

Al Dawaa Medical Services Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
AND INDEPENDENT AUDITOR'S REVIEW REPORT

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND INDEPENDENT AUDITOR'S REVIEW REPORT

For the three-month period ended 31 March 2022

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al Dawaa Medical Services Company (A Saudi Joint Stock Company) as at 31 March 2022, and the related interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim 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 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



Marwan S. Al-Afaliq
Certified Public Accountant
License No. 422




Al Khobar: 11 Shawwal 1443H
12 May 2022


Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

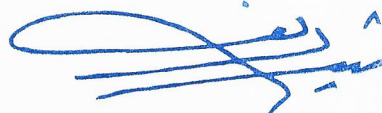
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month period ended 31 March 2022

		For the three-month period ended 31 March	
		2022	2021
		SR	SR
		(Unaudited)	(Unaudited)
	Notes		
Revenue	4	1,294,821,007	1,209,714,881
Cost of revenue		(800,645,752)	(757,758,453)
GROSS PROFIT		494,175,255	451,956,428
EXPENSES			
Selling and distribution		(391,472,441)	(351,533,515)
General and administration		(31,988,810)	(26,072,207)
OPERATING PROFIT		70,714,004	74,350,706
Fair value gain on swap derivatives liabilities		38,139,325	21,489,969
Finance costs		(24,047,922)	(15,979,578)
Other income, net		4,304,003	1,976,278
PROFIT BEFORE ZAKAT		89,109,410	81,837,375
Zakat	5	(2,000,000)	(3,000,000)
PROFIT FOR THE PERIOD		87,109,410	78,837,375
EARNINGS PER SHARE			
Basic and diluted earnings per share from profit for the period	6	1.02	0.93


Chairman of Board of Directors
Mr. Samir Abdulhadi



Managing Director
Mr. Waleed Al-Jaafary



Chief Financial Officer
Mr. Shareef Al-Aqabawi


The attached notes from 1 to 17 form part of these interim condensed financial statements.

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-month period ended 31 March 2022

	<i>For the three-month period ended 31 March</i>	
	2022	2021
	SR	SR
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	87,109,410	78,837,375
OTHER COMPREHENSIVE (LOSS) / INCOME		
<i>Other comprehensive (loss) / income that will not be reclassified to profit or loss in subsequent periods:</i>		
Fair value (loss) / gain on equity instruments designated at FVOCI	(4,713,665)	10,622,583
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(4,713,665)	10,622,583
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	82,395,745	89,459,958



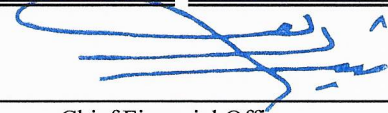

Chairman of Board of Directors
Mr. Samir Abdulhadi


Managing Director
Mr. Waleed Al-Jaafary


Chief Financial Officer
Mr. Shareef Al-Aqabawi

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2022

		31 March 2022 SR (Unaudited)	31 December 2021 SR (Audited)
	<i>Notes</i>		
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	855,022,122	823,396,398
Right-of-use assets	8	1,081,115,890	1,046,053,673
Intangible assets		19,409,972	20,996,400
Investment in unconsolidated subsidiaries		204,739	204,739
Equity instruments designated at FVOCI		260,325,465	265,039,130
TOTAL NON-CURRENT ASSETS		2,216,078,188	2,155,690,340
CURRENT ASSETS			
Inventories		1,664,080,138	1,331,812,994
Amounts due from a related party	9	85,229	-
Trade receivables and prepayments		397,427,514	496,270,446
Right of return assets		411,774	979,201
Bank balances and cash	10	47,604,822	46,306,634
TOTAL CURRENT ASSETS		2,109,609,477	1,875,369,275
TOTAL ASSETS		4,325,687,665	4,031,059,615
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	850,000,000	850,000,000
Statutory reserve		28,914,498	28,914,498
Retained earnings		158,267,172	71,157,762
Fair value reserve of equity instruments designated at FVOCI		34,399,956	39,113,621
TOTAL EQUITY		1,071,581,626	989,185,881
NON-CURRENT LIABILITIES			
Lease liabilities	8	834,494,452	812,306,669
Employees' defined benefit liabilities		125,581,585	125,348,335
TOTAL NON-CURRENT LIABILITIES		960,076,037	937,655,004
CURRENT LIABILITIES			
Refund liabilities		696,387	1,468,398
Trade payables and accruals		811,514,951	532,003,048
Amounts due to related parties	9	44,116,524	81,932,382
Current portion of lease liabilities	8	235,804,273	226,815,253
Contract liabilities		41,127,448	40,545,990
Bank overdrafts and short-term loans	13	1,131,433,576	1,155,977,491
Swap derivatives liabilities		13,345,919	51,485,244
Zakat provision	5	15,990,924	13,990,924
TOTAL CURRENT LIABILITIES		2,294,030,002	2,104,218,730
TOTAL LIABILITIES		3,254,106,039	3,041,873,734
TOTAL EQUITY AND LIABILITIES		4,325,687,665	4,031,059,615
			
