

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

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

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Nahdi Medical Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2023, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and other explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

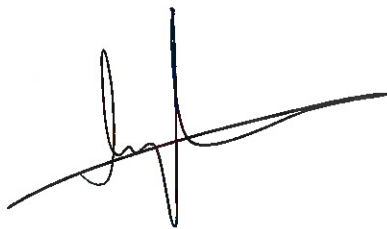
Scope of review

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

Conclusion

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

for Ernst & Young Professional Services



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

Jeddah: 20 Shawwal 1444H
10 May 2023G



Nahdi Medical Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

	Note	31 March 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	928,649,381	913,633,033
Investment properties	5	254,803,184	253,806,184
Intangible assets		43,551,255	47,061,133
Right-of-use assets	6	1,189,858,618	1,166,761,794
TOTAL NON-CURRENT ASSETS		2,416,862,438	2,381,262,144
CURRENT ASSETS			
Inventories	7	1,384,918,400	1,182,834,577
Trade receivables	8	144,563,243	130,201,679
Prepayments and other current assets		196,421,054	174,292,731
Cash and cash equivalents	9	1,514,494,143	1,076,311,959
TOTAL CURRENT ASSETS		3,240,396,840	2,563,640,946
TOTAL ASSETS		5,657,259,278	4,944,903,090
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	10	1,300,000,000	1,300,000,000
Statutory reserve		279,945,626	279,945,626
Retained earnings		507,127,125	663,833,421
Foreign currency translation reserve		1,075	(394,870)
TOTAL SHAREHOLDERS' EQUITY		2,087,073,826	2,243,384,177
NON-CURRENT LIABILITIES			
Lease liabilities	6	822,134,680	792,230,416
Accruals and other non-current liabilities		11,592,855	20,044,876
Employee benefit liabilities	11	405,224,104	380,861,250
TOTAL NON-CURRENT LIABILITIES		1,238,951,639	1,193,136,542
CURRENT LIABILITIES			
Trade payables		1,120,206,626	637,165,960
Lease liabilities – current portion	6	363,747,406	375,874,436
Accruals and other current liabilities		722,735,355	388,794,074
Zakat provision	12	124,544,426	106,547,901
TOTAL CURRENT LIABILITIES		2,331,233,813	1,508,382,371
TOTAL LIABILITIES		3,570,185,452	2,701,518,913
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,657,259,278	4,944,903,090

APPROVED BY:
Abdullah Al Nahdi
DEPUTY CHAIRMAN

APPROVED BY:
Yasser Joharji
CEO

APPROVED BY:
Mohammed Al-Khubani
CFO

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

Nahdi Medical Company (A Saudi Joint Stock Company)

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

For the three-month period ended 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended 31 March	
		2023	2022
Revenue		2,105,036,256	2,079,494,197
Cost of revenue		(1,218,112,824)	(1,227,767,421)
GROSS PROFIT		886,923,432	851,726,776
Other operating income		5,322,813	9,221,686
Selling and distribution expenses		(548,631,397)	(530,515,500)
General and administrative expenses		(80,368,708)	(66,059,919)
OPERATING PROFIT FOR THE PERIOD		263,246,140	264,373,043
Finance costs		(17,269,702)	(18,037,559)
Finance income		15,356,258	202,998
Reversal of impairment on investment properties	5	997,000	-
Other income		12,616	843,835
PROFIT FOR THE PERIOD BEFORE ZAKAT		262,342,312	247,382,317
Zakat charge	12	(17,999,509)	(9,875,001)
NET PROFIT FOR THE PERIOD		244,342,803	237,507,316
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Re-measurement loss on defined benefit obligation	11	(11,049,099)	(772,856)
<i>Items that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		395,945	(206,291)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		233,689,649	236,528,169
EARNINGS PER SHARE			
Basic and diluted, earnings per share attributable to ordinary equity holders of the Parent Company	13	1.88	1.83

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Nahdi Medical Company (A Saudi Joint Stock Company)

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

For the three-month period ended 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

