channels, including the "Salemtum" platform, to ensure the most effective treatment possible

3

By offering a range of services across both physical and digital channels, Nahdi is able to meet the diverse healthcare needs of its Guests and provide them with convenient, affordable and high-quality care.

Utilizing its vast network of 1,086 pharmacies, Nahdi was able to scale up the healthcare services it provides throughout its network. Nahdi has grown its Express clinics (non-urgent care), which are located within its pharmacies, with an additional 36 Express clinics, reaching a total of 48 in 2022.

These Express clinics provide a range of primary care services and consultations, and Guests can benefit from services such as glucose and blood pressure measurements, cumulative glucose measurement, lipid analysis, vaccinations and weight control.

Redefining the future of primary healthcare is a top priority for Nahdi. Through the integration of healthcare and pharmacies, and digital services, the Company is working to create a comprehensive ecosystem that will revolutionize the way primary healthcare is delivered in the Kingdom. The Company believes that Nahdi is uniquely positioned to lead this effort and drive meaningful improvement in this critical area of healthcare.

In line with the Saudi 2030 healthcare agenda, Nahdi is committed to continuing to grow and expand its healthcare services in the coming years, in order to provide more accessible and convenient primary healthcare options to its Guests.

SAR 49 million
NahdiCare clinics revenue

36
new Express clinics (non-urgent care), bringing the total to 48

276,000
consultation calls

75%
NPS in healthcare services

3

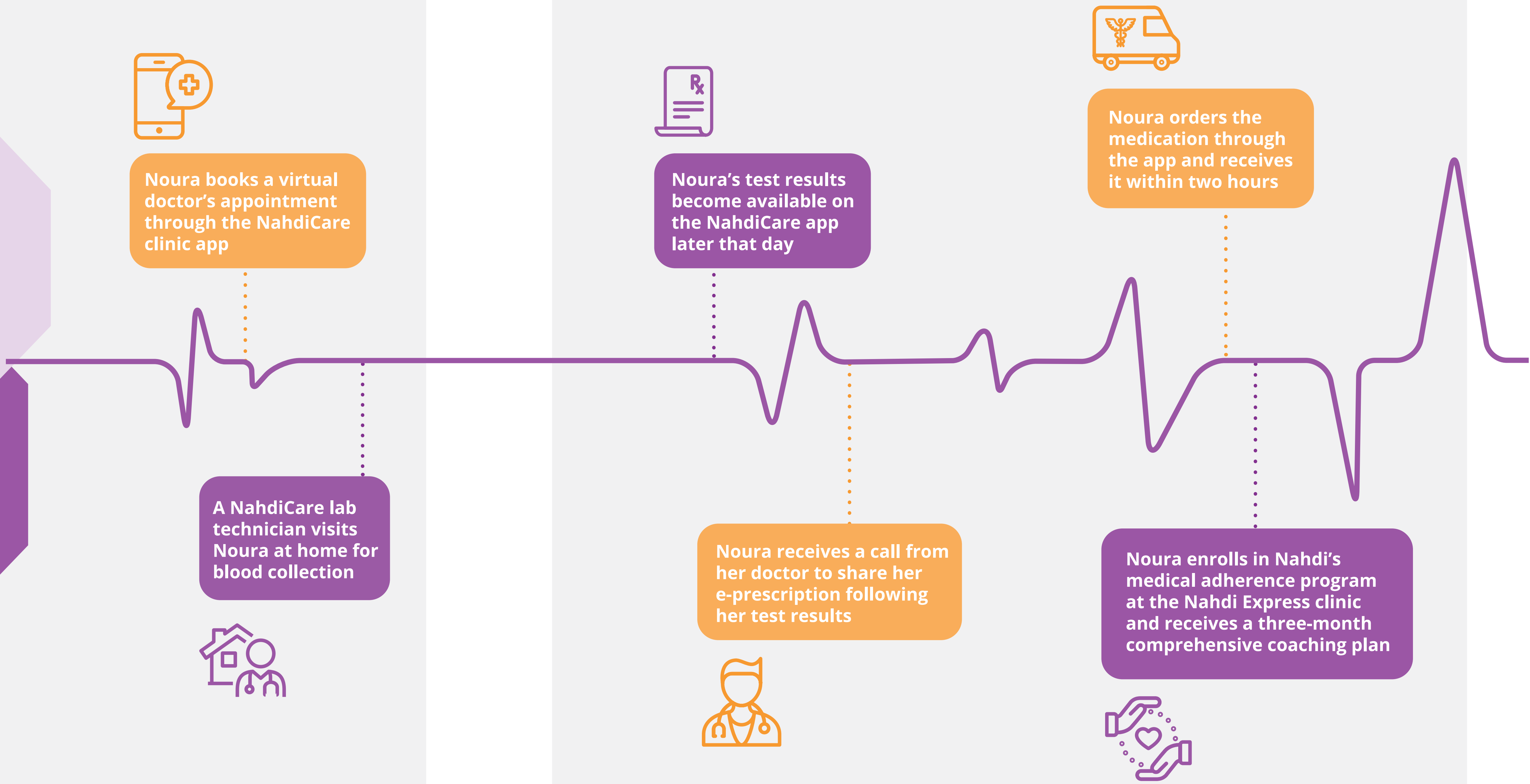
In the spotlight: Providing a holistic omnihealth journey

In the relentless pursuit of providing our Guests with a holistic healthcare experience, we have successfully transitioned from a multichannel to an omnichannel ecosystem.

Noura, a 33-year-old diabetic patient logs into the NahdiCare clinic app to book an appointment with her doctor. During the appointment, the doctor advises Noura to do regular blood tests on an empty stomach. The following morning, as part of Nahdi's home healthcare services, a NahdiCare lab technician visits her for blood collection. Noura's test results are made available on the NahdiCare app later that day.

Soon afterwards, she receives a call from her doctor to explain her results and share her e-prescription with her. Following the insurance approval, Noura orders the medications through the app, which she receives within two hours. Noura then visits the Nahdi Express clinic (non-urgent care) to get enrolled in Nahdi's medical adherence program, through which she receives a three-month comprehensive coaching plan.

Noura has now had the full omnihealth experience, marked by expert advice, heightened Guest convenience, and a complete spectrum of care. At the end of the day, healthcare is transforming as the lines between online and offline channels blur. Our channels and delivery of care must transform, too.



4 Enabling Nahdi's key strategic functions

Supporting the sustainable success of Nahdi's entire business and strategic growth are fundamental enablers that drive productivity, efficiency and sustainability.

In order to ensure that the Company continues to provide its Guests with best-in-class health products and services, build Guest loyalty and create stakeholder value, Nahdi applies the latest technologies across its world-class supply chain, develops capabilities and capacity to meet the growing needs of its business, and always attracts, engages and develops the best possible talent at every level within the organization. These strategic enablers contribute to Nahdi's unique value proposition and remain critical to our sustainable success.

Enable Nahdi's key strategic functions by applying cutting-edge technologies and supply chain capabilities

Nahdi invests and implements leading technologies and digital solutions to support Guest experiences and drive efficiency and productivity across the entire organization.

The Company is undergoing a large-scale digital transformation to apply and benefit from emerging and disruptive technologies at every level of its operations. Data and analytics are being applied for enhanced personalization and experience management.

Nahdi's technology and digital transformation includes a significant investment into its digital capabilities to support the omnichannel and omnihealth experience. The Company is developing and enhancing IT systems to support business growth, while implementing technology systems that enable new business models.

Nahdi continuously identifies and integrates cutting-edge technology and industry-leading automation throughout its operations, facilities and supply chains to drive process improvements, maximize efficiency and productivity, and reduce costs.

The Company's semi-automated state-of-the-art distribution center, IMDAD, comprehensively serves all healthcare needs across the GCC and has set the foundation for future growth and expansion. Nahdi's best-in-class supply chain capabilities and technologies build capacity towards a virtual endless shelf and smart fulfilment across its network.

To ensure the highest standards of quality and efficiency, Nahdi has partnered with industry leading international players, such as Oracle, Honeywell, SSI SCHÄFER and Miebach, among many others. Honeywell provides voice picking technology to improve the productivity significantly, while mainlining a high standard of safety. SSI SCHÄFER - CUBY shuttle systems help to implement automated storage and retrieval of totes and also provides real-time track and trace, which guarantees medical security in accordance with international standards.

250,000 m²
Land size

80,000 m²
Built up area

30,000
Pallet positions

More than 200 million units
Annual volume

1,086 pharmacies regionally
Serving

Passion for people

Nahdi is fundamentally a people business, bringing together outstanding talent to serve the needs of our valued Guests. With an innovative, people-centric approach, Nahdi delivers on its promise by attracting, developing and retaining the best talent to create a winning organization and mindset, while prioritizing Saudization, diversity and inclusion.

The Company employs exceptional human capital to ensure operational excellence and growth in serving its Guests, and has consistently been ranked among the Top 20 List of "Great Places to Work" (GPTW) in Saudi, the GCC and Asia since 2014. Nahdi's unique workplace culture has continued to be recognized during 2022, reinforcing the Company's reputation as an employer of choice in its sector and market. Nahdi was named the fourth best workplace for Saudi Nationals and second place for all among large organizations in Saudi Arabia, and also took home the honor of being named third best place to work in all of Asia.

The Company believes that its employees are its greatest and most valuable asset. Therefore, it pays them its utmost attention during their careers and is keen on helping them find a clear career path and thoroughly understand the competencies and skills needed for career growth to ultimately achieve the Company's objectives and strategies. Nahdi also devotes its attention to fostering its culture and values, offering training and development opportunities at the most senior levels, and developing the best resources to take part in the development of individuals. All of this translated into the provision of over 500,000 hours of employee training during 2022. Being a leading Saudi company, Nahdi plays a major role in nurturing, training and qualifying national talent, helping them develop their skills in line with the Saudi Vision 2030.

The Company is dedicated to developing a unique learning culture where each individual can tap into their greatest potential, which increases job satisfaction and supports professional development, thus enabling the employees to actively participate in adding beats to the Guests' lives at every moment. Nahdi ensures to offer its employees the best learning and development opportunities through every career stage. Starting at the university level, and in the spirit of its social responsibility, the Company offers training to university students in partnership and cooperation with major Saudi universities (a total of 24 universities), partaking in qualifying and empowering the students with the knowledge and skills needed in the job market.

Supporting the Saudi Vision 2030 goal of "Cultivating and empowering National talents" remained a top priority for Nahdi in 2022. Nahdi's Saudi employees represented 33% of the total headcount, with 380 pharmacists hired in 2022, bringing the total national pharmacists to 1,000, of which 50% are females.

5,382*
Total headcount

1,787
Total Saudi Nationals

797
Total females

33%
Saudi Nationals

15%
Females

*Total number of Nahdi and subsidiary staff is 10,638

Stakeholder engagement

Our shareholders

- In line with our pursuit for transparency and governance, we held two General Assembly Meetings in 2022
- Hosted investor/analyst meetings to maintain post IPO momentum resulting in an increase in the foreign ownership of Nahdi's shares to an annual high of 9.90%, a +29.7% from the first day of listing
- For the year of 2022, Nahdi's Board has approved a cash dividend distribution of c. 78% which is above the historical dividend payout average
- Maintained an active relationship with CMA and Tadawul resulting in a successfully executed Nahdi IPO as the second largest IPO at the time
- Established an Investor Relations department for ongoing communication with investors, analysts and regulatory bodies, through various channels including the newly launched dedicated webpage and email for the function

Our guests

- Engaged with c. 100 million Guests through our brick and mortar
- Maintained an active Guest care center across various channels including phone call, emails, and social media accounts
- 145 million sessions on our digital platforms resulted in SAR 1 billion online sales through our digital primary healthcare services.
- 276,000 virtual medical consultation services were conducted in 2022
- Enhanced service efficiency through digitalization and automation to improve the Guest satisfaction levels (85% NPS)
- Benefited from even greater value and personalized offers through the "Nuhdeek" loyalty program, which members contributed to 75% of sales

Our suppliers and partners

- Recognized as a preferred partner of insurance companies for the benefit of our Guests
- Established strong relationships and partnerships with suppliers and vendors to become a preferred partner

Our community

- Implemented sustainable Corporate Social Responsibility programs
- Signed an agreement with King Abdulaziz University to provide educational and research opportunities aimed at enhancing the role of Saudi youth in the economic development of the Kingdom
- In line with our commitment to promoting health and wellbeing, we launched the "Move to Donate" campaign, in collaboration with Ehsan and SDAIA, to raise awareness about personal wellness and the wellbeing of loved ones
- Successfully launched the free Wazen Hayatak program across 800 stores, giving 70% of the Saudi population access to wellness services
- Positively impacted the health of over 2.7 million Guests through our health and wellness responsibility initiatives
- Positively impacted the health and wellbeing of 850,000 mothers and babies through our Mom & Baby responsibility initiatives

Our Government and regulatory bodies

- Committed to fair competition while strictly adhering to all relevant laws and regulations set by The Saudi Council of Competition
- Recognized as a preferred partner of health regulators, companies, and investors such as the MOH, SFDA, and insurance companies
- Consistently adhered to all applicable government regulations and furnished detailed reports to relevant authorities as required
- Successfully implemented e-invoicing, streamlining financial operations and increasing efficiency

Our people

- Attracted and nurtured the best talents and provided 500,000 hours of training
- Launched the Nahdawi App for employees, providing convenient access to Company information, benefits, and resources
- Promoted a safe and respectful work environment for all employees by preventing discrimination, harassment, and violence
- Consistently ranked among the Top 20 List of "Great Places to Work" (GPTW) in Saudi, GCC and Asia since 2014. In 2022 Nahdi received the GPTW Award in three categories, among them the third (GPTW) in Asia (large companies)

Corporate social responsibility

At Nahdi, we are proud to play a positive and proactive role in elevating the health and wellbeing of our community, working strategically to leverage our market-leading network, expertise and initiatives in order to act as a force for progressive and sustainable change and to add beats to the lives of millions of people across the Kingdom and beyond.

With more than 35 years of experience in the pharmaceutical and healthcare sectors, we understand our Guests and their health and wellness needs better than anybody. That's why we take action to translate this knowledge into a range of high-impact programs and initiatives, in close collaboration with a wide range of outstanding partners, that serve the needs of our communities and align with our greater purpose – to add 36 million beats to Nahdi Guests by 2030.

Through our commitment to corporate social responsibility initiatives, Nahdi embraces the past, present and future. Health behaviors of the past create issues that require immediate intervention today to deliver sustainable wellness for the future. Understanding our Guests' lifestyles and behaviors helps us to develop and adapt our initiatives, increasing awareness about healthy choices, and creating programs and solutions for sustainable health and wellness.

Through our long-standing partnership agreement with the Ministry of Health, we align and support Saudi Arabia's Vision 2030 goals and ambition to increase the private sector's participation in the development of the healthcare industry. We remain committed to channeling our resources and efforts into serving the community and the Kingdom at large, by undertaking community healthcare projects through our strategic and integrated approach to corporate social responsibility.

In recognition of our CSR efforts, we were awarded the CSR Program Award for Best Community Development.

Chronic disease management for all Guests

Nahdi serves our communities in a wide range of ways, including combatting chronic diseases for all our Guests. We have entered a strategic partnership to offer primary healthcare services in the Kingdom, in collaboration with Joslin Diabetes Center in the Diabetes Program, which aims to reduce a given patient's A1C by 2.1% within three follow-up months. According to international studies by the American Diabetes Association and a prospective UK diabetes study, reducing A1C by 1% decreases the probability of developing diabetes-related complications, such as heart, kidney and vision ailments by up to 40%.