Chairman of Board of Directors Mr. Samir Abdulhadi	Managing Director Mr. Waleed Al-Jaafari	Chief Financial Officer Mr. Shareef Al-Aqabawi	

The attached notes from 1 to 17 form part of these interim condensed financial statements.

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three-month period ended 31 March 2022

	Share capital SR	Proposed increase in capital SR	Statutory reserve SR	Retained earnings SR	Fair value reserve of equity instruments designated at FVOCI SR	Total SR
As at 1 January 2021 (audited)	10,000,000	51,500,000	5,000,000	994,021,140	52,308,892	1,112,830,032
Profit for the period	-	-	-	78,837,375	-	78,837,375
Other comprehensive income for the period	-	-	-	-	10,622,583	10,622,583
Total comprehensive income for the period	-	-	-	78,837,375	10,622,583	89,459,958
Dividends (note 12)	-	-	-	(34,743,184)	-	(34,743,184)
Transfer to proposed increase in capital (note 11)	-	788,500,000	-	(788,500,000)	-	-
As at 31 March 2021 (unaudited)	10,000,000	840,000,000	5,000,000	249,615,331	62,931,475	1,167,546,806
As at 1 January 2022 (audited)	850,000,000	-	28,914,498	71,157,762	39,113,621	989,185,881
Profit for the period	-	-	-	87,109,410	-	87,109,410
Other comprehensive loss for the period	-	-	-	-	(4,713,665)	(4,713,665)
Total comprehensive income for the period	-	-	-	87,109,410	(4,713,665)	82,395,745
As at 31 March 2022 (unaudited)	850,000,000	-	28,914,498	158,267,172	34,399,956	1,071,581,626

Chairman of Board of Directors
Mr. Samir Abdulhadi

Managing Director
Mr. Waleed Al-Jaafari

Chief Financial Officer
Mr. Shareef Al-Aqabawi

The attached notes from 1 to 17 form part of these interim condensed financial statements