	<i>Share Capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>
Balance as at 1 January 2022 (audited)	1,300,000,000	191,164,445	112,615,756	(184,702)	1,603,595,499
Net profit for the period	-	-	237,507,316	-	237,507,316
Other comprehensive loss for the period	-	-	(772,856)	(206,291)	(979,147)
Total comprehensive income/(loss) for the period	-	-	236,734,460	(206,291)	236,528,169
Balance as at 31 March 2022 (unaudited)	1,300,000,000	191,164,445	349,350,216	(390,993)	1,840,123,668
Balance as at 1 January 2023 (audited)	1,300,000,000	279,945,626	663,833,421	(394,870)	2,243,384,177
Net profit for the period	-	-	244,342,803	-	244,342,803
Other comprehensive loss for the period	-	-	(11,049,099)	395,945	(10,653,154)
Total comprehensive income/(loss) for the period	-	-	233,293,704	395,945	233,689,649
Dividends (note 10b)	-	-	(390,000,000)	-	(390,000,000)
Balance as at 31 March 2023 (unaudited)	1,300,000,000	279,945,626	507,127,125	1,075	2,087,073,826

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Nahdi Medical Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS (UNAUDITED)

For the three-month period ended 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

	Note	<i>Three-month period ended 31 March</i>	
		2023	2022
OPERATING ACTIVITIES			
Profit for the period before zakat		262,342,312	247,382,317
<i>Adjustment to reconcile profit for the period before zakat to net cash flows from operating activities:</i>			
Depreciation of property and equipment	4	51,989,115	44,738,024
Depreciation of right-of-use assets	6	98,814,940	94,413,642
Amortisation of intangible assets		6,524,407	5,495,659
Loss on disposal of Intangible assets		-	46,655
Loss on disposal of property and equipment and intangible asset		1,917,119	4,061,420
Reversal for trade receivable allowance	8	(492,564)	(2,219,444)
Gain on termination of right-of-use assets		(573,330)	(2,022,123)
Provision for slow moving and obsolete inventories, net	7	1,817,569	1,234,636
Impairment reversal of investment properties		(997,000)	-
Provision for employee benefits	11	17,641,560	17,143,505
Finance costs		17,269,702	18,037,559
		<u>456,253,830</u>	<u>428,311,850</u>
<i>Working capital adjustments:</i>			
Inventories		(203,901,392)	(204,780,051)
Trade receivables		(13,869,000)	(5,830,280)
Prepayments and other current assets		(22,128,323)	(45,030,208)
Trade and other payables		483,040,666	494,061,925
Accruals and other current liabilities		(65,078,686)	(84,192,848)
Cash from operations		<u>634,317,095</u>	<u>582,540,388</u>
Finance costs paid		(17,269,702)	(18,037,559)
Zakat paid	12	(2,984)	-
Employee benefits paid	11	(4,327,805)	(4,888,843)
Net cash flows from operating activities		<u>612,716,604</u>	<u>559,613,986</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	4	(68,207,582)	(57,956,612)
Proceeds from disposal of property and equipment		-	35,150
Purchase of intangible assets		(7,136,758)	(6,838,719)
Net cash flows used in investing activities		<u>(75,344,340)</u>	<u>(64,760,181)</u>
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	6	(99,586,025)	(110,082,367)
Cash flows used in financing activities		<u>(99,586,025)</u>	<u>(110,082,367)</u>
INCREASE IN CASH AND CASH EQUIVALENTS			
		437,786,239	384,771,438
Net foreign exchange difference		395,945	(206,291)
Cash and cash equivalents at the beginning of the period		1,076,311,959	401,044,447
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	<u>1,514,494,143</u>	<u>785,609,594</u>
SUPPLEMENTARY NON-CASH INFORMATION			
Addition to right-of-use assets and lease liabilities	6	122,488,959	95,095,606
Dividends	10b	<u>390,000,000</u>	<u>-</u>

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

Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

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).. 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 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 interim condensed consolidated financial statements for the three-month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The management consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed consolidated financial statements do not include all the information and disclosures required in full set of annual consolidated financial statements and should therefore be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022. In addition, results for the interim period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023 (see also note 2.5).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation

These interim condensed consolidated financial statements include the financial information of the Parent Company and the following direct and indirect subsidiaries (collectively referred to “the Group”), in which the Group exercises control as at 31 March 2023.