We continue to take part in the Convoys of Hope Program, which offers chronic disease medical coverage in cooperation with non-governmental organizations, such as the Zmzm Association. Nahdi helped 14,000 chronic-disease patients in 74 convoys and is working to expand the reach of the convoys to include all parts of the Kingdom. We continue to enter into partnerships with numerous government agencies and charitable organizations to enable all groups of society in need of medical expertise to get the medical advice, health checks and medicines they need to lead a healthy and fulfilling life. To date, Nahdi has connected with over 1.7 million Guests through

Strategic partnership which aims to reduce a Guest's A1C by

2.1%

Nahdi helped

14,000

chronic-disease patients in 74 convoys

charitable health programs and won a Guinness World Record for measuring the vital signs of 4,049 Guests in only 12 hours.

Our strong belief in empowering community members with the knowledge and ability to improve the quality of their lives, through innovative and effective health programs, led to the development of the Chronic Disease Awareness and Prevention Program (Salemtum). Salemtum is a free program which aims to raise Guests' health awareness and provides them with personalized care and the appropriate solutions for their health needs through simple and easy means. As part of this program, Nahdi also created a medical adherence program to help Guests manage and cope with their chronic diseases, providing them with easy and convenient online medication refills, reminders and education.

Improving community wellness by promoting a healthier lifestyle

We recognize the importance of educating the community about the gravity of chronic diseases and their long-term effects on the health of individuals and the community at large. Our Wazen Hayatak Program aims to help Guests achieve a healthy lifestyle by offering them personalized solutions and advice on their journey towards better health. Since 2018, we have contributed to a total weight loss of 102 tons. Wazen Hayatak promotes healthy lifestyles through virtual weight management competitions and partnerships with government agencies to support community sporting events, such as our collaboration with the Ministry of Sports in Sports for All. Nahdi offers Wazen Hayatak as a free of charge service in more than 800 pharmacies across Saudi Arabia. We also encourage our Guests to lead healthier lifestyles through fitness programs, including the Billion Step Challenge (in which two billion steps were recorded), and Motherhood and Childhood: Improving the psychological and physical health of mothers and future generations.

During Ramadan this year, we collaborated with The National Platform for Charitable Work, Ehsan, a platform by the Saudi Data and Artificial Intelligence Authority (SDAIA) to launch the "Move to Donate" event. The event aims to raise awareness about the importance of personal health and the health of ones in need through donations. With the objective of exercise and movement, Guests were invited to register and undergo a short health checkup, supervised by Nahdi's health experts, before choosing their preferred type of exercise. For every kilometer achieved by Guests, Nahdi donated SAR 150 to Ehsan, aiming to reach a fundraising target of SAR 150,000, to provide medical relief for those in need. By the end of Ramadan, we surpassed our target, raising SAR 161,000 in total donations by adding beats to the lives of 68,000 Guests.

Partnering with parents (mothers) for happy and healthy child development

Nahdi Parenting Program aims to be the trusted source of information, advice and support for young and future mothers. Nahdi has connected with over 850,000 Guests to date through the Motherhood Club. As part of the program, we also added a Parenting program, whereby any mother has access to the region's best experts in connection with her or her child's health. The program aims to provide mothers with the best scientific-based resources to nurture their children's developing minds and bodies, as well as enhance their mothering skills. It also offers mothers a free of charge platform to interact with one another and share their experiences.

Over 850,000

connection to Guests through Motherhood Club (to date)

SAR 161,000

raised from "Move to Donate"

03

Corporate Governance

Corporate Governance

Based on the Board of Directors' keenness to comply with the Corporate Governance Regulations issued by the Capital Market Authority and the disclosure and transparency requirements of the registration and listing rules, this report has been drafted to be compatible with the laws and regulations. According to the Corporate Governance Regulations, this report is divided into several sections, as follows:

Corporate Governance

Nahdi has worked on developing its Corporate Governance Regulations in order to comply with the provisions of the Corporate Governance Regulations issued by the Capital Market Authority.

The administrative structure of Nahdi Medical Company consists of the Board of Directors (the Board) and three sub-committees emanating from the Board of Directors in addition to an Executive team (Executive Management). The Board of Directors has an overall responsibility for establishing, supervising and overseeing Nahdi's Corporate Governance Manual to ensure full compliance with relevant regulations in order to enhance the Company's growth and sustainability.

The Board has formed three committees to enhance its functions, namely the Audit Committee, the Remuneration and Nomination Committee, and the Digital Transformation and Cyber Security Committee. The performance of these Committees is subject to periodic review by the Board of Directors in accordance with the statutory requirements and according to the Board's need for the recommendations issued by these Committees.

The shareholders are considered the most precious segments in the framework of Nahdi's governance, as the Board's Charter allows "the attendance of the Board members at the meetings of the General Assembly." Thus, the Governance Manual aims for Board members to meet with shareholders to listen to their suggestions, observations, and directions about the Company and its performance. The Company has established a special department for investor relations in order to enhance the relationship and communication with its shareholders (see page 28).

Organization structure

Names of Board members, committee members, and Executive Management members, along with their current and previous jobs, qualifications and experience.

Classification of the Board of Directors and the names of the members

Below are the members of the Board of Directors of Nahdi Medical Company

Chairman of the Board of Directors

Saleh Salem Ahmed Bin Mahfouz

An accomplished business leader, Mr. Bin Mahfouz was appointed Chairman of Nahdi's Board of Directors in 2021. He currently also sits on the Board of Saudi Economic and Development Holding Company (SEDCO), Red Sea Markets, Al Mahmal Development and Al Khomasia International.

He holds a degree in Civil Engineering from King Fahd University of Petroleum and Minerals in Saudi Arabia.

Vice Chairman

Abdullah Amer Abdullah Al-Nahdi

Mr. Al-Nahdi was appointed to the position of Vice Chairman in 2021. He currently holds a number of business leadership positions, including Chairman of Al-Nahdi Transport Company and Board Member at King Salman Center for Disability Research, a non-profit organization established in Riyadh.

He holds a Bachelor of Business Administration (BBA) from King Abdulaziz University, Saudi Arabia.

Board Member

Yasser Ghulam Abdulaziz Joharji

Mr. Joharji was appointed Nahdi's CEO and board member in 2014 and 2021 respectively. With over 29 years of sectorial experience, Mr. Joharji has held a number of leadership positions at Unilever Saudi Arabia and the Savola Group.

He holds a Bachelor of Arts in Industrial Engineering from King Saud University, Saudi Arabia.

Board Member

Abdelelah Salem Ahmed Bin Mahfouz

Mr. Bin Mahfouz joined the Nahdi Board in 2021. An accomplished business leader, Mr. Bin Mahfouz is also Vice Chairman of the Saudi Economic and Development Holding Company (SEDCO), a position he has held since 2017. In addition, Mr. Bin Mahfouz is Chairman at Methak Holding Company and Vice Chairman at Salem bin Mahfouz Foundation (SBMF), a non-profit organization. He is also Chairman of the Board of Directors at Al Mehwar Investment Holding Company.

He graduated from Ohio State University, USA, with a BA in Business Administration.

Board Member

Abdulatif Ali Abdulatif Al-Seif

Joining the Nahdi board in 2021, Mr. Al-Seif is a non-Executive member of the Board. He also sits on the boards of Al Rajhi Bank, the National Petrochemical Company and Abilad Tourism Fund, amongst others.

Al-Seif holds a master's degree in Economics and an MBA from Boston University, USA.

Board Member

Junaid Ezmat Bajwa

Appointed to the Nahdi board in 2021, Dr. Bajwa is the Chief Medical Scientist at Microsoft. In addition, Dr. Bajwa holds board positions at Nuffield Health, a charitable organization engaging in the health and wellness sector, and University College London Hospitals NHS Foundation Trust, a hospital engaging in the health sector.

He completed his MBA at Imperial College London, UK, and holds a master's degree in Medical Administration from the University of Birmingham, UK.

Board Member

Romain Voog

Mr. Voog was appointed to the Nahdi board in 2021. A seasoned digital and retail senior executive, Mr. Voog is also the CEO of OLX Group, a Netherlands-based company engaged in the e-commerce sector.

Mr. Voog's academic qualifications includes a Diploma in Mathematics and Physics from Chaplle School in Paris and a Master's Degree in Economics and Business from École Centrale Paris.

Classification of Board Committees and the names of their members

Members of the Audit Committee

Name	Title	Qualification
Abdulatif Ali Abdulatif Al-Seif	Chairman	Holds an MBA from Boston University
Wael Kamal Eid	Member	Holds a PhD in Risk Management from Durham University
Abu Bakr Ali Ba Jaber	Member	Holds a PhD in Financial Management and Accounting from the University of Strathclyde

Members of the Remuneration and Nomination Committee

Name	Title	Qualification
Junaid Ezmat Bajwa	Chairman	Holds an MBA from the Imperial College of Business
Tariq Hussein Raqaban	Member	Holds a Master's degree in Workforce Studies from the University of Westminster
Walid Ahmed Bahamdan	Member	Holds a Bachelor of Science in Electrical Engineering from Purdue University
Assaf Abdulkareem Alquraishi*	Member	Holds a Bachelor's degree with a double major in Finance and International Business from the McDonough School of Business, Georgetown University, Washington D.C., U.S.A.

* The member, was appointed on 25th December2022, and therefore did not attend any of the Committee meetings.

Members of the Digital Transformation and Cyber Security Committee

Name	Title	Qualification
Romain Voog	Chairman	Holds a Master's degree in Economics and Commerce from the University of Paris
Junaid Ezmat Bajwa	Member	Holds an MBA from the Imperial College of Business

Classification of the names of the members of the Executive Management

Yasser Joharji
Chief Executive Officer

Mr. Joharji was appointed Nahdi's CEO and board member in 2014 and 2021 respectively. With over 29 years of sectorial experience, Mr. Joharji has held a number of leadership positions at Unilever Saudi Arabia and the Savola Group.

He holds a BA in Industrial Engineering from King Saud University, Saudi Arabia.

Mohammed Al-Khubani
Chief Financial Officer

First joining Nahdi in 2013 as Senior Director of the Planning and Financial Analysis Department, Mr. Al-Khubani currently holds the position of Chief Financial Officer.

Before joining Nahdi's senior executive team, Mr. Al-Khubani held a number of managerial positions at Procter & Gamble, including Regional Financial Director of Strategic Planning.

He holds a bachelor's degree from King Fahd University of Petroleum and Minerals, KSA, and is a Certified Management Accountant.

Hani Ismail
Chief Marketing and Strategy Officer

Appointed to his current position in 2019, Mr. Ismail started his professional career with Proctor & Gamble, where he held a number of executive positions, which include Regional Director- Arabian Peninsula & Pakistan.

He holds a bachelor's degree in Electrical Engineering from King Abdulaziz University, KSA.

Zuhair Aytah
Chief Network Development Officer

Appointed to his current position in 2016, Mr. Aytah first joined Nahdi in 2006 as a Location Manager. During his time at the Company, Mr. Aytah held several leadership roles, including Vice President of Network Development.

Before joining Nahdi, he held a leadership position and was General Manager of Retail at Abdulatif Jameel Electronics & Air Conditioning.

He holds a bachelor's degree in Sciences from King Abdulaziz University, KSA.

Raed Monagel
Chief Supply Chain and Business Support Officer

With over 24 years of experience across retail, warehouse and supply chain management, Mr. Monagel is Nahdi's Chief Supply Chain and Business Support Officer. He has held this position since 2013.

Before joining Nahdi, Mr. Monagel was Executive Vice President of Supply Chain at Panda Retail, where he held a number of executive management roles.

He holds a BA in Industrial Engineering from King Abdulaziz University, KSA.

Samer Bokharee
Chief Human Resources Officer

Mr. Bokharee joined Nahdi in 2018 as Chief Human Resources Officer. Before joining the Company, Mr. Bokharee was at Pfizer and the National Commercial Bank (NCB), where he held several HR roles.

He holds a bachelor's degree in Management Information Systems and Decision Sciences and a master's degree in Information Systems from George Mason University, USA.

Karim Dimitri
Chief Commercial Officer

Mr. Dimitri joined Nahdi in 2018 as Chief Commercial Officer. With over 20 years of experience with the likes of Unilever and British American Tobacco, Mr. Dimitri is an experienced sales and marketing executive.

He holds a master's Degree in Business Administration from the American University of Beirut, Lebanon and a bachelor's Degree in Business Administration from the Lebanese American University, Lebanon.

Dr. Hossam Khattab
Chief Operating Officer

Mr. Khattab was appointed to the position of Nahdi's Chief Operating Officer in 2016. With over 20 years of experience across the retail and marketing sectors, Mr. Khattab joined Nahdi from Unilever, where he held several marketing positions, including Head of the Personal Care Marketing Department.

Mr. Khattab holds a master's degree in Executive Management from the Arab Academy for Science and Technology and a bachelor's degree in Pharmacy from Alexandria University, Egypt.

Dr. Khalid Tadlaoui
Chief Information Technology Officer

Dr. Tadlaoui is the Chief Information Technology Officer at Nahdi, a position he has held since 2011. Beginning his professional career in 1993 as an EMEA Communications Project Manager at Procter & Gamble, Dr. Tadlaoui also held a number of managerial positions at Hewlett Packard Enterprise and Savola, where he was an Executive Director from 2006 to 2010.

He holds an engineering degree and a PhD in Computer Science from the Institut National des Sciences Appliquées in Toulouse, France.

Names of companies inside or outside the Kingdom in which a member of the Company's Board of Directors is a member of its current and/or previous boards of directors or one of its managers.