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2022

		<i>For the three-month period ended 31 March</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES			
Profit before zakat		89,109,410	81,837,375
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation for property and equipment	7	42,709,258	34,669,793
Depreciation for right-of-use assets	8	53,011,049	42,920,887
(Gain) / loss on derecognition due to termination of leases		(2,603,893)	819,453
Write off of property and equipment		1,670,680	983,262
Amortisation of intangible assets		1,586,429	972,024
Provision for employees' defined benefit liabilities		6,671,888	6,010,992
Finance costs		24,047,922	15,979,578
Fair value gain on swap derivatives liabilities		(38,139,325)	(21,489,969)
		<u>178,063,418</u>	<u>162,703,395</u>
Working capital adjustments			
Inventories		(332,267,144)	(201,310,578)
Trade receivables and prepayments		98,842,932	174,963,831
Amounts due from related parties		(85,229)	(130,169)
Right of return assets		567,427	(157,200)
Refund liabilities		(772,011)	185,197
Trade payables and accruals		279,511,903	165,457,625
Amounts due to related parties		(37,815,858)	(20,498,006)
Contract liabilities		581,458	176,999
Cash flows from operations		<u>186,626,896</u>	<u>281,391,094</u>
Finance costs paid		(23,166,251)	(15,078,453)
Employees' defined benefit liabilities paid		(7,320,312)	(1,475,024)
Net cash from operating activities		<u>156,140,333</u>	<u>264,837,617</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(76,005,662)	(39,611,313)
Additions to intangible assets		-	(792,443)
Purchase of equity instruments designated at FVOCI		-	(11,637,417)
Net cash used in investing activities		<u>(76,005,662)</u>	<u>(52,041,173)</u>
FINANCING ACTIVITIES			
Proceeds from short-term loans		425,000,000	-
Repayment of short-term loans		(395,000,000)	-
Payment of principal portion of lease liabilities	8	(53,661,068)	(43,420,434)
Settlement for closure of certain lease contracts of branches	12	(631,500)	(1,035,000)
Dividends paid		-	(34,743,184)
Net cash used in financing activities		<u>(24,292,568)</u>	<u>(79,198,618)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>55,842,103</u>	<u>133,597,826</u>
Cash and cash equivalents at 1 January		<u>(9,670,857)</u>	<u>(2,948,308)</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	10	<u>46,171,246</u>	<u>130,649,518</u>

The attached notes from 1 to 17 form part of these interim condensed financial statements.

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
For the three-month period ended 31 March 2022

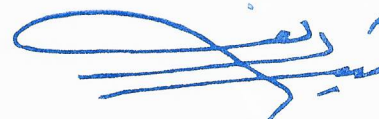
		<i>For the three-month period ended 31 March</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
SIGNIFICANT NON-CASH TRANSACTIONS:			
Additions to right-of-use assets and lease liabilities	8	<u>82,950,366</u>	<u>113,219,411</u>
Modification to right-of-use assets and lease liabilities	8	<u>16,901,324</u>	<u>1,886,493</u>
Derecognised of right-of-use assets due to termination	8	<u>(11,778,424)</u>	<u>(5,704,194)</u>
Derecognised of lease liabilities due to termination	8	<u>(15,013,819)</u>	<u>(5,919,741)</u>
Fair value gain on swap derivatives liabilities		<u>38,139,325</u>	<u>21,489,969</u>
Fair value loss / (gain) on equity instruments designated at FVOCI		<u>(4,713,665)</u>	<u>10,622,583</u>
Interest cost on lease liabilities	8	<u>8,134,299</u>	<u>6,802,126</u>



Chairman of Board of Directors
Mr. Samir Abdulhadi



Managing Director
Mr. Waleed Al-Jaafary



Chief Financial Officer
Mr. Shareef Al-Aqabawi

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
At 31 March 2022

1 CORPORATE INFORMATION

- 1.1* Al Dawaa Medical Services Company (the “Company”) is a Saudi Joint Stock Company. The Company was initially registered as a Limited Liability Company in the Kingdom of Saudi Arabia (“KSA”) under Commercial Registration number 2051025701 dated 23 Ramadan 1422H (corresponding to 8 December 2001) with branches in Khobar, Riyadh, Jeddah, and other cities across the Kingdom.
- 1.2* On 24 Thul-Qi’dah 1442H (corresponding to 4 July 2021), the Board has approved the plan for initial public offering of the Company by offering 30% of the shares of the Company for initial public offering by submitting an application and registering the securities to the Capital Market Authority (“CMA”) and listing it through Saudi Stock Exchange (“Tadawul”). On 18 Jumada I 1443H (corresponding to 22 December 2021), the CMA announces the approval to offer 25.5 million shares for public subscription representing (30%) of the Company's shares. On 14 March 2022, the Company's shares started trading in Tadawul.
- 1.3* The Company is engaged in online wholesale, pharmaceutical agents, wholesale pharmaceutical goods, pharmacy activities, pharmaceutical warehouse activities, retailing of medical equipment and equipment, online retailing, land transport of goods, providing delivery services via electronic platforms, managing and renting self-storage stores, providing marketing services on behalf of third parties.
- 1.4* The Company’s registered office is located at P.O. box 4326, Al Khobar 31952, Kingdom of Saudi Arabia.
- 1.5* The interim condensed financial statements of the Company as of 31 March 2022 were authorised for issuance by the Board of Directors on 10 Shawwal 1443H (corresponding to 11 May 2022).