<i>Subsidiary name</i>	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>Effective ownership interest</i>	
			<i>31 March 2023</i>	<i>31 December 2022</i>
Al Nahdi Care	KSA	Clinics	100%	100%
Sakhaa Golden Company*	KSA	Labor Services	100%	100%
Nahdi Investment Company**	UAE	Holding Company	100%	100%

*During the 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:

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

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

**As at 31 March 2023, Nahdi Investment Company also has investments in the following subsidiaries:

<i>Subsidiary name</i>	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>Effective ownership interest</i>	
			<i>31 March 2023</i>	<i>31 December 2022</i>
Nahdi Drug Store	UAE	Drug store	99%	99%
Al Nahdi Pharmacy	UAE	Pharmacy	99%	99%

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

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

Transactions eliminated on consolidation

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

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

Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

Transactions eliminated on consolidation (continued)

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

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

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

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

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

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

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

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

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

3.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts 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. IFRS 17 is based on a general model, supplemented by:

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

The amendments had no impact on the Group's interim condensed consolidated financial statements.

3.2 Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

3.4 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

4. PROPERTY AND EQUIPMENT

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Cost:		
At the beginning of the period/year	1,863,236,754	1,745,914,187
Additions during the period/year	68,207,582	250,266,759
Transfer to Investment properties during the period/year	-	(16,257,000)
Disposals during the period/year	-	(4,304,875)
Write-offs during the period/year	(6,691,059)	(112,382,317)
At the end of the period/year	1,924,753,277	1,863,236,754
Depreciation:		
At the beginning of the period/year	949,603,721	857,624,607
Depreciation charge for the period/year	51,989,115	191,194,944
Disposals during the period/year	-	(4,276,748)
Write-offs during the period/year	(5,488,940)	(94,939,082)
	996,103,896	949,603,721
Impairment:		
At the beginning of the period/year	-	2,649,935
Impairment reversal for the period/year	-	(2,649,935)
	-	-
At the end of the period/year	996,103,896	949,603,721
<u>Net book value:</u>		
At the end of the period/year	928,649,381	913,633,033

a) The fair value of the Group's parcel of land as at 31 March 2023 (1 parcel of land) was valued at SR 69.5 million (31 December 2022: SR 62.3 million) (1 parcels of land) which was determined by an independent external real estate evaluator Abdullah Al Kathiri Real Estate Evaluation Office (2022: Abdullah Al Kathiri Real Estate Evaluation Office) accredited by the Saudi Authority for Accredited Valuers ("TAQEEM") and they have appropriate qualifications and relevant experience in the fair value measurement of properties in the relevant locations.

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.

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

Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

5. INVESTMENT PROPERTIES

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Cost:		
At the beginning of the period/year	262,963,234	246,706,234
Transfer from property and equipment	-	16,257,000
	<hr/>	<hr/>
At the end of the period/year	262,963,234	262,963,234
	<hr/>	<hr/>
Accumulated Impairment loss:		
At beginning of the year	9,157,050	16,621,234
Loss on derecognition of investment property	-	7,062,411
Reversal of impairment loss for the year	(997,000)	(14,526,595)
	<hr/>	<hr/>
At the end of the period/year	8,160,050	9,157,050
	<hr/>	<hr/>
<u>Net book value:</u>		
At the end of the period/year	254,803,184	253,806,184
	<hr/> <hr/>	<hr/> <hr/>

The Group's investment properties mainly represents the parcels of land in KSA which are currently held for undetermined future use. During 2022, the Group transferred one parcel of land from property and equipment to investment properties at cost less accumulated impairment loss.

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

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 March 2023, a reversal of impairment loss amounting to SR 1 million was recorded in the Group's interim condensed consolidated financial statements for the period ended 31 March 2023 (31 December 2022: SR 14.5 million).