Saleh Salem Ahmed Bin Mahfouz

Name of the company	Title
Saudi Economic and Development Holding Company SEDCO	Chairman of the Board of Directors - Present
Nahdi Medical Company	Chairman of the Board of Directors - Present
Red Sea Markets Company Ltd.	Chairman of the Board of Directors - Present
Red Sea Markets Real Estate Investment Company - Asir	Chairman of the Board of Directors - Present
Al Mahmal Development Company	Chairman of the Board of Directors - Present
Numu Real Estate Development Company Limited	Chairman of the Board of Directors - Present
Al Khomasiah International Real Estate Development Company	Board Member - Present
Khumasia Tabah Holding Company	Board Member - Present Chairman of the Investment Committee - Present
Al Mahmal Facilities Services Company	Board Member - Former
Al-Balad Al-Ameen Company	Board Member - Former
Yanbu Saudi Kuwaiti Paper Products Company	Board Member - Former
Yanbu Cement Company	Board Member - Former
Saudi Economic and Development Holding Company	Chairman of the Executive Committee - Former

Abdullah Amer Abdullah Al-Nahdi

Name of the company	Title
Nahdi Transportation Company	Chairman of the Board of Directors - Present
King Salman Center for Disability Research	Board Member - Present
Endowments of King Abdulaziz University	Board Member - Present
Nahdi Medical Company	Vice Chairman - Present

Abdelelah Salem Ahmed Bin Mahfouz

Name of the company	Title
Mithaq Holding Company	Chairman of the Board of Directors - Present
Saudi Economic and Development Holding Company SEDCO	Vice Chairman - Present
Salem Bin Mahfouz National Foundation	Vice Chairman - Present
Nahdi Medical Company	Board Member - Present
Saudi Economic and Development Holding Company SEDCO	Delegate Director - Former
National Commercial Bank	Director General - Former
SEDCO Capital	Chairman of the Board of Directors - Former
Saudi National Bank	Deputy Regional Director for Riyadh Region - Former
Saudi Economic and Development Holding Company SEDCO	Delegate Director - Former

Romain Voog

Name of the company	Title
OLX	Chief Executive Officer- Present
OLX BV Group	Board Member - Present
OLX Global BV Group	Board Member - Present
OLX India BV Group	Board Member - Present
Airbnb Inc.	Vice President of Operations, Sales and Global Geography - Former
Global Fashion Group (Xetra, GFG.DE)	Chief Executive Officer - Former
Amazon France	President and General Manager - Former
Amazon France	Director - Former
Carrefour	Director - Former

Yasser Ghulam Abdulaziz Joharji

Name of the company	Title
Nahdi Medical Company	Chief Executive Officer - Present
Saudi Unilever Company	General Director - Former
Unilever Arabia Company	Marketing General Manager - Former
Savola Group Company	Brand Manager – Former

Junaid Ezmat Bajwa	
Name of the company	**Title**
Microsoft Corporation	Head of Medical Sciences - Present
Medicines and Healthcare Products Regulatory Agency	Board Member - Present
Nuffield Health Foundation	Board Member - Present
University College London Hospital	Board Member - Present
Medica Group	Board Member - Present
University College London Charity Hospital	Board Member - Former
University College London Charity Hospital	Trustee - Present
Essential Guide UK Limited	Board Member - Former
Essential Guide UK Limited	Director - Present
MSD Health Services Company	Medical Executive Director - Former

Abdulatif Ali Abdulatif Al-Seif	
Name of the company	**Title**
Sabeen Investment Company	Managing and Executive Director - Present
Saudi Company for Agricultural Investment and Animal Production	Board Member - Present
Nahdi Medical Company	Board Member - Present
Al Rajhi Bank	Board Member - Present
Wisayah Global Investment Company	Board Member - Present
National Petrochemical Company	Board member - Former
Arabian Cement Company	Board Member - Present
Albilad Tourism Fund	Board Member- Present
Arabian Internet and Communications Services Company	Board Member - Present
Riva Investment Company	Board Member - Present
Abdullah Al Othaim Investment Company	Board member - Former
HSBC Saudi Arabia	Board member - Former
Alraedah Investment Company	Board member - Former

Composition of the Board of Directors and classification of its members as follows: (Executive - Non-Executive – Independent).

Classification of Board members

The table below shows the classification of the members of the Board of Directors of Nahdi Medical Company

Members of the Board of Directors		
Name	**Position**	**Title**
Saleh Salem Ahmed Bin Mahfouz	Non-Executive	Chairman
Abdullah Amer Abdullah Al-Nahdi	Non-Executive	Vice Chairman
Abdelelah Salem Ahmed Bin Mahfouz	Non-Executive	Board Member
Yasser Ghulam Abdulaziz Joharji	Executive	Board Member and Chief Executive Officer
Junaid Ezmat Bajwa	Independent	Board Member
Romain Voog	Independent	Board Member
Abdulatif Ali Abdulatif Al-Seif	Independent	Board Member

A brief description of the Board Committees, indicating their tasks and responsibilities, the number of their meetings, the date of their convening, and the attendees for each meeting.

1. Audit Committee

The work regulations of this Committee were issued according to the decision of the General Assembly of the Company in its meeting held on 03/28/1443 AH corresponding to 3rd November 2021, and it was amended according to the decision of the General Assembly of the Company in its meeting held on 06/07/1443 AH corresponding to 7th February 2022.

The existence of an effective internal control system is one of the responsibilities entrusted to the Board of Directors, and the primary task of the Audit Committee is to verify the adequacy of the internal control system and its effective implementation, and to provide any recommendations to the Board of Directors that would activate and develop the system to achieve the objectives of the Company. The Committee is also responsible for approving policies and procedures and reviewing risk assessment activities and plans to reduce the impact of those risks before presenting them to the Board of Directors.

Financial reports:

1. Studying the initial Annual Financial Statements of the Company before submitting them to the Board of Directors and expressing an opinion and recommendation in their regard, to ensure their integrity, fairness and transparency.
2. Expressing a technical opinion, at the request of the Board of Directors, as to whether the report of the Board of Directors and the Company's financial statements are fair, balanced and understandable, and include information that allows shareholders and investors to evaluate the Company's financial position, performance, business model and strategy.
3. Studying any important or unusual issues included in the financial reports.
4. Examine carefully any issues raised by the Financial Manager of the Company or whoever assumes his duties or the Compliance Officer in the Company or the Auditor.
5. Checking the accounting estimates regarding the fundamental issues mentioned in the financial reports.
6. Studying the accounting policies followed in the Company and expressing an opinion and recommendation to the Board of Directors in this regard.
7. Regularly informing the Board of Directors of any issues that arise with regard to the quality or soundness of the Company's financial statements, the Company's compliance with legal and regulatory requirements, and the performance and independence of the external auditor that the Company uses.

Auditor:

1. Recommend to the Board of Directors the nomination and dismissal of accounts, determine their fees and evaluate their performance, after verifying their independence and reviewing their scope of work and the terms of contracting with them.
2. Verifying the Auditor's independence, objectivity and fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.
3. Reviewing the Company's Auditor's plan and his work, verifying that he has not submitted technical and administrative works that are outside the scope of the audit work, and expressing his views on that.
4. Answering the inquiries of the Company's Auditor.
5. Studying the Auditor's Report and his observations on the financial statements and following up on what has to be done in this regard.

Internal Audit:

1. Ensure that the Company formally defines the objective of the Internal Audit department, its powers and responsibilities assigned to it to conduct and study continuous assessments of the Company's operations, risk management operations and the internal control system in coordination with senior Management and the Audit Committee.
2. Approving the annual remuneration for the Head of the Internal Audit department, evaluating his performance, and adjusting his salary in accordance with the Company's compensation and benefits policy.
3. Recommend to the Chairman of the Board of Directors the nomination and dismissal of the Director of the Internal Audit department.
4. Supervising the work of the Internal Audit, reviewing its charter, scope, efficiency, independence, objectivity, performance and work plan, and reviewing the periodic and annual reports of the Internal Audit.
5. Studying the summary of all internal audit reports, including Management's responses and the mentioned exceptions, and following up the implementation of corrective measures for the notes contained in the internal audit report.
6. Supervising the Company's Internal Audit department to ensure its effectiveness in carrying out its work and duties determined by the Board of Directors.
7. The Audit Committee has the final authority to study and approve the annual audit plan and all major changes to it.
8. Ensure that there are no unjustified restrictions, and study, approve and appoint, replace or dismiss the Director of the Internal Audit department.
9. Review the performance of the Director of the Internal Audit department at least once a year and approve the annual compensation and salary adjustment if necessary.
10. Reviewing the effectiveness of the Internal Audit department, including the extent of compliance with the international standards of the Institute of Internal Auditors for the professional practice of internal auditing.
11. Meet regularly with the Director of the Internal Audit department to discuss any issues that the Audit Committee or the Internal Audit department deems necessary to discuss in a closed session.

Compliance:

1. Reviewing the results of the regulatory authorities' reports and verifying that the Company has taken the necessary measures in this regard.
2. Verifying the Company's compliance with relevant laws, regulations, policies and instructions.
3. Reviewing the process of informing the Company's employees of the rules of professional and ethical conduct and the process of monitoring compliance therewith.
4. Reviewing the contracts and transactions proposed by the Company with the relevant parties, and submitting its views in this regard to the Board of Directors.
5. Submitting to the Board of Directors the issues where it deems necessary to take action and presenting its recommendations regarding the measures to be taken.

Risk management:

1. Overseeing and strengthening the risk management framework adopted by the Company.
2. Identifying and monitoring the main risks that the Company faces, evaluating the management of those risks, and aligning risk management activities with the Company's general objectives and policies.
3. Ensure that risks are taken within acceptable limits, taking into account business objectives, Company size, workload, ratios, and its perspective on the short and long-term.
4. Adopting risk management policies and procedures that define the appropriate stages for adopting decisions, and other controls, balances, and restrictions for risk management, and specifying requirements for reporting risks from an administrative point of view.
5. Periodically reviewing the main risk assessment activities.
6. Reviewing the Company's business continuity plan.

IT systems control:

1. Considering the effectiveness and/or weaknesses of the links and the security system of the Company's information system.
2. Considering any important and relevant findings and the recommendations provided by the external Auditors and the Internal Audit department and Management's responses thereto, including consideration of the schedule prepared for implementing the recommendations to rectify the weaknesses detected in the controls and security systems, including any significant risks related to the main controls.
3. A case study and the adequacy of management information systems and other information technologies.
4. Consider coordinating audit efforts with the external Auditor to ensure that the audit includes the main system controls and areas of risks related to information technology controls.

Members of the Audit Committee:

Name	Title	First meeting 15.03.22	Second meeting 23.03.22	Third meeting 16.05.22	Fourth meeting 14.06.22	Fifth meeting 08.08.22	Sixth meeting 13.09.22	Seventh meeting 31.10.22	Eighth meeting 29.11.22
Abdulatif Al-Seif	Chairman	✓	✓	✓	✓	✓	✓	✓	✓
Wael Kamal Eid	Member	✓	✓	✓	✓	✓	✓	✓	✓
Abu Bakr Ali Ba Jaber	Member	✓	✓	✓	✓	✓	✓	✓	✓

2. Remuneration and Nomination Committee

The work regulations of the Remuneration and Nomination Committee were issued by the Board of Directors pursuant to the decision of the General Assembly of the Company in its meeting held on 22/03/1443H corresponding to 28th October, 2021.

The main task of the Remuneration and Nomination Committee is to define the policies and procedures related to the nomination of members of the Board of Directors, its Committees and members of the Executive team, in addition to determining the policies and procedures related to compensation. The Committee's scope of work includes carrying out all actions that enable it to achieve its tasks.

The Remuneration and Nomination Committee shall be concerned with the following:

1. Preparing a clear policy for the remuneration of members of the Board of Directors, the Committees emanating from the Board, and the Executive Management, and submitting it to the Board of Directors for consideration in order to extend its approval by the General Assembly, provided that the policy follows criteria related to performance, disclosure, and verification of its implementation.
2. Clarifying the relationship between the granted rewards and the applicable rewards policy and indicating any deviation.
3. Periodic review of the remuneration policy and evaluating its effectiveness in achieving the objectives set for it.
4. Recommending to the Board of Directors the remuneration of the members of the Board of Directors, its Committees and Senior Executives of the Company in accordance with the approved policy.
5. Propose clear policies and criteria for membership on the Board of Directors and Executive Management.
6. Recommend to the Board of Directors the nomination and re-nomination of its members in accordance with the policies and standards.
7. Preparing a description of the capabilities and qualifications required for membership of the Board of Directors and for occupying Executive Management positions.
8. Determining the time that a member should allocate for the work of the Board of Directors.
9. Annual review of the necessary requirements of skills or appropriate experience for membership of the Board of Directors and Executive Management positions.
10. Reviewing the structure of the Board of Directors and the Executive Management and making recommendations regarding the changes that can be made.
11. Verifying annually the independence of the Independent members, and the absence of any conflict of interest if the member is a member of the Board of Directors of another company.
12. Develop a job description for the Executive members, Non-Executive members, Independent members and Senior Executives.
13. Establishing special procedures in the event of a vacancy in the position of a member of the Board of Directors or a Senior Executive.
14. Determining the strengths and weaknesses of the Board of Directors and proposing solutions to address them in line with the interests of the Company.
15. Provide an appropriate level of training and familiarize the new Board members with the Company's tasks and achievements to enable them to perform their work with the required efficiency.
16. Studying and reviewing the performance of the Executive Management.
17. Studying and reviewing job replacement plans for the Company in general, the Board, the Chief Executive Officer and Senior Executives.
18. Studying and reviewing the Chief Executive Officer's recommendations regarding the appointment and termination of Senior Executives, with the exception of the Director of the Internal Audit department who is appointed and dismissed upon the recommendation of the Company's Audit Committee.

Bonus policy:

Without prejudice to the provisions of the Companies Law, the Capital Market Law and their implementing regulations, the following must be considered in the remuneration policy:

1. Its consistency with the Company's strategy and objectives.
2. Remunerations should be provided for the purpose of urging the members of the Board of Directors and the Executive Management to succeed and develop the Company in the long-term, such as linking the variable part of the remunerations to long-term performance.
3. The rewards shall be determined based on the level of the position, the tasks and responsibilities assigned to the occupant, the educational qualifications, practical experience, skills and level of performance.
4. Its consistency with the size, nature and degree of risks of the Company.
5. Considering the practices of other companies in determining remuneration, while avoiding what may result from unjustified increases in remuneration and compensation.
6. To aim at attracting, preserving and motivating professional talents, without exaggerating them.
7. To prepare, in coordination with the Nomination and Remuneration Committee, when making new appointments.
8. Cases of stopping the payment of bonuses or refunding them if it appears that they were decided on the basis of inaccurate information provided by a member of the Board of Directors or the Executive Management, in order to prevent exploitation of the job position to obtain unworthy bonuses.
9. Organizing the granting of shares in the Company to the members of the Board of Directors and the Executive Management, whether it is a new issue or shares purchased by the Company.

Members of the Remuneration and Nomination Committee (RNC)

Name	Title	First meeting 20.03.22	Second meeting 23.06.22	Third meeting 18.09.22	Fourth meeting 28.11.22
Junaid Ezmat Bajwa	Chairman	✓	✓	✓	✓
Tariq Hussein Raqaban	Member	✓	✓	✓	✓
Walid Ahmed Bahamdan	Member	✓	✓	✓	✓
Assaf Abdulkareem Alquraishi*	Member	-	-	-	-

* The member was appointed on 25th December 2022, and therefore did not attend any of the Committee meetings.

3. Digital Transformation and Cyber Security Committee

Purpose of the Committee:

The work regulations of the Digital Transformation and Cyber Security Committee (the "Committee") were issued by the Board of Directors on 22/03/1443H corresponding to 28th October, 2021. The purpose of the Committee is to assist the Board in achieving the digital transformation and cyber security of the Company. The Committee's primary responsibility is to advise the Board of Directors on how the Company continues to adapt and grow effectively in the face of the digital age.

The Digital Transformation and Cyber Security Committee reports to the Board of Directors and represents it in reviewing the comprehensive digital transformation strategy and recommending its updating, taking into account the strategic direction of the Company.

Committee composition:

1. By a decision of the Company's Board of Directors, the Digital Transformation and Cyber Security Committee was formed from among the Board members.
2. The members of the Committee may be from Independent or Non-Executive members of the Board, or by persons who are not Board members, whether they are shareholders or others.
3. The Chairman of the Board may be a member of the Remuneration and Nomination Committee, provided that they do not occupy the position of the Chairman of the Committee.
4. The Chairman of the Committee shall be one of the Independent members, and is appointed at the first meeting of the Committee, after the formation of the same, by the Committee members.
5. The number of Committee members shall not be less than 2 and not more than 5.
6. Committee members are appointed for a term of 1 year and may be reappointed according to the needs of the composition of the Committee.
7. The Committee appoints a Secretary from among its members or from the Company's employees, at its first meeting after its formation.
8. If the position of 1 of the Committee members becomes vacant, the Company's Board may appoint a member in the vacant position, provided that it has sufficient experience and competence, and the Authority shall be notified within 5 working days from the date of appointment.
9. The Company shall notify the Authority of the names of the Committee members and their membership descriptions within 5 working days from the date of their appointment, and any changes that occur to the same within 5 working days from the date of the change taking place.
10. The membership of the Committee shall expire upon the expiry of its term or the expiry of the member's eligibility for the same, in accordance with any law, regulation or instructions in force in the Kingdom of Saudi Arabia. However, the Board may at any time dismiss all or some of the Committee members, and the Committee member may resign from the Committee membership.

