

**Al Dawaa Medical Services Company and Its Subsidiary  
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023  
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) AND**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**  
For the three-month 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 AL DAWAA MEDICAL SERVICES COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Dawaa Medical Services Company (A Saudi Joint Stock Company) ("the Company") and its subsidiary (collectively referred to as "the Group") as at 31 March 2023, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, material accounting policy information and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated 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 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



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



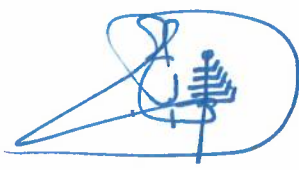
Al Khobar: 25 Shawwal 1444H  
15 May 2023

Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
For the three-month period ended 31 March 2023

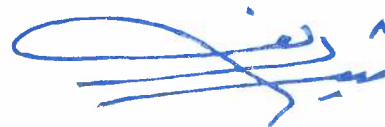
		<i>For the three-month period ended 31 March</i>	
		<b>2023</b>	<b>2022</b>
		<b>SR</b>	<b>SR</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>		
Revenue	4	1,407,591,523	1,294,821,007
Cost of revenue		(872,615,369)	(800,645,752)
<b>GROSS PROFIT</b>		<b>534,976,154</b>	<b>494,175,255</b>
<b>EXPENSES</b>			
Selling and distribution		(384,437,979)	(391,472,441)
General and administration		(35,574,077)	(31,988,810)
<b>OPERATING PROFIT</b>		<b>114,964,098</b>	<b>70,714,004</b>
Fair value gain on swap derivatives liabilities		-	38,139,325
Finance costs		(35,040,486)	(24,047,922)
Other (expense) / income, net		(138,580)	4,304,003
<b>PROFIT BEFORE ZAKAT</b>		<b>79,785,032</b>	<b>89,109,410</b>
Zakat	6	(3,530,000)	(2,000,000)
<b>PROFIT FOR THE PERIOD</b>		<b>76,255,032</b>	<b>87,109,410</b>
<b>EARNINGS PER SHARE</b>			
Basic and diluted earnings per share from profit for the period	7	<b>0.90</b>	<b>1.02</b>



Authorised Board of Director Member  
Mr. Ibrahim Salem Alrowais



Chief Executive Officer  
Mr. Mohammed Saad Al-Farraj



Chief Financial Officer  
Mr. Shareef Al-Aqabawi

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

Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)

For the three-month period ended 31 March 2023

	<i>For the three-month period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>PROFIT FOR THE PERIOD</b>	<b>76,255,032</b>	<b>87,109,410</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>		
<i>Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Fair value gain / (loss) on equity instruments designated at FVOCI	<b>11,634,529</b>	<b>(4,713,665)</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>11,634,529</b>	<b>(4,713,665)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>87,889,561</b>	<b>82,395,745</b>



Authorised Board of Director Member  
Mr. Ibrahim Salem Alrowais



Chief Executive Officer  
Mr. Mohammed Saad Al-Farraj



Chief Financial Officer  
Mr. Shareef Al-Aqabawi

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

**Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

As at 31 March 2023

		<b>31 March 2023 SR (Unaudited)</b>	<b>31 December 2022 SR (Audited)</b>
	<i>Notes</i>		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	8	942,956,811	941,764,995
Right-of-use assets	9	1,535,490,160	1,586,284,268
Intangible assets		18,318,488	19,804,185
Investment in unconsolidated subsidiaries		204,739	204,739
Equity instruments designated at FVOCI		173,860,564	162,226,035
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,670,830,762</b>	<b>2,710,284,222</b>
<b>CURRENT ASSETS</b>			
Inventories		1,404,098,975	1,081,511,991
Trade receivables and prepayments		601,790,554	564,315,049
Amounts due from a related party	10	97,362	879,005
Right of return assets		426,705	814,132
Bank balances and cash	11	49,739,841	138,968,953
<b>TOTAL CURRENT ASSETS</b>		<b>2,056,153,437</b>	<b>1,786,489,130</b>
<b>TOTAL ASSETS</b>		<b>4,726,984,199</b>	<b>4,496,773,352</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	12	850,000,000	850,000,000
Statutory reserve		59,459,361	59,459,361
Retained earnings		219,432,980	249,427,948
Fair value reserve of equity instruments designated at FVOCI		(52,064,945)	(63,699,474)
<b>TOTAL EQUITY</b>		<b>1,076,827,396</b>	<b>1,095,187,835</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	9	1,337,051,015	1,374,164,408
Term loans	14.1	239,166,665	277,083,332
Employees' defined benefit liabilities		140,322,782	132,058,361
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,716,540,462</b>	<b>1,783,306,101</b>