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

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(UNAUDITED) (continued)

At 31 March 2023

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5. INVESTMENT PROPERTIES (continued)

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

	<i>Level 1</i> <i>SR</i>	<i>Level 2</i> <i>SR</i>	<i>Level 3</i> <i>SR</i>	<i>Total</i> <i>SR</i>
31 March 2023	-	-	375,999,000	375,999,000
31 December 2022	-	-	309,638,000	309,638,000

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	<i>31 March 2023</i>		<i>31 December 2022</i>	
	<i>Right-of-use assets (unaudited)</i>	<i>Lease liabilities (unaudited)</i>	<i>Right-of-use assets (Audited)</i>	<i>Lease liabilities (Audited)</i>
At the beginning of the period/year	1,166,761,794	1,168,104,852	1,327,618,022	1,359,057,190
Addition during the period/year	122,488,959	122,488,959	409,653,545	409,653,545
Transfer from Intangible assets	3,975,175	-	-	-
Modifications during the period/year	(4,425,776)	(4,425,776)	(86,421,309)	(86,421,309)
Termination during the period/year	(126,594)	(699,924)	(100,703,305)	(97,220,795)
Depreciation during the period/year	(98,814,940)	-	(383,385,159)	-
Accretion of interest during the period/year	-	11,032,860	-	50,471,426
Payments during the period/year	-	(110,618,885)	-	(467,435,205)
At the end of the period/year	1,189,858,618	1,185,882,086	1,166,761,794	1,168,104,852

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

	<i>31 March 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
Current	363,747,406	375,874,436
Non-current	822,134,680	792,230,416
	1,185,882,086	1,168,104,852

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

7. INVENTORIES

	<i>31 March 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
Inventories	1,526,659,800	1,325,055,667
Less: Allowance for slow moving and obsolete inventories	(141,741,400)	(142,221,090)
	1,384,918,400	1,182,834,577

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(UNAUDITED) (continued)

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7. INVENTORIES (continued)

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	142,221,090	124,769,595
Charge for the period/year, net	1,817,569	60,660,550
Written off during the period/year	(2,297,259)	(43,209,055)
At the end of the period/year	141,741,400	142,221,090

8. TRADE RECEIVABLES

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Trade receivables	152,485,472	138,616,472
Less: Allowance for expected credit losses (see note below)	(7,922,229)	(8,414,793)
	144,563,243	130,201,679

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	8,414,793	6,714,875
(Reversal)/charge for the period/year	(492,564)	3,189,779
Written off during the period/year	-	(1,489,861)
	7,922,229	8,414,793

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

9. CASH AND CASH EQUIVALENTS

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Cash at banks	176,744,778	1,005,470,436
Cash on hand	74,280,934	70,841,523
Murabaha & term deposits (note 9.1)	1,263,468,431	-
	1,514,494,143	1,076,311,959

9.1 This amount represents deposits with original maturities of less than three months. During the period, the Group earned SR 15.3 million (31 December 2022: 12.1 million) on the Murabaha and term deposits at the rate of return of ranging between 5.30% to 5.60%.

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(UNAUDITED) (continued)

At 31 March 2023

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10. SHAREHOLDERS' EQUITY

(a) Capital

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

(b) Dividends

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

11. EMPLOYEE BENEFIT LIABILITIES

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Defined benefits obligation at beginning of the period/year	380,861,250	386,732,043
Current service cost	13,649,209	57,718,499
Interest cost on defined benefits obligation	3,992,351	10,711,750
Actuarial loss/(gain) on the obligation included in retained earnings	11,049,099	(52,487,032)
Payments made during the period/year	(4,327,805)	(21,814,010)
Defined benefits obligation at the end of the period/year	405,224,104	380,861,250

11.1 Actuarial assumptions

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Discount rate	4.00%	4.30%
Future salary growth/expected rate of salary increase	4.80%	4.80%
Mortality rate	0.25%	0.25%
Retirement age	60 years	60 years

12. ZAKAT

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	106,547,901	96,873,748
Provision for the current period/year	17,999,509	50,113,578
Payment during the period/year	(2,984)	(40,439,425)
At the end of the period/year	124,544,426	106,547,901

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(UNAUDITED) (continued)

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12. ZAKAT (continued)

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 2022 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 has submitted an objection to ZATCA during the statutory period and unfavorable decision was issued. The Group has settled the liability and finalized the position for the above years.