Committee responsibilities:

The Committee shall have the following objectives and responsibilities:

1. The Committee reviews and discusses with Management the Company's overall digital and innovation strategy, including objectives, strategic initiatives, investments, and research and development activities, and makes recommendations to the Board of Directors as appropriate. Review and discussion shall include the following topics:
   - Participation in the strategic planning process for digital transformation and innovation.
   - Assessing the need to respond quickly to a rapidly evolving market environment, and assisting management in prioritizing technical support for enterprise strategic initiatives.

2. The Committee periodically monitors and evaluates the performance of the Company's initiatives to support its digital strategy and innovation, with a focus on overall health capacity and operational improvement, including the provision of new products and services and consumer acceptance and integration.
3. The Committee reviews and discusses with Management, as needed, the Company's material digital risks and key opportunities, and emerging issues and trends in the broader market.
4. The Committee submits regular reports to the Board on its work and deliberations.

In discharging its responsibilities, the Committee's practices and policies shall remain flexible so that the Committee can respond to changing realities and circumstances.

Scope of work of the Committee:

1. Building thought leadership, guiding, facilitating and inspiring the digital transformation of the Company's retail and healthcare businesses.
2. Aligning the Company with local and global technical trends and the data transformation map and:
   - Contribute to building a dynamic innovation environment that stimulates competitiveness and new areas of growth for the Company.
   - Improving productivity by building a healthy holistic corporate environment that is automated and digital.
   - Qualifying a workforce in the field of comprehensive health for the future by developing relevant training programs for the Company to develop its digital competence.
3. Partner with relevant stakeholders to co-lead the digital transformation of the retail and healthcare spaces.
4. Spread awareness of relevant technical developments that will support the digital transformation of the Company's business through education and awareness. This can be achieved by, but not be limited to, inviting technology service providers, startups and fast-growing companies to provide information on the latest developments in the technology sector to Committee members.
5. Collaborate on developing and/or co-creating technology solutions capable of positively impacting the Company's business.
6. Communicate with other committees, as appropriate, on issues related to digital transformation (e.g., governance, people, processes, policies, etc.)

Members of the Digital Transformation and Cyber Security Committee

Name	Title	First meeting 16.03.22	Second meeting 02.06.22	Third meeting 15.09.22	Fourth meeting 24.11.22
Romain Voog	Chairman	✓	✓	✓	✓
Junaid Ezmat Bajwa	Member	✓	✓	✓	✓

Disclosing the remunerations of the members of the Board of Directors and Executive Management in accordance with what is stipulated in Article 93 of the Governance Regulation.

The Company relied on the Corporate Governance Rules approved by the General Assembly, to allocate remuneration to members of the Board of Directors and Committees, and to be guided and compliant with the corporate system and the relevant regulations and rules in addition to the Company's Bylaws. The following is a statement of the remunerations of the members of the Board of Directors and the remunerations of members of the Committees, as well as 5 from the Executive Management including the Chief Executive Officer and Chief Financial Officer.

Board of Directors	Title	Annual bonus (SAR)	Expense allowance per meeting (SAR)
Non-Executive Members			
Saleh Salem Ahmed Bin Mahfouz	Chairman	500,000	None
Abdullah Amer Abdullah Al-Nahdi	Vice Chairman	500,000	None
Abdelelah Salem Ahmed Bin Mahfouz	Board Member	500,000	None
Executive Members			
Yasser Ghulam Abdulaziz Joharji	Board Member and CEO	500,000	None
Independent Members			
Junaid Ezmat Bajwa	Board Member	500,000	None
Romain Voog	Board Member	500,000	None
Abdulatif Ali Abdulatif Al-Seif	Board Member	500,000	None

Committee Members	Title	Annual bonus (SAR)	Expense allowance per meeting (SAR)
Audit Committee			
Abdulatif Ali Abdulatif Al-Seif	Chairman	125,000	5,000
Wael Kamal Eid	Member	125,000	5,000
Abu Bakr Ali Ba Jaber	Member	125,000	5,000
Remuneration and Nomination Committee			
Junaid Ezmat Bajwa	Chairman	100,000	5,000
Tariq Hussein Raqaban	Member	100,000	5,000
Walid Ahmed Bahamdan	Member	100,000	5,000
Assaf Abdulkareem Alquraishi*	Member	-	-
Digital Transformation and Cyber Security Committee			
Romain Voog	Chairman	100,000	5,000
Junaid Ezmat Bajwa	Member	100,000	5,000
Executive Management		**Annual bonus (SAR)**	
Executive Management (5)		29,284,096	

*The member was appointed on 25th December 2022, and therefore he did not attend any of the Committee meetings.

A description of the main activity types of the Company and its subsidiaries, and if 2 or more types of activities are described, a statement shall be attached to each activity and its impact on the Company's business volume and its contribution to the results.

The Company practices a group of medical and pharmaceutical activities in general, according to what is stated as the main activities in the Company's Bylaws and the Articles of Association of its subsidiaries, which are as follows:

Affiliate	Commercial registration number	The main activity of the Company
Nahdi Medical Company (Listed Company)	4030053868	Wholesale of medical devices and equipment, pharmacy activities, activities of pharmaceuticals warehouses, retail of medical devices, equipment and supplies.
Nahdi Care Co. Ltd.	4030158847	Administrative and support services activities, human health and social work activities, public administration, compulsory defense and social security.
Sakhaa Golden for Contracting and Trading Co. Ltd	4030163145	Cleaning services for general building.
Nahdi Investment Company LLC. (UAE)	1384313	Investing in, establishing and managing health and commercial projects.
Sakhaa Integrated Solutions (Egypt)	194304	Providing consultations, technical support and projects management and online trading.

The name of each subsidiary company, its capital, the Company's ownership percentage, its main activity, the country where its operations are located, and the country where it is incorporated (Corporate Governance Regulations Article 87).

The Company owns full and direct ownership of 4 companies, inside and outside the Kingdom of Saudi Arabia, which are as follows:

Nahdi Care Co. Ltd.	
Its capital	SAR 50,000
The percentage of ownership by the Company	100%
Its main activity	Administrative and support services activities, human health and social work activities, public administration, compulsory defense and social security.
Its main headquarters	Kingdom of Saudi Arabia
Place of incorporation	Kingdom of Saudi Arabia

Sakhaa Golden for Contracting and Trading Co. Ltd.	
Its capital	SAR 1,000,000
The percentage of ownership by the Company	100%
Its main activity	Cleaning services for general building
Its main headquarters	Kingdom of Saudi Arabia
Place of incorporation	Kingdom of Saudi Arabia

Nahdi Investment Company LLC	
Its capital	AED 100,000
The percentage of ownership by the Company	100%
Its main activity	Investing in, establishing and managing health and commercial projects
Its main headquarters	United Arab Emirates
Place of incorporation	United Arab Emirates

Sakhaa Integrated Solutions (Egypt).	
Its capital	EGP 50,000
The percentage of ownership by the Company	99% Sakhaa Golden for Contracting and Trading Co. Ltd. 1% Nahdi Investment Company (UAE)
Its main activity	Providing consultations, technical support and projects management and online trading.
Its main headquarters	Cairo
Place of incorporation	Egypt- Cairo

Details of shares and debt instruments issued for each subsidiary company.

Nahdi Care Co. Ltd.	
Number of shares	50
Share details	Cash
Debt instruments	None

Sakhaa Golden for Contracting and Trading Co. Ltd.	
Number of shares	1,000
Share details	Cash
Debt instruments	None

Nahdi Investment Company LLC	
Number of shares	100
Share details	Cash
Debt instruments	None

Sakhaa Integrated Solutions (Egypt).	
Number of shares	4,950 Sakhaa Golden for Contracting and Trading Co. Ltd. 50 Nahdi Investment Company (UAE)
Share details	Cash
Debt instruments	None

The results of the annual review of the effectiveness of the Company's internal control procedures, in addition to the Audit Committee's opinion on the efficiency of the Company's internal control system.

The audit reports referred to above did not show a fundamental weakness in the Company's internal control system with regard to financial reports, as most of the observations are mainly in the areas of improving performance, activating the work of departments and sections, raising their efficiency and completing documentation on their procedures with the aim of adding more strength to the control system and exploiting the available resources.

The objectives of the internal control system are:

1. Ensuring that the account records have been properly prepared and increasing the accuracy and confidence in the accounting data.
2. Asset and property protection.
3. Maintain integrity in transactions.
4. Increasing the efficiency of the performance of the Company and the efficient exploitation of its available capabilities.
5. Compliance with various laws, regulations and contracts.

The Audit Committee considers that the objectives of the internal control system with regard to financial reports as stipulated in Nahdi Medical Company have been achieved to a reasonable extent. The Committee also considers that the management position of the Company in general regarding internal control is positive, as the majority of activities are governed by written policies and procedures, and Management reacts positively towards the recommended policies or improvements. Also, there was no conflict between the recommendations and decisions of the Audit Committee with the Board of Directors during the year.

We also note that it is not possible to absolutely confirm the comprehensiveness of the examinations and evaluations that are conducted for the internal control procedures, because the audit process is in essence based on random sampling, in addition to the diversity of the operations of the Company. Therefore, improvement and development efforts are continuing by the Committee and the supervisory departments within the system of the 3 lines of defense for governance to ensure effectiveness and efficiency in the mechanism of follow-up and improvement of internal control processes and procedures.

The Audit Committee's recommendation to appoint an external auditor.

The Committee has studied the offers submitted by a number of auditing companies approved for annual auditing for the fiscal year ending on 31st December 2022 and made a recommendation to the Board of Directors to change the auditors and recommend this to the General Assembly. As part of the tasks entrusted to the Committee, it is recommending to the Board of Directors the appointment of Ernest & Young (EY).

Details of the social contributions of the Company, if any.

The Company has taken the initiative to assume its social responsibilities towards all segments of society, and has taken constructive steps to deliver medical and pharmacological services to all, through the following initiatives:

1. **Health responsibility:** It is represented by a group of convoys of Hope that provides consultations and medicines to people with chronic diseases in remote and needy areas.
2. **Wellness responsibility:** Its goal is to promote a healthier lifestyle to prevent the risks of an unhealthy lifestyle that leads to chronic diseases and maintain community health through the "Wazen Hayatak" program and through partnerships such as Sports for All (Ministry of Sports).
3. **Responsibility of the mother and child:** By creating education and empowerment tools to help parents raise a happy and healthy generation based on our local identity, principles and culture, via the parenting platform.

A statement of the dates of the General Assemblies of shareholders held during the last fiscal year and the names of the members of the Board of Directors attending these Assemblies.

The Company held 3 shareholders' Assemblies, the following is a statement of the Assemblies and the attendance details:

Assembly type	Date	Board Member attendees
Annual General Assembly (prior listing)	07.02.22	Saleh Salem Bin Mahfouz Abdullah Amer Al-Nahdi Yasser Ghulam Joharji
Annual General Assembly (Second Meeting)	24.05.22	Saleh Salem Bin Mahfouz Yasser Ghulam Joharji Abdulatif Ali Al-Seif
Extraordinary General Assembly (First Meeting)	19.09.22	Saleh Salem Bin Mahfouz Yasser Ghulam Joharji Abdulatif Ali Al-Seif

A description of the dividend policy of the Company.

Dividends distribution

The annual net profits of the Company shall be distributed as follows:

1. 10% of the net profits shall be retained to form the statutory reserve of the Company. The Ordinary General Assembly may discontinue such retention if the reserve reaches 30% of the paid capital.
2. Under a proposal by the Board of Directors, the Ordinary General Assembly may set aside 10% of the net profits to form a consensual reserve to be allocated for a certain purpose or certain purposes.
3. The Ordinary General Assembly may resolve to form other reserves in a manner that serves the Company's interest or ensures, as far as possible, consistent distribution of dividends to shareholders.

The said Assembly may also deduct amounts from the net profits to establish social institutions for the Company's employees or to assist existing ones.

4. The remaining shares shall be distributed to the shareholders.
5. The Company may distribute interim dividends to its shareholders and authorize the Board of Directors to undertake such a task.

A shareholder shall be entitled to its share of dividends in accordance with the resolution issued by the General Assembly in such regard. The resolution shall indicate the due date and the date of distribution. Shareholders registered in the shareholders' register shall be entitled to the dividends at the end of the day specified as a due date.

Risk management

The diversified nature of Nahdi Medical Company operations and geographical footprint, together with its broad portfolio of products, customers and suppliers are important factors in mitigating the risk of a material threat to the Company's sustainable growth and long-term shareholder value. However, as with any business, risks and uncertainties are inherent in our business activities and may have a significant financial, operational or reputational impact.

Below are the risks which the Company might be exposed or can affect the Company on its operations, activities, assets, or the markets in which it operates.

Risks related to the overall decline in the number of Guests or levels of Guest spending on the Company's business

The Company's revenues depend on the levels of Pharmaceutical and Non-Pharmaceutical Product sales and its Guests. Accordingly, the financial success of the Company is subject to general risks related to the performance of the retail, pharmaceutical, and health services sectors. Retail sales, including in the health, beauty and wellbeing sectors, are subject to rapid and occasional unpredictable changes in the behavior of consumers which may be influenced by variable general economic conditions related to levels of disposable income, tax implementations, consumer spending, the general confidence in the economy, changes in consumer preferences and demographics.

In addition, the success of the Company's business depends on its ability to attract and retain Guests. In order to do so, the Company must continue to provide a comprehensive and appealing product mix and maintain the quality of products, while anticipating and responding to changes in Guest demand levels and preferences in a timely manner. Consumer acceptance of products is affected by a number of factors, including prevailing economic conditions, disposable income, lifestyle trends, prices, functionality, technology and many other factors. It is also possible that some of the products that the Company offers will not achieve a widespread consumer acceptance or may decrease in demand. Additionally, the success of the Company's operations depends on its continued ability to ensure availability of all products that satisfy consumers' demands.

Risks related to maintaining the reputation of the "Nahdi" brand

The Company's success depends in part on its ability to maintain the image and reputation of the Nahdi brand, which the Company believes is associated with the level of care and protection that its products and services offer the community, as well as its commitment to a certain level of quality and service. Quality, health and safety issues (or any errors or accidents at the Company's Pharmacies or Clinics), actual or perceived, are likely to damage the reputation of the Nahdi brand, which could cause Guests to switch to competitors, resulting in a loss of Guests and a decline in the Company's market share and revenues. Although the Company does not own or control ownership interest in the producers or suppliers of such products, the reputation of the Company's brand could be adversely affected as a result of any act by the producers in breach of quality, health, and safety standards. Any damage to the Company's brand names or reputation as a result of these or other factors may cause its products and services to be perceived unfavorably by Guests, third-party merchants, regulators, medical professionals and other business partners, and its business, results of operations, financial conditions and prospects could be materially and adversely affected as a result.

The Company relies on its suppliers to partner them in maintaining the brand position. If the Company does not maintain its relationships with Key Suppliers' main Business Accounts or its current privileges provided by these Suppliers, or if any of its Key Suppliers ceases its operations or is subject to any bankruptcy proceedings, or if any of the other factors described above were to materialize, the Company's business, its reputation, results of operations, financial position, and prospects would be adversely and materially affected.