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

Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 (UNAUDITED) (continued)  
 As at 31 March 2023

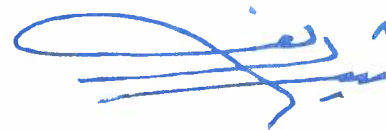
		31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
	Notes		
<b>EQUITY AND LIABILITIES (continued)</b>			
<b>CURRENT LIABILITIES</b>			
Refund liabilities		24,708,168	16,723,875
Trade payables and accruals		824,500,702	534,119,445
Amounts due to related parties	10	46,779,771	40,927,390
Current portion of lease liabilities	9	193,170,654	203,106,173
Contract liabilities		23,820,395	26,527,537
Current portion of term loans	14.1	134,166,668	122,916,668
Bank overdrafts and short-term loans	14.2	557,731,655	655,000,000
Zakat provision	6	22,488,328	18,958,328
Dividends payable		106,250,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,933,616,341</b>	<b>1,618,279,416</b>
<b>TOTAL LIABILITIES</b>		<b>3,650,156,803</b>	<b>3,401,585,517</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,726,984,199</b>	<b>4,496,773,352</b>



Authorised Board of Director Member  
 Mr. Ibrahim Salem Alrowais



Chief Executive Officer  
 Mr. Mohammed Saad Al-Farraj



Chief Financial Officer  
 Mr. Shareef Al-Aqabawi

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# Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three-month period ended 31 March 2023

	Share capital SR	Statutory reserve SR	Retained earnings SR	Fair value reserve of equity instruments designated at FVOCI SR	Total SR
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
As at 1 January 2023 (audited)	850,000,000	59,459,361	249,427,948	(63,699,474)	1,095,187,835
Profit for the period	-	-	76,255,032	-	76,255,032
Other comprehensive income for the period	-	-	-	11,634,529	11,634,529
Total comprehensive income for the period	-	-	76,255,032	11,634,529	87,889,561
Dividends (note 13)	-	-	(106,250,000)	-	(106,250,000)
As at 31 March 2023 (unaudited)	850,000,000	59,459,361	219,432,980	(52,064,945)	1,076,827,396



Authorised Board of Director Member  
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Chief Executive Officer  
Mr. Mohammed Saad Al-Farraj



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**Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
For the three-month period ended 31 March 2023

		<i>For the three-month period ended 31 March</i>	
		<i>2023</i>	<i>2022</i>
		<i>SR</i>	<i>SR</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		79,785,032	89,109,410
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation for property and equipment	8	37,198,319	42,709,258
Depreciation for right-of-use assets	9	50,291,059	53,011,049
(Loss) / gain on derecognition due to termination of leases		946,648	(2,603,893)
Write off of property and equipment		1,822,116	1,670,680
Amortisation of intangible assets		1,485,697	1,586,429
Provision for employees' defined benefit liabilities		8,622,369	6,671,888
Finance costs		35,040,486	24,047,922
Loss on disposal of property and equipment		573,209	-
Fair value gain on swap derivatives liabilities		-	(38,139,325)
		<b>215,764,935</b>	<b>178,063,418</b>
Working capital adjustments			
Inventories		(322,586,984)	(332,267,144)
Trade receivables and prepayments		(37,475,505)	98,842,932
Amounts due from a related party		781,643	(85,229)
Right of return assets		387,427	567,427
Refund liabilities		7,984,293	(772,011)
Trade payables and accruals		290,381,257	279,511,903
Amounts due to related parties		5,852,381	(37,815,858)
Contract liabilities		(2,707,142)	581,458
Cash flows from operations		<b>158,382,305</b>	<b>186,626,896</b>
Finance costs paid		(33,595,532)	(23,166,251)
Employees' defined benefit liabilities paid		(1,802,902)	(7,320,312)
Net cash from operating activities		<b>122,983,871</b>	<b>156,140,333</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(41,700,377)	(76,005,662)
Proceeds from disposal of property and equipment		914,917	-
Net cash used in investing activities		<b>(40,785,460)</b>	<b>(76,005,662)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of term loans		(26,666,667)	-
Proceeds from short-term loans		474,000,000	425,000,000
Repayment of short-term loans		(630,000,000)	(395,000,000)
Payment of principal portion of lease liabilities	9	(46,436,761)	(53,661,068)
Settlement for closure of certain lease contracts of branches		(1,055,750)	(631,500)
Net cash used in financing activities		<b>(230,159,178)</b>	<b>(24,292,568)</b>