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed financial statements for the three-month periods ended 31 March 2022 have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) as endorsed in the KSA.

The Company has prepared the interim condensed 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 judgement that there is a reasonable expectation that the Company 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.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2021. In addition, results for the interim period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022 (refer also note 3).

The Company has accounted for its investment in subsidiaries at cost and no consolidated financial statements have been prepared as the subsidiaries have not yet commenced any operations. The assets, liabilities and operations of the subsidiaries as of 31 March 2022 and for the period then ended are not material to the Company’s interim condensed financial statements.

2.2 Basis of measurement

These interim condensed financial statements have been prepared on a historical cost basis except for equity instruments designated at FVOCI and swap derivatives that have been measured at fair value, using the accrual basis of accounting.

2.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (“SR”) which is also the functional currency of the Company and rounded to the nearest Saudi Riyals (except when otherwise indicated).

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 March 2022

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

2.4 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Company.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements of the Company for the year ended 31 December 2021.

Progressive rebate incentives

The Company receives incentives from its suppliers based on the volume of the business during the year, that are subject to negotiations. The underlying contracts with the suppliers are negotiated throughout the year and are not necessarily to be available at the time of interim financial reporting. The management exercises professional judgement to assess and estimate the amount of incentives. Such assessment and judgment involves consideration of factors, including prevailing industry practices, continuing suppliers' relationships, business performance during the year, historical trends and auto renewal nature of agreements.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4 REVENUE

	<i>For the three-month period ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Type of revenue		
Retail	1,260,566,167	1,169,759,111
Wholesale	34,254,840	39,955,770
Total revenue	1,294,821,007	1,209,714,881
Geographical markets		
Saudi Arabia	1,294,821,007	1,209,714,881
Timing of revenue recognition		
Goods transferred at a point in time	1,280,348,270	1,195,393,323
Goods transferred over time	14,472,737	14,321,558
Total revenue	1,294,821,007	1,209,714,881

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 March 2022

5 ZAKAT

5.1 Charge for the period

The charge for the interim period is calculated based on estimated zakat charge for the whole year.

5.2 Movements in provision during the period / year

The movement in the zakat provision was as follows:

	<i>31 March 2022 SR (Unaudited)</i>	<i>31 December 2021 SR (Audited)</i>
At the beginning of the period / year	13,990,924	20,256,603
Provided during the period / year	2,000,000	6,872,694
Payments during the period / year	-	(13,138,373)
At the end of the period / year	15,990,924	13,990,924

5.3 Status of assessments

Zakat assessments have been agreed with the Zakat, Tax and Customs Authority ("ZATCA") up to 2016. The Company's zakat return for the years 2017 to 2021 has been filed with the ZATCA. However, the assessments have not yet been raised by the ZATCA.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Kingdom of Saudi Arabia are subject to different interpretations. The assessments to be raised by the ZATCA could be different from the declarations filed by the Company.

6 EARNINGS PER SHARE

Basic and diluted earnings per share (EPS) is calculated by dividing the profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

The EPS calculation is given below:

	<i>For the three-month period ended 31 March</i>	
	<i>2022 SR (Unaudited)</i>	<i>2021 SR (Unaudited)</i>
Profit for the period	87,109,410	78,837,375
Weighted average number of ordinary shares outstanding	85,000,000	85,000,000
Basic and diluted earnings per share from profit for the period	1.02	0.93

The weighted average number of shares for the purpose of calculation of basic and diluted earnings per share for the period ended 31 March 2022 has been adjusted to reflect the effect of the capital increase from 200 thousands shares to 85 million shares during the current period with no additional consideration as if the capital increase occurred from the beginning of the prior period without a corresponding change in resources in accordance with the requirements of IAS 33 Earnings per Share.