Risks related to increased volume of credit sales, receivables or operating expenses

The Company's dependence on deferred revenues from insurance companies or health service providers, whether private or government entities, is increasing, which may expose the Company to the risk of insurance companies or government entities refusing or delaying payment of claims made by the Company for health services provided to the customers of those clients. The Company's delay in collecting its financial claims from insurance companies and government entities or the failure of insurance companies and government entities to pay such claims in whole or in part, will limit the liquidity available to the Company, and thus will make it difficult for the Company to finance its working capital or future projects, which may result in the Company not being able to meet its financial liabilities to third parties, including liabilities to employees, suppliers, contractors, banks and other financiers. Moreover, this may limit the Company's ability to complete future expansion plans or may limit its ability to distribute dividends to its Shareholders.

The Company's operating expenses could increase as a result of a number of factors including, but not limited to, the increase in the wholesale cost of products ordered from suppliers, labor costs, fuel and utility costs, repair and maintenance costs, insurance premiums, finance costs and costs related to the increase of rents of real estate leased by the Company.

The occurrence of any of the above risks would have a material adverse effect on the Company's business, financial position, results of operations, and prospects, and could increase the risks associated with credit sales and limit the sector to a range of distinguished companies.

Risks related in implementing the Company's strategy

The Company's future performance depends on its ability to implement its strategy. The Company's strategy includes developing its Pharmacy network across Saudi Arabia, furthering its reach to Guests through Pharmacies and online service, expanding further into the UAE, scaling up services and Guests' shopping experience, boosting its strategic product categories and expanding health services through polyclinics, Express Clinics, labs and home healthcare. However, there can be no assurance the Company will be successful in this regard. Furthermore, the Company's strategy depends on opening new stores and clinics, and therefore, the selection of new sites will have an impact on the success of its strategy. One of the risks to this strategy is "cannibalization" which occurs when a new store is opened, and most or some of the sales of this store are based on another pre-existing store's accounts, where a portion of the old store's Guests move to the new store due to its geographical proximity or ease of access. Therefore, the inability of the Company to carefully select sites for its new stores and clinics may lead to incurring unnecessary capital costs and higher operating expenses in return for a limited increase in sales.

As a result of the above factors, the Company's revenues may not grow at the same rate as in the past, or the Company may incur costs without benefiting from the expected revenues of expansion plans. Accordingly, the Company's results of operations may be negatively affected if any of these factors significantly delay, prevent or hinder the Company from opening and realizing the benefits from any of its new stores or clinics. There can be no assurance that the Company's product expansion strategy will be profitable or will achieve its projected investment returns. The Company may also face cannibalization risk which may arise from the fact that an expansion into one product segment or sub-segment may adversely affect the revenues from the Company's existing product portfolio.

In addition, there can be no assurance the Company will be successful in implementing its expansion strategy in jurisdictions outside of Saudi Arabia. In particular, any international expansion of the Company's operations will depend on several factors, including the Company's ability to expand into and operate successfully in new jurisdictions (such as GCC states), in respect of which the Company may not be familiar enough with the business cultures, local laws, regulations or customs.

Any of these factors would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

Risks related to the Company's Healthcare Business

The quality of health services depends on several factors including, but not limited to, the effectiveness of diagnosis and treatment, the experience and accessibility of Health Practitioners, the availability of the most recent and highly developed medical and technical equipment, the state of health facility infrastructure, the manner in which Health Practitioners and other staff members treat patients, short waiting periods for patients, the provision of health services in accordance with applicable regulations, standards and professional protocols, billing and documenting health services in accordance with applicable regulations, and avoiding the need for repeat medical visits. The failure of the Company to provide or maintain the quality of health services provided to its patients would result in a material adverse impact on its reputation.

Due to the nature and proposed expansion of the Company's healthcare services, the Company may be liable for medical errors committed by its health practitioners or by the failure of the Company to provide health practitioners with the necessary medical facilities and equipment as set out in the Law of Private Health Institutions, whereby legal claims or actions may be filed against the Company and may involve significant amounts claimed for various reasons.

If any of the foregoing risks were to materialize, this would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

Risks related to difficulty in attracting qualified health practitioners

The Company's business and activities at its Pharmacies and Clinics are dependent on highly qualified health practitioners and managerial staff. The reputation of the health practitioners who provide medical services at the Company's facilities, their communication abilities and their ability to establish close relationships with Guests are necessary factors that allow the Company to provide optimal services to its Guests. However, due to the limited number of qualified health practitioners and managerial staff in Saudi Arabia, hiring qualified staff is one of the difficulties that the Company faces, in particular with the regulations around Saudization ratio in the healthcare / pharmacy division. Furthermore, the Company competes with other health service providers inside and outside the Kingdom with respect to hiring and retaining qualified health practitioners and managerial staff. Health practitioners weigh a number of factors when making a decision about employment, including with respect to salaries, allowances, working hours, quality of health equipment and facilities at the provider, quality of the nursing and managerial staff, work environment and provider's reputation. The difficulty of recruiting Saudi or non-Saudi Health Practitioners and managerial staff may force the Company to offer higher salaries than those paid in other countries or by other providers, which will affect the Company's profit margins. The Company's inability to meet such requirements may limit its ability to recruit and retain qualified Health Practitioners and managerial staff. Therefore, the Company does not guarantee that it will be able to recruit competent Health Practitioners or qualified managerial staff, or that they will receive the same degree classification for which they have been recruited for by the Saudi Commission for Health Specialties. Therefore, the Company may not be able to perform its business as required or may not be able to provide high-quality medical services, which would adversely affect the Company's reputation, business, financial position, results of operations and prospects.

Risks related to the Company's OmniChannel (Nahdi App applications and e-commerce platform) including digital advertising activities

The Company uses its 'NahdiOnline' as its e-commerce platform supported with its mobile applications for both Pharmacy and Clinic to enable online sales of its products and services to Guests. In addition, the Company relies on a variety of other media for promotional activities, including social media (such as Facebook, Instagram, Twitter, LinkedIn and YouTube) and national television advertisement campaigns to promote its brands.

The healthcare e-commerce and online healthcare service industries in Saudi Arabia are continuously growing and it is uncertain whether such industries would achieve and sustain high demand, consumer acceptance and market reaction. Although the Company's online platform, in particular Nahdi App and e-commerce sales have grown in recent period, there can be no assurance that the Company will be able to achieve consistent results or grow at the same rate as in the past or at all.

The operation of the Company's smart phone applications and online platforms carries a number of risks. In particular, there can be no guarantee that the Company will be able to obtain the necessary technical support to operate them or that such technical support will continue to be available on acceptable commercial terms in the future. Moreover, the e-commerce sector is growing rapidly in Saudi Arabia and is therefore exposed to a number of risks, including the potential introduction of new regulatory restrictions in respect of online commercial activities under the E-Commerce law and its implementing regulations. If any of the foregoing risks were to materialize, this would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

Risks associated with regulations, permits and licenses

In order to operate a new Pharmacy or Clinic, the Company must obtain various permits, licenses, certificates and other approvals from the relevant authorities. Operation of the Company's distribution centers also requires operational and quality regulatory approvals. Each approval is dependent on the satisfaction of certain conditions. The Company could encounter problems in obtaining regulatory approvals or in fulfilling the conditions required for obtaining these approvals, or it may not be able to comply with new laws, regulations or policies that may come into effect from time to time with respect to the pharmaceutical and healthcare sector in general or the particular processes with respect to the granting of necessary approvals.

If the Company does not obtain or renew a license necessary for its operations, or if any of its licenses expires or is suspended, or renewed under unfavorable conditions to the Company, or if the Company is unable to obtain additional licenses required in the future, the Company will be required to cease carrying on its business totally or partially or will be subject to fines issued by the relevant governmental authorities, including various fines.

Due to the rapid development of the regulatory environment in the Kingdom, there can be no assurance that future laws and regulations would not render the Company's operations non-compliant or that it would always be in full compliance with applicable laws and regulations. Compliance with future laws and regulations may require the Company to change its business models and practices at an undeterminable and possibly significant financial cost. These additional monetary expenditures may increase future overhead, which may, in turn, have a material adverse effect on the Company's business, financial condition and results of operations.

Operational risks and unexpected interruptions to the Company's business

The Company's success depends significantly on the continuous and smooth operation of its Pharmacies, Clinics and Distribution Centers. The operation of the Company's Pharmacies, Clinics and Distribution Centers is prone to a number of risks, including physical damage to buildings, power failures, disruption of medical equipment and devices, failure of information systems, mechanical failures, the possibility of work stoppages, criminal incidents, civil unrest, natural disasters, fires, operational errors, changes in governmental planning for the land underlying these facilities, or any disruption or delay in the ports or various shipping services in general. The occurrence of any of these or similar incidents would cause a significant disruption to the Company's business, which would affect adversely and materially the Company's business, results of operation, financial position, and prospects. If there were significant interruptions of operations at one or more of Pharmacies, Clinics and Distribution Centers, the Company's revenues and profitability will be affected, which would adversely and materially affect the Company's business, results of operation, financial position, and prospects.

Risks related to renovation and redevelopment of the Company's Pharmacies

The Company's existing Pharmacies require ongoing renovation, expansion, improvement and / or redevelopment to maintain an attractive appeal to, and continued demand from, the Company's Guests. In general, the Company carries out renovations and maintenance work to its Pharmacies during the course of the year. However, it carries out full-scale refurbishment only when it is expected to have a positive and material impact on the revenue of the relevant Pharmacies.

As the pharmaceutical industry in Saudi Arabia evolves, Guests may develop different expectations, tastes and preferences. The Company's existing Pharmacies may not be adaptable to meet such expectations. Any such renovations in the Pharmacies may also result in a temporary or partial loss of revenue by the Company while renovations works are carried out in the relevant Pharmacies. Moreover, the increase of costs may lead to a decrease in the Company's operating income, which would adversely and materially affect the Company's business, financial condition, results of operation and prospects.

If the Company does not undertake renovation works where required or appropriate, this could adversely impact the financial performance of those Pharmacies. In addition, even where such renovations are implemented, the Company's existing Pharmacies may not be able to compete effectively with newer Pharmacies. In addition, the costs of Pharmacy renovations may exceed projected capital expenditures, which would affect the Company's budget, and adversely and materially affect the Company's business, financial condition, results of operation, and prospects.

Risks related to the Company's reliance on its Senior Management and key personnel

The Company's success depends upon the continued service and performance of its senior Management and other key personnel, as well as its ability to identify, hire, develop, motivate and retain qualified personnel in the future. The Company relies on a number of key individuals in its senior Management team, who have valuable experience within the pharmaceutical and healthcare sector and who have made substantial contributions to the development of the Company's operations and expansion. Competition for senior Management and key employees in the pharmaceutical and healthcare sector is intense, and the Company cannot guarantee that it will be able to retain its personnel or attract new, suitably qualified personnel.

The Company may need to invest significant financial and human resources to attract and retain new senior Management members and / or employees. The loss of the services of members of the Company's senior Management or key employees could prevent or delay the implementation and completion of its strategic objectives, divert Management's attention to seeking certain qualified replacements or adversely affect its ability to manage its business effectively. Each member of senior Management, as well as key employees, may resign at any time. If the Company loses the ability to hire and retain key senior Management and employees with high levels of skills in appropriate domains, this would materially and adversely affect the Company's business, results of operations, financial position, and prospects.

The Company's senior Management or key personnel could behave in a manner which negatively impacts the Company's business, including through misuse of information or systems, disclosure of confidential information, or disseminating misleading information. Additionally, the Company may not always be able to prevent its senior Management and key personnel from committing any gross misconduct or ensure compliance with internal regulations and policies of the Company, which could result in losses, fines or financial liabilities for the Company, or cause harm to the Company's reputation and would adversely and materially affect the Company's business, results of operations, financial position, and prospects.

Risks related to reliance on supply and support from key third party service providers

A significant proportion of the products sold at the Pharmacies and equipment and devices used at the Clinics are imported from international suppliers. Accordingly, the Company relies on third party shipping and logistics companies in securing delivery of products and equipment to its Distribution Centers. The Company is also dependent on the services of various other third party service providers for its operations in Saudi Arabia, including vehicle leasing and, to a limited extent, maintenance of refrigerators in Distribution Centers.

Centers to the designated Pharmacy by trucks. Depending on the nature of products, there are certain temperature specifications for the transport of those products. In the event that the products are not stored properly for the duration of the trip, this may lead to the products being unfit for offering them to the Guests.

Consequently, the ability of the Company to maintain consistent levels of inventory for all its products in saleable condition would be adversely affected by changes in policies and practices such as pricing, payment terms, scheduling, and frequency of such services or increases in the cost of fuel, taxes and labor, and other factors that are not within the Company's control.

In the event where any of the aforementioned factors occurs, this would have an adverse and material impact on the company's business, financial position, results of operations and prospects.

Risks related to the Company's revenue growth rates

The Company's revenues consist of revenue from pharmacies and clinics, which are affected by various factors. In addition, such sectors are subject to many of the risks mentioned in this section of this annual report or the company's prospectus, which, if they were to occur, may affect the business of such sectors and hence the Company's revenue growth rates. Accordingly, the Company may not be successful in its efforts to increase its revenues or grow its business.

Revenue growth rates in prior periods should not be considered as indicative of future growth rates. The Company may not be able to overcome the risks and difficulties it may face in the healthcare sector, as the demand for healthcare services in KSA is dynamic which may have an adverse impact on the Company revenue from healthcare services.

Risks related to the increasing competition in the industry which the Company operates

The pharmaceutical and healthcare sectors in Saudi Arabia and regionally are highly competitive, and the Company expects such competition to increase and intensify in the future. The Company faces competition from pharmaceutical retail companies (such as traditional offline pharmacies and online platforms), large supermarket retailers, large healthcare providers and companies that offer online healthcare services. These companies may have greater financial, technical, research and development, marketing, distribution, retail and other resources than the Company. They may also have longer operating experience, a larger customer base or broader and deeper market coverage. As a result, the Company's competitors may be able to respond more quickly and effectively to new or evolving opportunities, technologies, standards or user requirements than the Company and may have the ability to initiate or withstand significant regulatory changes and industry evolvement. Furthermore, as the Company expands into other markets, it will face competition from new competitors, domestic or foreign, who may also enter markets where the Company currently operates or will operate.

The Company competes with other retailers in Saudi Arabia and other key markets, based, among other things, on the following elements: (1) prices of Non-Pharmaceutical Products; (2) the degree of brand recognition for the quality of services and products; (3) efficiency of delivery services, including the speed at which online orders are fulfilled; (4) reputation and quality of the brands, merchandise and products offered; (5) quality of Guest service; and (6) ability to understand and respond to Guest demands in a timely manner. Some of the Company's competitors may possess financial, managerial, logistical and human resources exceeding those possessed by the Company.

Any significant increase in competition may have a material adverse effect on the Company's revenue and profitability as well as on its business and prospects. There can be no assurance that the Company will be able to continually distinguish its products and services from those of its competitors, preserve and improve its relationships with various participants in the healthcare value chain, or increase or even maintain its existing market share. The Company may lose market share, and its financial condition and results of operations may deteriorate significantly if it fails to compete effectively. The occurrence of any of these events would adversely and materially affect the Company's business, results of operations, financial condition and prospects.

Risks relating to the Company's cashflow and the ability to distribute dividends

Distribution of dividends depends on several factors including, among other things, future earnings, financial conditions, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. These factors may impact the Company's ability to pay dividends to its shareholders. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for distribution of dividends. This would have a material adverse effect on shareholders' anticipated returns.

The Company's response to the risks

Nahdi's executive management are responsible for the effective operation of internal controls designed to manage and mitigate the principal risks and uncertainties. The three lines of defense model ensures accountability for risk management is embedded into processes and procedures. Key management committees support risk management such as Cyber Security Steering Committee, Executive Leadership Team, etc. Furthermore, the Board has also formed non-executive committees such as Digital Transformation Committee and Audit Committee to ensure that risks are mitigated and the Company's interest is well protected.