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

Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED) (continued)

For the three-month period ended 31 March 2023

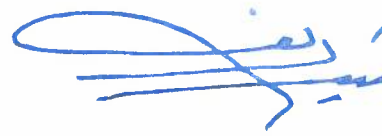
		<i>For the three-month period ended 31 March</i>	
		<b>2023</b>	<b>2022</b>
		<b>SR</b>	<b>SR</b>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		(147,960,767)	55,842,103
		<b>138,968,953</b>	<b>(9,670,857)</b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>11</b>	<b>(8,991,814)</b>	<b>46,171,246</b>
<b>SIGNIFICANT NON-CASH TRANSACTIONS:</b>			
Additions to right-of-use assets and lease liabilities	9	<b>14,365,733</b>	<b>82,950,366</b>
Remeasurements to right-of-use assets and lease liabilities	9	<b>5,636,915</b>	<b>16,901,324</b>
Derecognised of right-of-use assets due to termination	9	<b>(20,505,697)</b>	<b>(11,778,424)</b>
Derecognised of lease liabilities due to termination	9	<b>(20,614,799)</b>	<b>(15,013,819)</b>
Fair value gain on swap derivatives liabilities		<b>-</b>	<b>38,139,325</b>
Fair value gain / (loss) on equity instruments designated at FVOCI		<b>11,634,529</b>	<b>(4,713,665)</b>
Interest cost on lease liabilities	9	<b>17,333,883</b>	<b>8,134,299</b>



Authorised Board of Director Member  
Mr. Ibrahim Salem Alrowais



Chief Executive Officer  
Mr. Mohammed Saad Al-Farraj



Chief Financial Officer  
Mr. Shareef Al-Aqabawi

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

**Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
At 31 March 2023

**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 numbered 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 and its subsidiaries listed below (collectively referred to as the "Group") are engaged in online wholesale of pharmaceutical products, pharmaceutical agents, wholesale of pharmaceutical goods, related pharmacy activities, pharmaceutical warehousing activities retailing to medical equipment and other equipment, online retailing, land transport of goods, providing delivery services via electronic platforms, managing and renting self-storage stores and providing marketing services on behalf of third parties in relation to its business.
- 1.4** The Group has investment in the following subsidiaries:

Subsidiary name	Activities	Effective ownership		Country of incorporation
		31 March 2023	31 December 2022	
Premier Medical Devices Manufacturing Company (note 1.5)	Manufacturing of single-use medical products, consumables, medical examination tables, surgical furniture, beds with mechanical motion additives, medical thermometers, respirators and medical anesthesia	100%	100%	Kingdom of Saudi Arabia
Glanzzzen (note 1.6)	Marketing activities and health care management consulting activities	100%	100%	United Arab Emirates
Al-Dawaa Medical Services Company FZCO (note 1.6)	Marketing activities	100%	100%	United Arab Emirates
Ronzac GmbH (note 1.6)	Granting marketing licenses for pharmaceutical products, consumer goods and food products	100%	100%	Germany
Hollinz (note 1.6)	Granting marketing licenses for pharmaceutical products, consumer goods and food products	100%	100%	Germany

- 1.5** Premier Medical Devices Manufacturing Company is part of the consolidation for the period ended 31 March 2023 and 2022 and included in these interim condensed consolidated financial statements.
- 1.6** The Group has accounted for the investment in subsidiaries at cost and classified as investment in unconsolidated subsidiaries as the subsidiaries have not yet commenced operations. The assets, liabilities and operations of these subsidiaries as of 31 March 2023 and for the period then ended are not material to the Group's interim condensed consolidated financial statements.

**Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) (continued)**

At 31 March 2023

**1 CORPORATE INFORMATION (continued)**

- 1.7 The Company's registered office is located at P.O. box 4326, Al Khobar 31952, Kingdom of Saudi Arabia.
- 1.8 These interim condensed consolidated financial statements of the Group as of 31 March 2023 were authorised for issuance by the Board of Directors on 24 Shawwal 1444H (corresponding to 14 May 2023).

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

**2.1 Statement of compliance**

The interim condensed consolidated financial statements for the three-month periods ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the KSA and other standards and pronouncements that are endorsed by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

The Group has prepared these 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 doubt significant doubt over this assumption. They have formed a judgement 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.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022. In addition, the 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 (refer to note 3 for further information).

**2.2 Basis of measurement**

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

**2.4 Material accounting policy information**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed by the Group in its annual consolidated financial statements for the year ended 31 December 2022.

**2.5 New standards, interpretations and amendments adopted by the Group**

The Group 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 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

**3 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 accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2022.

**Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) (continued)**

At 31 March 2023

**3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

***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>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Type of revenue</b>		
Retail	<b>1,341,184,242</b>	1,260,566,167
Wholesale	<b>66,407,281</b>	34,254,840
Total revenue	<b>1,407,591,523</b>	1,294,821,007
<b>Geographical markets</b>		
Saudi Arabia	<b>1,407,591,523</b>	1,294,821,007
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>1,394,785,090</b>	1,280,348,270
Goods transferred over time	<b>12,806,433</b>	14,472,737
Total revenue	<b>1,407,591,523</b>	1,294,821,007

**5 SEGMENT INFORMATION**

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group's chief operating decision maker (the "CODM") evaluates the performance of the Group's segments based on type of revenue. The Group's CODM evaluates the segments' revenue on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. 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 Group operates in the Kingdom of Saudi Arabia, and the management is of the view that all activities of the Group comprise of a single operating segment for the purpose of decision making with respect to performance appraisal and resources allocation and as required under accounting framework as per established thresholds. Accordingly, segmental analysis by geographical and operating segment has not been presented. The Group's management will continue to evaluate the Group's reporting of its operating segments.

**Al Dawaa Medical Services Company and Its Subsidiary (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(UNAUDITED) (continued)

At 31 March 2023

**6 ZAKAT**

**6.1 Charge for the period**

The charge for the interim period is calculated based on estimated zakat charge for the whole year for the Group, which files a combined zakat return for the Company and its wholly owned subsidiary starting from the year 2022.

**6.2 Movements in provision during the period / year**

The movement in the zakat provision was as follows:

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period / year	<b>18,958,328</b>	13,990,924
Provided during the period / year	<b>3,530,000</b>	12,420,932
Payments during the period / year	-	(7,453,528)
At the end of the period / year	<b>22,488,328</b>	18,958,328

**6.3 Status of assessments**

Zakat assessments have been agreed with the Zakat, Tax and Customs Authority ("ZATCA") up to 2016. The Group's zakat return for the years 2017 to 2022 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 Group'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 Group.