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 March 2022

7 PROPERTY AND EQUIPMENT

	<i>31 March 2022 SR (Unaudited)</i>	<i>31 December 2021 SR (Audited)</i>
<i>Cost:</i>		
At beginning of the period / year	1,723,002,451	1,433,374,028
Additions	76,005,662	313,292,034
Disposals	-	(1,588,539)
Write-off	(17,166,128)	(22,075,072)
At end of the period / year	<u>1,781,841,985</u>	<u>1,723,002,451</u>
<i>Accumulated depreciation:</i>		
At beginning of the period / year	899,606,053	775,352,859
Charge for the period	42,709,258	145,596,344
Disposals	-	(913,286)
Write-off	(15,495,448)	(20,429,864)
At end of the period / year	<u>926,819,863</u>	<u>899,606,053</u>
<i>Net book amount at end of the period / year</i>	<u>855,022,122</u>	<u>823,396,398</u>

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets recognised and the movement during the period / year:

	<i>31 March 2022 SR (Unaudited)</i>	<i>31 December 2021 SR (Audited)</i>
At beginning of the period / year	1,046,053,673	756,330,855
Additions	82,950,366	413,039,654
Modifications	16,901,324	74,416,828
Derecognised due to termination	(11,778,424)	(14,586,192)
Depreciation expense	(53,011,049)	(183,147,472)
At end of the period / year	<u>1,081,115,890</u>	<u>1,046,053,673</u>

Set out below are the carrying amounts of the Company's lease liabilities and the movements during the period / year:

	<i>31 March 2022 SR (Unaudited)</i>	<i>31 December 2021 SR (Audited)</i>
At beginning of the period / year	1,039,121,922	764,575,060
Additions	82,950,366	413,039,654
Modifications	16,901,324	74,416,828
Derecognised due to termination	(15,013,819)	(17,555,126)
Accretion of interest	8,134,299	31,940,470
Payments	(61,795,367)	(227,294,964)
At end of the period / year	<u>1,070,298,725</u>	<u>1,039,121,922</u>
Current	235,804,273	226,815,253
Non-current	834,494,452	812,306,669

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 March 2022

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent partners, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. The Company in the normal course of business carries out transactions with various related parties. Major transactions with related parties' occurred during the period were as follows:

<i>Related parties</i>	<i>Nature of transactions</i>	<i>Amount of transactions for the three-month period ended 31 March</i>	
		<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>
Meshraf General Contracting Company (affiliate)	Value of construction of new pharmacies	27,966,786	28,379,900
Classic Travel & Tours Agency (affiliate)	Tickets and other travel expenses	6,710,939	5,577,163
966 Motors Establishment (affiliate)	Payments on behalf of the Company	797,707	124,250
Digital Business System Company (affiliate)	IT services provided to the Company	10,308,917	9,473,721
Ms. Nouf Saad Al-Farraj (shareholder)	Rental	50,000	50,000
Mawarid Trading Limited (Fellow subsidiary)	Purchases of inventories	1,513,327	-
Compensation of key management personnel of the Company were as follows:			
Short-term employee benefits		6,687,000	755,750
End of services benefits		242,685	32,500
Total compensation		6,929,685	788,250

Terms and conditions of transactions with related parties:

The pricing policies and terms of payment of transactions with the related parties are approved by the Company's management. The outstanding balances at the period ended 31 March 2022 and the year ended 31 December 2021 are unsecured, interest free and settlement occurs in cash.

Amounts due from a related party and due to related parties are disclosed in the interim condensed statement of financial position as follows:

9.1 Amounts due from a related party under current assets

	<i>31 March</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
966 Motors Establishment	85,229	-

9.2 Amounts due to related parties under current liabilities

	<i>31 March</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Meshraf General Contracting Company	33,589,693	64,375,189
Digital Business System Company	6,178,142	10,494,227
Classic Travel & Tours Agency	1,860,265	966,984
Accrued directors' remuneration	1,302,000	4,302,000
Mawarid Trading Limited	986,424	529,365
Ms. Nouf Saad Al-Farraj	200,000	-
966 Motors Establishment	-	1,264,617
	44,116,524	81,932,382