The Company's executives have ensured that action plans are integrated in the Company' strategies and both short and long term plans to address all the above mentioned potential risks. Regular monitoring is in place to ensure that there is progress of these actions and the Company continuously adopt new technologies and implementing advance tools to identify, closely monitor and mitigate the risks.

Number of Board meetings held during the last fiscal year, their dates, and the attendance record for each meeting, which is indicated in the names of the attendees.

The Board of Directors of the Nahdi Medical Company held 4 meetings in the fiscal year 2022

Board of Directors meetings in 2022					
Board member	First meeting 27.03.22	Second meeting 26.06.22	Third meeting 25.09.22	Fourth meeting 11.12.22	No. of meetings attended
Saleh Salem Ahmed Bin Mahfouz	✓	✓	✓	✓	4 out of 4
Abdullah Amer Abdullah Al-Nahdi	✓	✓	✓	✓	4 out of 4
Abdelelah Salem Ahmed Bin Mahfouz	✓	-	✓	✓	3 out of 4
Yasser Ghulam Abdulaziz Joharji	✓	✓	✓	✓	4 out of 4
Junaid Ezmat Bajwa	✓	✓	✓	✓	4 out of 4
Romain Voog	✓	✓	✓	✓	4 out of 4
Abdulatif Ali Abdulatif Al-Seif	✓	✓	✓	✓	4 out of 4

A description of any transaction between the Company and a related party:

Transactions and contracts with related parties

The members of the Board of Directors of the Company acknowledge that all contracts with related parties described in this section do not include any preferential terms and that they have been conducted in a regular and legal manner and on appropriate and fair commercial bases. The Company also acknowledges that it's not involved in any dealings, agreements, commercial relationships or real estate deals with any related parties.

The members of the Board of Directors also agree to abide by the Company's Law and its implementing regulations issued by the CMA in accordance to any related party transaction and therefore the Company acknowledges that all related party transactions have been approved by the General Assembly.
The nature of the Company transactions with related parties is represented in lease contracts, providing contracting services, engineering labor, supervision services for implementation, construction and finishing, in addition to providing administrative services.

Agreements with related parties

The Company has entered into two lease agreements with related parties as shown below:

1. The works and contracts that took place between Nahdi and Mr. Abdullah Amer Abdullah Al-Nahdi to provide real estate services to Nahdi, starting from 1st July 2022 for a year, and the value of the transaction was SAR 250,000 for the year. Mr. Abdullah Amer Abdullah Al-Nahdi has an indirect interest, on the prevailing commercial terms and without preferential benefits.
2. The works and contracts that took place between Nahdi and Alothaim Company. Nahdi signed lease contracts with Alothaim (7 lease contracts) to use as pharmacies, and the total value of the transactions was SAR 3,872,164. Mr. Abdulatif Ali Abdulatif Al-Saif has an indirect interest, the contract/s has no prevailing commercial terms and is without preferential benefits.

Litigation

The company and its subsidiaries have a number of cases filed with the various courts, the total of which was at the end of the year 2022 AD (88) case in total amount of (13,603,405) SAR.

The company also acknowledges that there are no legal disputes, lawsuits, actual or potential complaints, or existing investigation procedures that could have, collectively or individually, a material impact on the company, and the company has not been aware of the existence of any material legal disputes currently under consideration or potential. or facts that could, taken together or individually, have a material effect on the Company.

Violations

Since the company's activities are linked to a wide range of licenses and permits issued by various government agencies, the control of the company's business is from all of those agencies, and therefore it is natural for there to find minor of violations that do not pose any threat, fears or risks to the company's management, which are naturally, it does not affect the validity of the licenses for the company's facilities, nor does it affect the continuity of the company's business in any way. the total of which was at the end of the year 2022 AD (289) case in total amount of (1,366,100) SAR.

Acknowledgment

Nahdi Medical Company acknowledges that the account records have been correctly prepared and that the internal control system has been prepared on a sound basis and has been effectively implemented and that there is no doubt about the ability of the Company to continue its activities.

If the Auditor's Report contains reservations on the Annual Financial Statements, the report of the Board of Directors shall clarify those reservations, their reasons and any information related thereto.

Nahdi Medical Company acknowledges that the Auditor's Report did not include any reservations on the Annual Financial Statements, and no information was received from the Auditor indicating the necessity of taking any order or precautionary measure in accordance with the financial statements audited by them.

04

Consolidated Financial Statements

Independent Auditor's report

To the Shareholders of Al Nahdi Medical Company (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Nahdi Medical Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

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

Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment loss on trade receivables As at 31 December 2022, the gross value of trade receivables amounted to SR 138.4 million. (2021: SR 146.9 million) and the allowance for expected credit losses amounted SR 8.4 million (2021: SR 6.7 million). Assessment of impairment allowance for expected credit losses is highly subjective due to the significant judgement, estimates and assumptions applied by the management in determining the expected credit losses. The management is required for each reporting period to determine an expected loss rate against its outstanding trade receivables based on the Group's historical credit loss experience adjusted with forward-looking information. We considered this as a key audit matter given the judgements and assumptions regarding the Expected credit loss "ECL" impairment against trade receivables and the potential impact on the Group's consolidated financial statements Refer to note 3.8 to the consolidated financial statements for the significant accounting policy, note 2.5 for the critical accounting estimates and judgements and note 11 which details the disclosure of impairment and credit risk associated with trade receivables.	We assessed the appropriateness of significant judgements, estimates and assumptions made by the management. • We obtained an understanding of management's assessment of ECL against trade receivables. We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9- 'Financial Instruments'. • We involved our specialists to test the methodology implemented by the Group in relation to the requirements of IFRS 9. Particularly, we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter. • We reviewed the appropriateness of the Group's criteria and judgement for the determination of individually impaired receivable. • We tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations. We also assessed the reasonableness and adequacy of disclosures in the consolidated financial statements as required by IFRS 9 'Financial Instruments' and IFRS 7 'Financial instruments: Disclosure'.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Existence and valuation of inventories As at 31 December 2022, the gross value of Inventories amounted to SR 1,325 million. (2021: SR 1,241 million) and the provision for slow moving and obsolete inventories amounted SR 142 million (2021: SR 125 million). The Group has a perpetual inventory count system in place to conduct the stock count in stores throughout the year. The carrying value of inventory is reduced by provisions including those relating to estimated losses due to slow moving item (note 10) We considered it to be a key audit matter given that: • The Group deals with significant values of inventory items at hundreds of locations with high volume of daily transactions which increases the risks associated with inventory; and • Significant judgement and assumptions applied by the management in assessing the level of provisions required as of year end which includes assessment of inventory levels in relation to revenue for the period in consideration. Refer to note 3.9 to the consolidated financial statements for the significant accounting policy, note 2.5 for the significant accounting estimates and note 10 which discloses the inventories and associated impairment.	We performed the following procedures, amongst others: • Throughout the year, we have attended a sample of inventory cycle counts in stores and in the distribution centres, to validate counts performed by the Group. • Evaluated the stock taking process and the provisioning processes and performed test of controls. When reviewing management's inventory count processes and controls, we also obtained the understanding of the process for controlling or managing stock movements during the count and evaluated its reasonableness; • Evaluated the assumptions made by management, and particularly the key assumption that current system provision levels are consistent with historical pattern, in assessing stock obsolescence provisions through an analysis of inventory items by category and age as well as the level of inventory write downs in these categories during the year. • Assessed reasonableness of the assumptions used in estimating the shrinking provision including reviewing of accuracy and completeness of the key inputs with the underlying supports. We reviewed recent count results, for a sample of Group's stores, to ensure that the year-end shrinkage provision adequately reflected the levels of stock loss experienced during the year. • Assessed the adequacy of related disclosure (notes 10) included in the consolidated financial statements of the Group.

Other information included in The Group's 2022 Annual Report

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Group's 2022 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

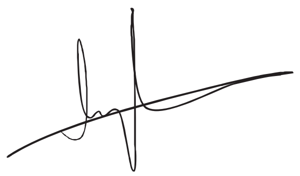
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

for Ernst & Young Professional Services



Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

Jeddah: 27 Sha'ban 1444H
19 March 2023G

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Consolidated statement of financial position

As at 31 December 2022

	Note	31 December 2022 SR	31 December 2021 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	913,633,033	885,639,645
Investment properties	7	253,806,184	230,085,000
Intangible assets	8	47,061,133	44,206,156
Right-of-use assets	9	1,166,761,794	1,327,618,022
Total non-current assets		**2,381,262,144**	**2,487,548,823**
CURRENT ASSETS			
Inventories	10	1,182,834,577	1,116,481,902
Trade receivables	11	130,201,679	140,283,118
Prepayments and other current assets	12	174,292,731	141,566,282
Cash and cash equivalents	13	1,076,311,959	401,044,447
TOTAL CURRENT ASSETS		**2,563,640,946**	**1,799,375,749**
TOTAL ASSETS		**4,944,903,090**	**4,286,924,572**
SHAREHOLDERS' Equity and liabilities			
SHAREHOLDERS' Equity			
Share capital	14(a)	1,300,000,000	1,300,000,000
Statutory reserve	14(b)	279,945,626	191,164,445
Retained earnings		663,833,421	112,615,756
Foreign currency translation reserve		(394,870)	(184,702)
Total SHAREHOLDERS' Equity		**2,243,384,177**	**1,603,595,499**
Non-current liabilities			
Lease liabilities	9	792,230,416	991,642,150
Accruals and other non-current liabilities	17	20,044,876	19,094,000
Employee benefit liabilities	15	380,861,250	386,732,043
TOTAL NON-CURRENT LIABILITIES		1,193,136,542	1,397,468,193
Current liabilities			
Trade payables	16	637,165,960	483,995,057
Lease liabilities – current portion	9	375,874,436	367,415,040
Accruals and other current liabilities	17	388,794,074	337,577,035
Zakat provision	18	106,547,901	96,873,748
TOTAL CURRENT LIABILITIES		**1,508,382,371**	**1,285,860,880**
Total liabilities		**2,701,518,913**	**2,683,329,073**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,944,903,090**	**4,286,924,572**

The attached notes from 1 to 33 form an integral part of these Consolidated Statements.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

	Note	31 December 2022 SR	31 December 2021 SR
Revenue	28	8,616,187,816	8,066,215,379
Cost of revenue	19	(5,095,295,500)	(4,761,534,264)
GROSS PROFIT		**3,520,892,316**	**3,304,681,115**
Other operating income, net	20	51,556,435	71,685,599
Selling and distribution expenses	21	(2,238,937,977)	(2,164,364,858)
General and administrative expenses	22	(330,933,373)	(292,432,949)
OPERATING PROFIT FOR THE YEAR		**1,002,577,401**	**919,568,907**
Finance costs		(79,375,137)	(78,881,567)
Finance income		12,128,998	2,962,022
Loss against write off for old distribution centre		(6,950,568)	-
Other income, net		2,080,514	7,648,369
Reversal of impairment on investment properties	7	14,526,595	5,969,000
Loss on derecognition of investment properties	7	(7,062,411)	-
PROFIT FOR THE YEAR BEFORE ZAKAT		**937,925,392**	**857,266,731**
Zakat charge	18	(50,113,578)	(44,738,103)
NET PROFIT FOR THE YEAR		**887,811,814**	**812,528,628**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain/ (loss) on defined benefits obligation	15	52,487,032	(27,690,483)
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		(210,168)	(23,521)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**940,088,678**	**784,814,624**
EARNINGS PER SHARE			
Basic and diluted, earnings per share attributable to ordinary equity holders of the Parent Company	23	6.83	6.25

The attached notes from 1 to 33 form an integral part of these Consolidated Statements.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Consolidated statement of changes in shareholder's equity

For the year ended 31 December 2022

	Share Capital SR	Statutory reserve SR	Retained earnings SR	Foreign currency translation reserve SR	Total SR
Balance as at 1 January 2021	1,000,000,000	109,911,582	969,030,474	(161,181)	2,078,780,875
Net profit for the year	-	-	812,528,628	-	812,528,628
Other comprehensive loss for the year	-	-	(27,690,483)	(23,521)	(27,714,004)
Total comprehensive income for the year	-	-	784,838,145	(23,521)	784,814,624
Dividends (note 14c)	-	-	(1,260,000,000)	-	(1,260,000,000)
Transfer to share capital (note 14a)	300,000,000	-	(300,000,000)	-	-
Transfer to statutory reserve	-	81,252,863	(81,252,863)	-	-
Balance as at 31 December 2021	**1,300,000,000**	**191,164,445**	**112,615,756**	**(184,702)**	**1,603,595,499**
Net profit for the year	-	-	887,811,814	-	887,811,814
Other comprehensive income for the year	-	-	52,487,032	(210,168)	52,276,864
Total comprehensive income for the year	-	-	940,298,846	(210,168)	940,088,678
Dividends (note 14c)	-	-	(300,300,000)	-	(300,300,000)
Transfer to statutory reserve (note 14a)	-	88,781,181	(88,781,181)	-	-
Balance as at 31 December 2022	**1,300,000,000**	**279,945,626**	**663,833,421**	**(394,870)**	**2,243,384,177**

The attached notes from 1 to 33 form an integral part of these Consolidated Statements.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	31 December 2022 SR	31 December 2021 SR
OPERATING ACTIVITIES			
Profit for the year before zakat		937,925,392	857,266,731
Adjustment to reconcile profit for the year before zakat to net cash flows from operating activities:			
Depreciation of property and equipment	6	191,194,944	160,851,655
Depreciation of right-of-use assets	9	383,385,159	386,446,137
Amortisation of intangible assets	8	22,062,867	24,202,506
Loss/(gain) on disposal of property and equipment		17,368,076	(147,566)
Loss on disposal of intangible assets		48,505	121,081
Loss on termination of right-of-use assets	9	3,482,510	1,501,373
Reversal of Impairment loss of property and equipment	6	(2,649,935)	(13,523,000)
Reversal of Impairment on Investment properties	7	(14,526,595)	(5,969,000)
Loss on derecognition of investment properties	7	7,062,411	-
Provision for employee benefits	15	68,430,249	60,452,977
Provision/(reversal) for slow moving and obsolete inventories	10	60,660,550	(53,412,577)
Impairment for trade receivable allowance	11	3,189,779	5,868,027
Finance costs		79,375,137	78,881,567
		1,757,009,049	**1,502,539,911**
Working capital adjustments:			
Inventories		(127,013,225)	85,851,312
Trade receivables		6,891,660	(47,651,970)
Prepayments and other current assets		(32,726,449)	29,265,489
Trade and other payables		153,170,903	43,737,656
Accruals and other current liabilities		52,167,915	(100,425,265)
Due to related parties		-	(24,179,176)
Cash from operations		1,809,499,853	1,489,137,957
Finance costs paid		(79,375,137)	(78,881,567)
Zakat paid	18	(40,439,425)	(45,918,275)
Employee benefits paid	15	(21,814,010)	(30,367,648)
Net cash flows from operating activities		**1,667,871,281**	**1,333,970,467**
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(250,266,759)	(282,574,314)
Proceeds from sale of property and equipment		103,286	7,102,060
Purchase of intangible assets	8	(24,966,349)	(23,892,329)
Net cash flows used in investing activities		(275,129,822)	(299,364,583)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	9	(416,963,779)	(382,067,579)
Dividends paid	14(c)	(300,300,000)	(1,260,000,000)
Net cash flows used in financing activities		(717,263,779)	(1,642,067,579)
INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		**675,477,680**	**(607,461,695)**
Net foreign exchange difference		(210,168)	(23,521)
Cash and cash equivalents at the beginning of the year		401,044,447	1,008,529,663
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**13**	**1,076,311,959**	**401,044,447**
SUPPLEMENTARY NON-CASH INFORMATION			
Addition to right-of-use assets and lease liabilities	9	409,653,545	395,158,159
Transfer to capital from retained earnings		-	300,000,000

The attached notes from 1 to 33 form an integral part of these Consolidated Statements.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements

At 31 December 2022

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).