For the year ended 31 December 2020 to 2021

The Group submitted zakat return for the year and no zakat assessment was received.

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. The Group received a valid zakat certificate until 30 April 2024.

Subsidiaries

Sakhaa Golden Company

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

For the year ended 31 December 2020 to 2021

The company submitted zakat return for the year and no zakat assessment was received.

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. The company received a valid zakat certificate until 30 April 2024.

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.

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. The company received a valid zakat certificate until 30 April 2024.

13. EARNINGS PER SHARE

The earnings per share calculation is given below:

	<i>Three-month period ended 31 March</i>	
	<i>2023 (Unaudited)</i>	<i>2022 (Unaudited)</i>
Net profit for the period	244,342,803	237,507,316
Weighted average number of ordinary shares	130,000,000	130,000,000
Earnings per share – Basic and diluted	1.88	1.83

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

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(UNAUDITED) (continued)

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14. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

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

15. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, 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.

Key management compensation

Compensation for key management is as follows:

	<i>Three-month period ended 31</i>	
	<i>March</i>	
	<i>2023</i>	<i>2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries and other benefits	875,001	875,001
Post-employment benefits	3,409,605	3,103,691
	<u>4,284,606</u>	<u>3,978,692</u>

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(UNAUDITED) (continued)

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15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Related party balances are generally unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 March 2023, the Group has recorded impairment of receivables relating to amounts owed by related parties by SR 2.5 million (31 December 2022: Nil). This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related party operates.

16. SEGMENT INFORMATION

The Group operates in the KSA and the UAE and is engaged in the sale of cosmetics, medical materials, as well as medical equipment through pharmacies. It also operates specialized medical clinics through one of its subsidiaries. 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 three-month period ended 31 March 2023 and 31 March 2022, respectively

For the period ended 31 March 2023 (Unaudited)	Front Shop	Pharma	Others	Total
	SR	SR	SR	SR
Revenue	988,581,380	1,081,661,512	34,793,364	2,105,036,256
<i>Unallocated income (expenses)</i>				
Cost of revenue				(1,218,112,824)
Other operating income, net				5,322,813
Selling and distribution expenses				(548,631,397)
General and administrative expenses				(80,368,708)
Finance costs				(17,269,702)
Finance income				15,356,258
Reversal of impairment on investment properties				997,000
Other income, net				12,616
Profit for the period before zakat				262,342,312
Zakat				(17,999,509)
Net profit for the period				244,342,803

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

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16. SEGMENT INFORMATION (continued)

For the period ended 31 March 2022 (Unaudited)	Front Shop	Pharma	Others	Total
	SR	SR	SR	SR
Revenue	1,017,785,242	1,044,508,206	17,200,749	2,079,494,197
Unallocated income (expenses)				
Cost of revenue				(1,227,767,421)
Other operating income, net				9,221,686
Selling and distribution expenses				(530,515,500)
General and administrative expenses				(66,059,919)
Finance costs				(18,037,559)
Finance income				202,998
Other income, net				843,835
Profit for the period before zakat				247,382,317
Zakat				(9,875,001)
Net profit for the period				237,507,316

17. COMMITMENTS AND CONTINGENCIES

As at 31 March 2023, the Group has commitments of SR 43.5 million (31 December 2022: SR 65.1 million) relating to capital expenditures, which also includes an agreement with a consulting Group to implement the decorations of pharmacies, implement the new stores, construction of distribution centre. It also includes commitments pertains to letter of credit, letter of guarantee and commitment towards lessors.

18. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation of the current 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 condensed consolidated of financial position and statement of profit or loss and other comprehensive income for the period ended 31 March 2023 is summarised below:

	As previously reported SR	Reclassification SR	As currently reported SR
Selling and distribution expenses	(533,294,194)	2,778,694	(530,515,500)
General and administrative expenses	(67,273,372)	1,213,453	(66,059,919)
Other operating income	13,213,833	(3,992,147)	9,221,686
Finance income	-	202,998	202,998
Other income	1,046,833	(202,998)	843,835

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. 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

20. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorized to issue by the Board of Directors on 10 May 2023G (corresponding to 20 Shawwal 1444H).