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 March 2022

10 BANK BALANCES AND CASH

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents comprise the following:

	<i>31 March 2022 SR (Unaudited)</i>	<i>31 December 2021 SR (Audited)</i>
Bank balances and cash	47,604,822	46,306,634
Bank overdrafts	(1,433,576)	(55,977,491)
Cash and cash equivalents	46,171,246	(9,670,857)

11 CAPITAL AND PROPOSED INCREASE IN CAPITAL

11.1 Share capital of the Company is divided into 85 million shares of SR 10 (31 December 2021: same).

11.2 At 31 December 2020, the Company was carrying SR 51.5 million as proposed increase in capital. Further, on 15 Sha'ban 1442H (corresponding to 28 March 2021), the Company's partners resolved to increase the Company's capital from SR 10 million to SR 850 million through the transfer of additional SR 788.5 million from retained earnings to proposed increase in capital. The legal formalities in respect of the Company's capital increase has been completed during the prior period.

12 DIVIDENDS

On 18 Sha'ban 1442H (corresponding to 31 March 2021), the partners approved an interim dividends amounting to SR 34.7 million for the period. Dividends have been fully paid during the related period.

13 BANK OVERDRAFTS AND SHORT TERM LOANS

	<i>2021 SR</i>	<i>2020 SR</i>
Short-term loans	1,130,000,000	1,100,000,000
Bank overdrafts	1,433,576	55,977,491
	1,131,433,576	1,155,977,491

13.1 The bank overdrafts, Tawarooq, Murabaha and Tayseer short-term loans were obtained from various local commercial banks to meet the working capital requirements and are secured by joint and several personal guarantees of the partners, promissory notes and assignments of rights arising from insurance policies. These facilities carry borrowing cost at average rate of SAIBOR + 1.63%.

13.2 The facility agreements have certain financial covenants require the Company to maintain certain level of financial ratios. The Company was not in compliance with financial covenant relating to maintenance of current ratio under certain of its facility agreements. However, the management has negotiated with the local commercial banks and believes that such matter has no impact on the interim condensed financial statements.

Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 March 2022

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 Company measures financial assets at fair value through other comprehensive income at each statement of financial position 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 Company. 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 from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

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 categorised 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 Company recognises 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 between Levels 1, 2 or 3 during the period ended 31 March 2022 and the year ended 31 December 2021.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

	<i>Carrying value</i>	<i>Fair value measurement using</i>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<i>31 March 2022 (unaudited)</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>Financial assets designated at fair value through OCI (equity instruments):</i>				
Equity instruments designated at FVOCI	260,325,465	260,325,465	-	-
<i>Derivatives financial instruments</i>				
Swap derivatives liabilities	13,345,919	-	13,345,919	-
	<i>Carrying value</i>	<i>Fair value measurement using</i>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<i>31 December 2021 (Audited)</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>Financial assets designated at fair value through OCI (equity instruments):</i>				
Equity instruments designated at FVOCI	265,039,130	265,039,130	-	-
<i>Derivatives financial instruments</i>				
Swap derivatives liabilities	51,485,244	-	51,485,244	-

15 COMMITMENTS

The Company has authorised future capital expenditure amounting to SR 344 million (31 December 2021: SR 420 million) relating to construction of new pharmacies, warehouses and purchase of other capital assets.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 March 2022

16 SIGNIFICANT MATTERS DURING THE PERIOD

A novel strain of coronavirus ("COVID-19") was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization ("WHO"). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities which resulted in a slowdown of economic activities and shutdowns of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Company's business, operations, and financial results, is uncertain and depends on many factors and future developments, that the Company may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Company's customers and partners and other factors.

As far and as of the date of preparation of the interim condensed financial statements for the period ended 31 March 2022, the Company's operations did not have a significant negative impact from the COVID-19 outbreak. The Company's management will continue to evaluate the nature and extent of the impact of COVID-19 on the Company's business and financial results.

17 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the period ended 31 March 2022 but before date of authorisation of these interim condensed financial statements as mentioned in note 1 that would have a material impact on the interim condensed financial position of the Company as reflected in these interim condensed financial statements.