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-Ula1443H). 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 year in this regard.

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation

These consolidated financial statements include the financial position and performance of the Parent Company and the following direct and indirect subsidiaries (collectively referred to "the Group") in which the Company exercises control as at 31 December 2022:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest 31 December 2022	Effective ownership interest 31 December 2021
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 year ended 31 December 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:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest 31 December 2022	Effective ownership interest 31 December 2021
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 31 December 2022, Nahdi Investment Company also has investments in the following subsidiaries:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest 31 December 2022	Effective ownership interest 31 December 2021
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.

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

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

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

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

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

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

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

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 consolidated financial statements (continued)

At 31 December 2022

2. BASIS OF PREPARATION (continued)

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. 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, any change in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is still evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

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

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

Judgements

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

Going concern

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

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

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

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

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

Classification of investment properties

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

Revenue from contracts with customers

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

Determining method to estimate variable consideration and assessing the constraint

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

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

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

2. BASIS OF PREPARATION (continued)

Useful lives of property and equipment / intangible assets/ investment properties

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

Allowance for inventory loss

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

Provision for expected credit losses (ECLs) of trade receivables

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

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

Impairment of non-financial assets

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

Defined benefit plan

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

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

Estimating provision for returns

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

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

Revenue recognition - Estimating stand-alone selling price – Customer loyalty programme

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

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Group's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

2. BASIS OF PREPARATION (continued)

Fair value measurement of financial instruments

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

Provisions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Current versus non-current classification

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

Assets

An asset is classified as current when:

- It is expected to be realized or intended to sell or consumed in normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is expected to be realized within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

Liabilities

A liability is current when:

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

All other liabilities are classified as non-current.

3.2 Business combinations and goodwill

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

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

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

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

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

3.3 Foreign currencies

Transactions and balances

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

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

Foreign operations

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

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

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

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

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

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

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

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

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

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

Software	4 years
Acquisitions of pharmacies	4 years
Others	5 years

3.5 Property and equipment

Recognition and measurement

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)
Notes to the consolidated financial statements (continued)
At 31 December 2022

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

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

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

Capital work in progress

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

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

Subsequent costs

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

Depreciation

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

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

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

Notes to the consolidated financial statements (continued)

At 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

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

3.6 Investment properties

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

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

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

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

3.7 Leases

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

Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

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

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

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

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the consolidated statement of profit or loss.

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

Financial assets at amortised cost (debt instruments)

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

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables, employee loans and margin on letter of credit.

Financial assets at fair value through OCI (debt instruments)

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

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

Financial assets designated at fair value through OCI (equity instruments)

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

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

Financial assets at fair value through profit or loss

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

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

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

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

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Notes to the consolidated financial statements (continued)

At 31 December 2022

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

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

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

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Derecognition

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

iii) Offsetting of financial instruments

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

Impairment of financial and non-financial assets

Financial assets

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

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Notes to the consolidated financial statements (continued)

At 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax and income tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

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

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

3.9 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale. Any impairment loss arising as a result of bringing the inventories at their net realizable value is recognized in the consolidated statement of profit or loss.

3.10 Cash and cash equivalents

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

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

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

3.12 Pension and other post-employment benefits

Short-term employee benefits

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

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At 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-employment benefits

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

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

3.13 Zakat

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

Withholding tax

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

3.14 Value Added Tax ("VAT")

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

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

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

3.15 Revenue from contracts with customers

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

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

Sale of goods

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

Rights of return

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

Loyalty points programme

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

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

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

The disclosures of significant estimates and assumptions relating to the estimation of the stand-alone selling price of the loyalty points are provided in note 2.5.

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

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

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Notes to the consolidated financial statements (continued)

At 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with volume rebates giving rise to variable consideration.

Volume rebates

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

Other Income

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

Rental Income

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

3.16 Expenses

Cost of revenue

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

Selling and distribution expenses

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

General and administrative expenses

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

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

3.17 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

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

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

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

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

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

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has 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 including 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 and 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 consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

4.2 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.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the year.

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

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.

In accordance with the transitional provisions, the company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the 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.

4.4 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 financial statements of the Group as it is not a first- time adopter.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

4.5 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.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the year.

4.6 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 consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

5.1 IFRS 17 Insurance Contracts

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

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

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5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

5.3 Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

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

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

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

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

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

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6. PROPERTY AND EQUIPMENT

	Lands SR	Buildings SR	Leasehold improvement SR	Furniture, fixture, office equipment and tools SR	Machinery and equipment SR	Vehicles SR	Computers SR	Capital work in progress SR	Total SR
Cost:									
At beginning of the year	74,429,935	44,420,692	974,084,044	56,415,541	176,987,858	1,303,681	133,141,028	285,131,408	1,745,914,187
Reclassification	-	-	6,064,947	4,330	(4,148,605)	-	3,045,377	(4,966,049)	-
Additions	-	3,251,298	159,658,871	8,020,270	22,471,879	-	22,084,298	34,780,143	250,266,759
Disposals	-	-	(919,836)	(1,051,531)	(2,315,809)	-	(17,699)	-	(4,304,875)
Transfer from capital work in progress	-	214,633,381	48,721,436	-	-	-	-	(263,354,817)	-
Transfer to Investment properties (note 7)	(16,257,000)	-	-	-	-	-	-	-	(16,257,000)
Write-offs	-	(15,710,680)	(52,756,695)	(3,924,277)	(28,466,072)	-	(11,524,593)	-	(112,382,317)
At end of the year	**58,172,935**	**246,594,691**	**1,134,852,767**	**59,464,333**	**164,529,251**	**1,303,681**	**146,728,411**	**51,590,685**	**1,863,236,754**
Accumulated depreciation and impairment:									
At beginning of the year	2,649,935	17,099,871	569,532,284	38,770,372	121,760,367	1,144,296	109,317,417	-	860,274,542
Reclassification	-	-	-	-	(3,644,813)	-	3,644,813	-	-
Depreciation charge for the year	-	13,228,892	136,536,880	8,374,405	20,992,058	71,500	11,991,209	-	191,194,944
Impairment reversal for the year	(2,649,935)	-	-	-	-	-	-	-	(2,649,935)
Disposals	-	-	(920,190)	(1,047,233)	(2,292,276)	-	(17,049)	-	(4,276,748)
Write-offs	-	(10,658,608)	(41,414,437)	(3,534,623)	(27,840,616)	-	(11,490,798)	-	(94,939,082)
At end of the year	**-**	**19,670,155**	**663,734,537**	**42,562,921**	**108,974,720**	**1,215,796**	**113,445,592**	**-**	**949,603,721**
Net book value:									
At 31 December 2022	**58,172,935**	**226,924,536**	**471,118,230**	**16,901,412**	**55,554,531**	**87,885**	**33,282,819**	**51,590,685**	**913,633,033**

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6. PROPERTY AND EQUIPMENT (continued)

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

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At 31 December 2022

6. PROPERTY AND EQUIPMENT (continued)

a) The fair value of the Group's parcel of land as at 31 December 2022 (1 parcel of land) was valued at SR 62.3 million (31 December 2021: SR 71.78 million (2 parcels of land)) which was determined by an independent external real estate evaluator Abdullah Al Kathiri Real Estate Evaluation Office (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 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 2022, a reversal of impairment loss amounting to SR 2.7 million was recorded in the Group's consolidated financial statements for the year ended 31 December 2022 (31 December 2021: SR 13.5 million).

b) During the year, 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 263.3 million in buildings and leasehold improvements asset class has been capitalized in this regard.

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

	31 December 2022 SR	31 December 2021 SR
Selling and distribution expenses (note 21)	172,490,336	145,141,886
General and administrative expenses (note 22)	12,103,028	10,676,566
Cost of revenue (note19)	6,601,580	5,033,203
	191,194,944	**160,851,655**

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

e) Capital work in progress relates to the expenditure incurred on leasehold improvements amounting to SR 13.43 million and for the construction of the clinics amounting to SR 21.35 million which are expected to be capitalized in the following year upon completion and when it is ready for the intended use.

f) Movement of impairment loss included in "accumulated depreciation/impairment" is as follows;

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	2,649,935	22,868,985
Impairment reversal for the year	(2,649,935)	(13,523,000)
Transfer of impairment loss to investment properties (note 7)	-	(6,696,050)
At the end of the year	**-**	**2,649,935**

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Notes to the consolidated financial statements (continued)

At 31 December 2022

7. INVESTMENT PROPERTIES

	31 December 2022 SR	31 December 2021 SR
Cost:		
At beginning of the year	246,706,234	194,894,184
Transfer from property and equipment (note 6)	16,257,000	51,812,050
Total	**262,963,234**	**246,706,234**
Accumulated impairment loss:		
At beginning of the year	16,621,234	15,894,184
Loss on derecognition of investment property	7,062,411	-
Reversal of impairment loss for the year	(14,526,595)	(5,969,000)
Transfer of impairment loss from property and equipment (note 6)	-	6,696,050
At end of the year	**9,157,050**	**16,621,234**
Net book value	**253,806,184**	**230,085,000**

The Group's investment properties mainly represents the parcels of land in KSA which are currently held for undetermined future use. During the year, the Group transferred one parcel of land (31 December 2021: one parcel of land) from property and equipment to investment properties at cost (31 December 2021: cost less accumulated impairment loss). The fair value of the Group's investment properties as at 31 December 2022 was valued at SR 310 million (31 December 2021: SR 230 million).

The fair value of the Group's investment properties, as at 31 December 2022 was determined on the basis of the valuation exercise carried out by an independent external real estate evaluator Abdullah Al Kathiri Real Estate Evaluation Office (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 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 parcels of land as at 31 December 2022, a reversal of impairment loss amounting to SR 14.53 million was recorded in the Group's consolidated financial statements for the year ended 31 December 2022 (31 December 2021: SR 5.97 million).

During the year ended 31 December 2022, the management of the Group realized that a portion of one of the lands owned by the Group was partially used in the infrastructure by a Government Body which is under assessment at the reporting date.

Based on the carrying value of the revised area of land, an impairment loss amounting to SR 7.06 million was recorded in the Group's consolidated financial statements for the year ended 31 December 2022.

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Notes to the consolidated financial statements (continued)

At 31 December 2022

7. INVESTMENT PROPERTIES (continued)

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

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

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

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

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
31 December 2022	**-**	**-**	**309,638,000**	**309,638,000**
31 December 2021	-	-	230,085,000	230,085,000

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

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

8. INTANGIBLE ASSETS

	Software SR	Acquisition of pharmacies SR	Others SR	Total SR
Cost:				
At beginning of the year	155,734,131	118,334,617	8,263,755	282,332,503
Additions	23,352,329	-	540,000	23,892,329
Write offs	-	(10,737,860)	(121,075)	(10,858,935)
Transfer from capital work in progress (note 6)	3,273,874	-	-	3,273,874
At 31 December 2021	182,360,334	107,596,757	8,682,680	298,639,771
Additions	22,216,349	-	2,750,000	24,966,349
Write offs	(581,191)	(3,805,321)	(1,238,361)	(5,624,873)
At 31 December 2022	**203,995,492**	**103,791,436**	**10,194,319**	**317,981,247**
Accumulated amortization:				
At beginning of the year	119,005,447	118,334,617	3,628,905	240,968,969
Amortization	21,020,057	-	3,182,449	24,202,506
Write offs	-	(10,737,860)	-	(10,737,860)
At 31 December 2021	140,025,504	107,596,757	6,811,354	254,433,615
Amortization charge for the year	20,893,142	-	1,169,725	22,062,867
Write offs	(577,064)	(3,805,321)	(1,193,983)	(5,576,368)
At 31 December 2022	**160,341,582**	**103,791,436**	**6,787,096**	**270,920,114**
Net book value:				
At 31 December 2022	**43,653,910**	**-**	**3,407,223**	**47,061,133**
At 31 December 2021	42,334,830	-	1,871,326	44,206,156

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

	31 December 2022 SR	31 December 2021 SR
General and administrative expenses (note 22)	14,992,465	16,387,582
Selling and distribution expenses (note 21)	7,070,402	7,814,924
	22,062,867	**24,202,506**

Notes to the consolidated financial statements (continued)

At 31 December 2022

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

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

	Lands SR	Pharmacy stores SR	Total SR
As at 1 January 2022	84,401,716	1,243,216,306	1,327,618,022
Additions during the year	46,806,536	362,847,009	409,653,545
Modifications during the year	(16,882,617)	(69,538,692)	(86,421,309)
Termination during the year		(100,703,305)	(100,703,305)
Depreciation expense	(11,890,541)	(371,494,618)	(383,385,159)
As at 31 December 2022	**102,435,094**	**1,064,326,700**	**1,166,761,794**
As at 1 January 2021	70,139,901	1,136,376,624	1,206,516,525
Additions during the year	21,611,314	373,546,845	395,158,159
Modifications during the year		161,256,240	161,256,240
Termination during the year		(48,866,765)	(48,866,765)
Depreciation expense	(7,349,499)	(379,096,638)	(386,446,137)
As at 31 December 2021	**84,401,716**	**1,243,216,306**	**1,327,618,022**

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At 31 December 2022

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

	31 December 2022 SR	31 December 2021 SR
As at 1 January	1,359,057,190	1,235,078,508
Additions during the year	409,653,545	395,158,159
Impact of lease termination	(97,220,795)	(50,368,138)
Modifications during the year	(86,421,309)	161,256,240
Accretion of interest during the year	50,471,426	47,633,667
Payments during the year	(467,435,205)	(429,701,246)
As at 31 December	**1,168,104,852**	**1,359,057,190**
Current	375,874,436	367,415,040
Non-current	792,230,416	991,642,150

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

The maturity analysis of lease liabilities is disclosed in note 24.

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

	31 December 2022 SR	31 December 2021 SR
Depreciation expense of right-of-use assets (note 21 & 22)	383,385,159	386,446,137
Interest expense on lease liabilities	50,471,426	47,633,667
Expense relating to short-term leases	7,451,617	
Total amount recognised in consolidated statement of profit or loss	**441,308,202**	**434,079,804**

The Group had total cash outflows for leases of SR 474.9 million in 2022 (SR 428.8 million in 2021). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 50.5 million in 2022 (SR 47.6 million in 2021).

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

	31 December 2022 SR	31 December 2021 SR
Selling and distribution expenses (note 21)	376,824,711	378,444,674
General and administrative expenses (note 22)	6,560,448	8,001,463
	383,385,159	**386,446,137**

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Notes to the consolidated financial statements (continued)

At 31 December 2022

10. INVENTORIES

	31 December 2022 SR	31 December 2021 SR
Inventories	1,325,055,667	1,241,251,497
Less: Provision for slow moving and obsolete inventories	(142,221,090)	(124,769,595)
	1,182,834,577	**1,116,481,902**

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

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	124,769,595	195,170,998
Charge/ (reversal) for the year (a)	60,660,550	(53,412,577)
Written off during the year	(43,209,055)	(16,988,826)
At the end of the year	**142,221,090**	**124,769,595**

The reversal was related primarily to the reversal of provision recognised in respect of COVID related inventory in the previous years which were consumed during the prior year.