**7 EARNINGS PER SHARE**

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

The EPS calculation is given below:

	<i>For the three-month period</i>	
	<i>ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	<b>76,255,032</b>	87,109,410
Weighted average number of ordinary shares outstanding	<b>85,000,000</b>	85,000,000
Basic and diluted earnings per share from profit for the period	<b>0.9</b>	1.02

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**8 PROPERTY AND EQUIPMENT**

	<i>31 March</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
<i>Cost:</i>		
At beginning of the period / year	1,867,326,123	1,723,002,451
Additions	41,700,377	283,028,956
Disposals	(7,865,258)	(15,629,123)
Transfer to inventories	-	(2,952,576)
Write-off	(11,361,407)	(120,123,585)
At end of the period / year	<b>1,889,799,835</b>	1,867,326,123
<i>Accumulated depreciation:</i>		
At beginning of the period / year	925,561,128	899,606,053
Charge for the period	37,198,319	152,046,757
Disposals	(6,377,132)	(13,803,973)
Write-off	(9,539,291)	(112,287,709)
At end of the period / year	<b>946,843,024</b>	925,561,128
<i>Net book amount at end of the period / year</i>	<b>942,956,811</b>	941,764,995

**9 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</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
At beginning of the period / year	1,586,284,268	1,046,053,673
Additions	14,365,733	154,159,953
Remeasurements	5,636,915	657,028,937
Derecognised due to termination	(20,505,697)	(74,204,828)
Depreciation expense	(50,291,059)	(196,753,467)
At end of the period / year	<b>1,535,490,160</b>	1,586,284,268

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

	<i>31 March</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
At beginning of the period / year	1,577,270,581	1,039,121,922
Additions	14,365,733	154,159,953
Remeasurements	5,636,915	657,028,937
Derecognised due to termination	(20,614,799)	(77,733,610)
Accretion of interest	17,333,883	48,687,489
Payments	(63,770,644)	(243,994,110)
At end of the period / year	<b>1,530,221,669</b>	1,577,270,581
Current	193,170,654	203,106,173
Non-current	1,337,051,015	1,374,164,408

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**10 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The Group 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:

<b>Related parties</b>	<b>Nature of transactions</b>	<b>Amount of transactions for the three-month period ended 31 March</b>	
		<b>2023</b>	<b>2022</b>
		<b>SR</b>	<b>SR</b>
Meshraf General Contracting Company (affiliate)	Construction cost of pharmacies	<b>29,815,845</b>	27,966,786
Classic Travel & Tours Agency (common directorship)	Tickets and other travel expenses	<b>7,534,392</b>	6,710,939
Digital Business System Company (affiliate)	IT services provided to the Group	<b>6,829,682</b>	10,308,917
Walaa Cooperative Insurance Company (common directorship)	Insurance services provided to the Group	<b>5,338,235</b>	2,367,669
966 Motors Establishment (affiliate)	Payments on behalf of the Group	<b>1,772,957</b>	797,707
Eastern Province Cement Company (common directorship)	Offices rental for the Group	<b>1,176,840</b>	662,340
Zahwa Trading Services Company (affiliate)	Purchases of inventories	<b>468,398</b>	5,752,252
Kanaf Charitable Association (common directorship)	Donation from pharmacies customers	<b>12,270</b>	39,601
Saudi Arabian Cooperative Insurance Co. - SAICO (common directorship)	Sales of goods	-	1,824,264
Ms. Nouf Saad Al-Farraj (shareholder)	Rental	-	50,000
Mawarid Trading Limited (common directorship)	Purchases of inventories	-	1,513,327

Compensation of key management personnel of the Group were as follows:

Short-term employee benefits	<b>6,759,563</b>	6,687,000
End of services benefits	<b>264,862</b>	242,685
Total compensation	<b>7,024,425</b>	6,929,685

**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 Group's Board of Directors. The outstanding balances at the period ended 31 March 2023 and the year ended 31 December 2022 are unsecured, interest free and settlement occurs in cash. For the three-month period ended 31 March 2023 and the year ended 31 December 2022, the Group has not recorded any impairment of receivable relates to amounts owed by related party.