11. TRADE RECEIVABLES

	31 December 2022 SR	31 December 2021 SR
Trade receivables	138,616,472	146,997,993
Less: Allowance for expected credit losses (see note below)	(8,414,793)	(6,714,875)
	130,201,679	**140,283,118**

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

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	6,714,875	9,620,955
Charge for the year	3,189,779	5,868,027
Written off during the year	(1,489,861)	(8,774,107)
At the end of the year	**8,414,793**	**6,714,875**

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

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

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The Group always measures the allowance for trade receivables at an amount equal to lifetime ECL except for a class of customers where the Group measures loss at an amount equal to 12 months ECL. The expected impairment loss (i.e. Lifetime ECL) on trade receivables is estimated using a provision matrix by reference to past default experience of the group of debtors with similar loss patterns and where applicable an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognized an allowance of 100% against all trade receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2022 SR	31 December 2021 SR
Prepayments	56,920,605	48,345,156
Employees' loans	48,405,056	45,331,048
Advance payments to suppliers	27,767,484	28,993,579
Value added tax (VAT)	26,371,543	1,243,894
Margin on letter of credits	2,527,705	2,708,720
Other current assets	12,300,338	14,943,885
	174,292,731	**141,566,282**

13. CASH AND CASH EQUIVALENTS

	31 December 2022 SR	31 December 2021 SR
Cash at banks	1,005,470,436	339,430,212
Cash on hand	70,841,523	61,614,235
	1,076,311,959	**401,044,447**

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

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Notes to the consolidated financial statements (continued)

At 31 December 2022

14. SHAREHOLDERS' EQUITY

(a) Share capital

The Company'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) Statutory reserve

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

(c) Dividends

On 8 August 2022 (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 (31 December 2021: SR 1,260 million).

15. EMPLOYEE BENEFIT LIABILITIES

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

	31 December 2022 SR	31 December 2021 SR
Defined benefits obligation at beginning of the year	386,732,043	329,487,592
Current service cost	57,718,499	53,390,239
Interest cost on defined benefits obligation	10,711,750	7,062,738
Actuarial (gain) / loss on the obligation	(52,487,032)	27,690,483
Transferred out	-	(531,361)
Payments made during the year	(21,814,010)	(30,367,648)
Defined benefit obligations at the end of the year	**380,861,250**	**386,732,043**

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

15.1 Actuarial assumptions

	31 December 2022	31 December 2021
Discount rate	4.30%	2.85%
Future salary growth/expected rate of salary increase	4.80%	3.75%
Mortality rate	0.25%	0.25%
Retirement age	60 years	60 years

The quantitative sensitivity analysis for principal assumptions is as follows:

	31 December 2022 SR	31 December 2021 SR
Discount rate:		
+1.00% increase	(28,228,741)	(35,637,852)
-1.00% decrease	32,530,367	42,136,560
Salary increase rate:		
+1.00% increase	33,082,811	42,333,532
-1.00% decrease	(29,251,104)	(36,518,755)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit obligation is 7.98 years (31 December 2021: 10.06 years)

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

	31 December 2022 SR	31 December 2021 SR
Financial assumptions	(33,779,276)	21,376,312
Experience adjustment	(15,168,085)	7,102,770
Demographic adjustment	(3,539,671)	26,792
	(52,487,032)	**28,505,874**

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

15. EMPLOYEE BENEFIT LIABILITIES (continued)

The following payments are expected to the defined benefit plan in future years:	31 December 2022 SR	31 December 2021 SR
Within the next 12 months (next annual reporting period)	68,622,736	29,215,783
Between 2 and 5 years	231,534,324	91,760,954
Between 6 and 10 years	242,287,238	119,513,853
Year 11 & above	463,483,885	253,701,959
Total expected payments	**1,005,928,183**	**494,192,549**

16. TRADE PAYABLES

	31 December 2022 SR	31 December 2021 SR
Trade payables (note a)	637,165,960	483,995,057

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

17. ACCRUALS AND OTHER LIABILITIES

	31 December 2022 SR	31 December 2021 SR
Non- current		
Staff accruals (note a)	20,044,876	19,094,000
Current		
Staff accruals (note a)	184,727,793	165,051,410
Provision for closure of pharmacies	29,543,446	20,741,183
Due to operating pharmacies – agents	20,995,739	22,613,104
Accrued expenses	18,160,435	20,434,100
Deferred revenue	12,996,252	18,179,794
Value added tax (VAT) payable	-	5,234,163
Other liabilities (note b)	122,370,409	85,323,281
	388,794,074	**337,577,035**

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

(b) This primarily includes the marketing accruals and consultancy services accruals.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

18. ZAKAT

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

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	96,873,748	98,053,920
Provision for the current year	50,113,578	44,738,103
Payment during the year	(40,439,425)	(45,918,275)
At the end of the year	**106,547,901**	**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 years ended 31 December 2020 to 2021

The Group submitted zakat return for the year and no zakat assessment was received. The Group received a valid zakat certificate until 30 April 2023.

For the year ended 31 December 2022

The zakat status remains as mentioned above and has not changed in the year ended 31 December 2022.

Subsidiaries

Sakhaa Golden Company

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

For the years ended 31 December 2020 to 2021

The Company submitted zakat return for the year and no zakat assessment was received. The Company received a valid zakat certificate until 30 April 2023.

For the year ended 31 December 2022

The zakat status remains as mentioned above and has not changed in the year ended 31 December 2022.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

18. ZAKAT (continued)

Al Nahdi Care

For the years ended 31 December 2019 to 2021

The Company submitted zakat return for the years and no zakat assessment was received. The Company received a valid zakat certificate until 30 April 2023.

For the year ended 31 December 2022

The zakat status remains as mentioned above and has not changed in the year ended 31 December 2022.

19. COST OF REVENUE

	31 December 2022 SR	31 December 2021 SR
Cost of goods sold	4,963,754,963	4,732,732,917
Provision/(reversal) for slow moving inventory, net (note 10)	60,660,550	(53,412,577)
Employee costs	44,579,363	31,097,512
Inventory write off	16,843,657	30,580,562
Depreciation of property and equipment (note 6)	6,601,580	5,033,203
Cost of operated pharmacies	270,000	750,000
Other expenses	2,585,387	14,752,647
	5,095,295,500	**4,761,534,264**

20. OTHER OPERATING INCOME, NET

	31 December 2022 SR	31 December 2021 SR
Activities to vendors and customers	24,498,892	-
Reversal of accrued expenses/ recovery of operating pharmacy costs	11,504,083	27,707,000
Impairment reversal of property and equipment (note 6)	2,649,935	13,523,000
Rental income	2,377,762	2,378,765
Gain from disposal of property and equipment	106,982	106,275
Scrap sale of inventory	-	1,683,132
Other	10,418,781	26,287,427
	51,556,435	**71,685,599**

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

21. SELLING AND DISTRIBUTION EXPENSES

	31 December 2022 SR	31 December 2021 SR
Employee costs	1,289,766,616	1,262,761,615
Depreciation of right-of-use assets (note 9)	376,824,711	378,444,674
Depreciation (note 6)	172,490,336	145,141,886
Utilities	71,284,659	60,243,254
Advertising and promotion	67,810,301	54,917,503
Repair and maintenance	32,036,774	28,462,137
Attestation of governmental expenses	22,139,474	24,876,444
Loading and packing expenses	19,030,597	16,847,517
Business events	8,707,801	5,010,344
Communications	8,147,742	6,092,057
Amortization (note 8)	7,070,402	7,814,924
Others	163,628,564	173,752,503
	2,238,937,977	**2,164,364,858**

22. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2022 SR	31 December 2021 SR
Employee costs	190,666,181	170,296,450
Repair and maintenance	38,144,533	30,841,907
Legal and professional	15,779,711	10,956,081
Amortization (note 8)	14,992,465	16,387,582
Depreciation (note 6)	12,103,028	10,676,566
Depreciation of right-of-use assets (note 9)	6,560,448	8,001,463
Communications	5,724,971	3,418,646
Attestation and government expenses	5,346,214	4,718,018
Board of directors' remunerations	4,600,004	4,216,820
Expected credit losses of trade receivables (note 11)	3,189,779	5,868,027
Others	33,826,039	27,051,389
	330,933,373	**292,432,949**

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

23. EARNINGS PER SHARE

The earnings per share calculation is given below:

	31 December 2022 SR	31 December 2021 SR
Net profit for the year	887,811,814	812,528,628
Weighted average number of ordinary shares	130,000,000	130,000,000
Earnings per share – basic and diluted	6.83	6.25

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

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's principal financial liabilities includes trade payables, due to related parties and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, employee loans, cash and cash equivalents and margin on letter of credit.

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

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Credit risk

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly

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Notes to the consolidated financial statements (continued)

At 31 December 2022

monitored and any sales to major customers are generally covered by letters of promissory notes. At 31 December 2022, the Group had two customers (31 December 2021: two customers) which accounted for approximately 72% (31 December 2021: 73%) of all trade receivable balances.

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

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

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

Receivable from customers

	2022			2021		
Ageing	Gross carrying amount SR	Expected credit loss range %	Loss allowance SR	Gross carrying amount SR	Expected credit loss range %	Loss allowance SR
Current (Not due)	38,242,069	-	-	19,930,385	1%	76,303
0-90 Days Overdue	50,930,255	27%	2,305,262	77,468,238	35%	2,310,823
91-180 Days Overdue	36,522,524	2%	181,812	33,146,661	42%	2,839,321
181-360 Days Overdue	12,903,527	25%	2,090,032	15,618,210	17%	1,167,899
Over 360 Days Overdue	18,097	46%	3,837,687	834,499	5%	320,529
	138,616,472		**8,414,793**	**146,997,993**		**6,714,875**

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Notes to the consolidated financial statements (continued)

At 31 December 2022

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk

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

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

31 December 2022	Within 1 year SR	1 to 5 years SR	After 5 years SR	Total SR
Trade payables	640,035,617	-	-	640,035,617
Lease liabilities	521,890,949	1,044,627,191	191,835,721	1,758,353,861
	1,161,926,566	**1,044,627,191**	**191,835,721**	**2,398,389,478**

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

25. CAPITAL MANAGEMENT

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

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

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Notes to the consolidated financial statements (continued)

At 31 December 2022

26. 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 cash and cash equivalents, trade and other receivables, trade payables and lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

27. RELATED PARTY TRANSACTIONS AND BALANCES

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

			Transactions For the Year ended	
Related party	Relationship	Nature of transaction	31 December 2022 SR	31 December 2021 SR
Khota Al Khair for Commercial Services Group Limited	Affiliate	Expenses paid on behalf of the affiliate	51,750	-

Key management compensation

Compensation for key management is as follows:

	31 December 2022 SR	31 December 2021 SR
Salaries and other benefits*	3,500,000	3,199,827
Post-employment benefits	18,071,305	7,023,243
	21,571,305	**10,223,070**

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

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

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

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

28. 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. The Group's operations in the UAE are considered relatively insignificant, and accordingly, the Group does not present business sector information at the geographical level. Also, the Group's business of operating specialized medical clinics is considered relatively insignificant.

The Group has two operating segments, Front Shop and Pharma. The Group's segments maintain separate financial information, and the Group's chief operating decision maker (the "CODM") evaluates the segments' revenue on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Group's segments based on revenue. The Group uses revenue as its principal measure of segment performance as it enhances the Group's ability to compare past financial performance with current performance and analyze underlying business performance and trends. The operating costs could not be separated by the reported segments and hence presented in total. The following table presents information for the Group's operating segments for the year ended 31 December 2022 and 31 December 2021, respectively.

Year ended 31 December 2022	Front Shop SR	Pharma SR	Others SR	Total SR
Revenue	**4,278,503,386**	**4,263,058,013**	**74,626,417**	**8,616,187,816**
Unallocated income (expenses)				
Cost of revenue				(5,095,295,500)
Other operating income, net				51,556,435
Selling and distribution expenses				(2,238,937,977)
General and administrative expenses				(330,933,373)
Finance costs				(79,375,137)
Finance income				12,128,998
Loss against write off for old distribution centre				(6,950,568)
Other income, net				2,080,514
Reversal of impairment on investment properties				14,526,595
Loss on derecognition of investment properties				(7,062,411)
Profit for the year before zakat				**937,925,392**
Zakat				(50,113,578)
Net profit for the year				**887,811,814**

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Notes to the consolidated financial statements (continued)

At 31 December 2022

28. SEGMENT INFORMATION (continued)

Year ended 31 December 2021	Front Shop SR	Pharma SR	Others SR	Total SR
Revenue	**4,299,339,944**	**3,732,740,770**	**34,134,665**	**8,066,215,379**
Unallocated income (expenses)				
Cost of revenue				(4,761,534,264)
Other operating income, net				71,685,599
Selling and distribution expenses				(2,164,364,858)
General and administrative expenses				(292,432,949)
Finance costs				(78,881,567)
Finance income				2,962,022
Other income, net				7,648,369
Reversal of impairment on investment properties				5,969,000
Profit for the year before zakat				857,266,731
Zakat				(44,738,103)
Net profit for the year				**812,528,628**

29. COMMITMENTS AND CONTINGENCIES

As at 31 December 2022, the Group has commitments of SR 65.1 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 pertaining to letter of credit and letter of guarantee.

30. COMPARATIVE FIGURES

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

Reclassification in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 is summarised below:

	As previously reported SR	Reclassification SR	As currently reported SR
Selling and distribution expenses	2,149,404,794	14,960,064	2,164,364,858
General and administrative expenses	307,393,013	(14,960,064)	292,432,949

Al Nahdi Medical Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements (continued)

At 31 December 2022

31. BRANCHES

The Company has the following branches at the reporting date:

Sr. No.	Location of Branch	Commercial Registration Number	Sr. No.	Location of Branch	Commercial Registration Number
1	Jeddah	4030053868	25	Al Qunfotha	4603150305
2	Jeddah	4030124053	26	Arar	3450174719
3	Jeddah	4030158333	27	Besha	5851874572
4	Jeddah	4030150171	28	Buraida	1131304702
5	Jeddah	4030158630	29	Dammam	2050050664
6	Jeddah	4030111904	30	Dammam	2050046442
7	Jeddah	4030118789	31	Dammam	2050045579
8	Jeddah	4030298132	32	Dhahran	2052002695
9	Jeddah	4030143265	33	Hafr Albaten	2511007816
10	Jeddah	4030121733	34	Hail	3350147306
11	Jeddah	4030477660	35	Jazan	5900120635
12	Riyadh	1010187031	36	Khamis Mushayt	5855023957
13	Riyadh	1010440211	37	Khamis Mushayt	5855071782
14	Riyadh	1010444001	38	Khobar	2051052304
15	Riyadh	1010461685	39	Makkah	4031044920
16	Riyadh	1010239521	40	Makkah	4031093616
17	Abha	5850031875	41	Makkah	4031044923
18	Al Ahsaa	2031102806	42	Makkah	4031263468
19	Al Baha	5800104904	43	Najran	5950117233
20	Al Madina	4650035174	44	Qura Al Ahsaa	2250062550
21	Al Madina	4650286705	45	Skaka	3400119081
22	Al Madina	4650032936	46	Tabuk	3550131585
23	Al Madina	4650032911	47	Taif	4032023921
24	Al Mubarraz	2252032301	48	Taif	4032048995

32. EVENTS AFTER THE REPORTING PERIOD

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

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 19 March 2023G (corresponding to 27 Sha'ban 1444H).

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