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**10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

*10.1 Amounts due from a related party under current assets*

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Mawarid Trading Limited	<b>97,362</b>	-
Saudi Arabian Cooperative Insurance Co. - SAICO	-	879,005
	<b>97,362</b>	879,005

*10.2 Amounts due to related parties under current liabilities*

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Meshraf General Contracting Company	<b>21,844,994</b>	17,161,166
Digital Business System Company	<b>16,865,121</b>	19,170,344
Walaa Cooperative Insurance Company	<b>5,495,050</b>	157,184
Classic Travel & Tours Agency	<b>1,285,087</b>	859,331
Eastern Province Cement Company	<b>662,340</b>	320,341
Kanaf Charitable Association	<b>12,179</b>	14,194
Mawarid Trading Limited	-	79,535
Zahwa Trading Services Company	-	647,793
ACE Gallagher Arabia Insurance	-	57,502
Accrued directors' remuneration	<b>615,000</b>	2,460,000
	<b>46,779,771</b>	40,927,390

**11 BANK BALANCES AND CASH**

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

	<i>31 March</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Bank balances and cash	<b>49,739,841</b>	138,968,953
Bank overdrafts	<b>(58,731,655)</b>	-
Cash and cash equivalents	<b>(8,991,814)</b>	138,968,953

**12 CAPITAL**

The share capital of the Company is divided into 85 million shares of SR 10 each (31 December 2022: same).

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**13 DIVIDENDS**

On 29 Sha'ban 1444H (corresponding to 21 March 2023), the Board of Directors resolved to distribute interim cash dividend of SR 1.25 per share (totalling to SR 106.25 million) for the second half of 2022.

**14 INTEREST BEARING LOANS AND BORROWINGS**

**14.1 TERM LOANS**

	<i>31 March</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
Term loans	<b>373,333,333</b>	400,000,000
Less: current portion	<b>(134,166,668)</b>	(122,916,668)
Non-current portion	<b>239,166,665</b>	277,083,332

*14.1.1* Term loans represents Murabaha and Tawarooq, loans which were obtained from various local commercial banks and carry financial costs at normal commercial rates. The facilities are secured by promissory notes and order notes. These facilities carry borrowing cost at average rate of SIBOR plus 1%. These loans are repayable in semi-annual and quarterly installments over the average period of 3 years.

*14.1.2* These facility agreements have certain financial covenants require the Group to maintain certain level of financial ratios.

**14.2 BANK OVERDRAFTS AND SHORT-TERM LOANS**

	<i>31 March</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
Short-term loans	<b>499,000,000</b>	655,000,000
Bank overdrafts	<b>58,731,655</b>	-
	<b>557,731,655</b>	655,000,000

*14.2.1* The bank overdrafts, Tawarooq, Murabaha and Tayseer short-term loans which are repayable within 12 months and were obtained from various local commercial banks to meet the working capital requirements and are secured by promissory notes for various local commercial banks, and by joint and several personal guarantees of the shareholders for certain facilities with a local commercial bank. These facilities carry borrowing cost at average rate of SIBOR plus 1%.

*14.2.2* These facility agreements contain financial covenants which require the Group to maintain certain level of financial ratios.

**15 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 Group measures financial assets at fair value through other comprehensive income at each consolidated 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.

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**15 FAIR VALUE MEASUREMENT (continued)**

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 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 Group 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 2023 and the year ended 31 December 2022.

The following table provides the fair value measurement hierarchy of the Group'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>
<b>31 March 2023 (unaudited)</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<i>Financial assets designated at fair value through OCI (equity instruments):</i>				
Equity instruments designated at FVOCI	<b>173,860,564</b>	<b>173,860,564</b>	-	-
	<i>Carrying value</i>	<i>Fair value measurement using</i>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>31 December 2022 (Audited)</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<i>Financial assets designated at fair value through OCI (equity instruments):</i>				
Equity instruments designated at FVOCI	162,226,035	162,226,035	-	-

**16 COMMITMENTS**

The Group has authorised future capital expenditure amounting to SR 144 million (31 December 2022: SR 186 million) relating to construction of new pharmacies, warehouses and purchase of other capital assets.

**17 SUBSEQUENT EVENTS**

In the opinion of management, there have been no further significant subsequent events since the period ended 31 March 2023 but before date of authorisation of these interim condensed consolidated financial statements as mentioned in note 1 that would have a material impact on the interim condensed consolidated financial position of the Group as reflected in these interim condensed consolidated financial statements.