

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 six-month period ended 30 June 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 30 June 2022, and the related interim condensed statements of profit or loss, comprehensive income for three-month and six-month periods then ended and the related interim condensed statements of changes in equity and cash flows for the six-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: 25 Muharram 1444H
23 August 2022

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

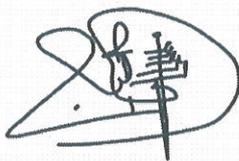
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the six-month period ended 30 June 2022

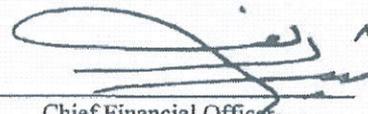
	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2022	2021	2022	2021
		SR (Unaudited)	SR (Unaudited)	SR (Unaudited)	SR (Unaudited)
Revenue	4	1,310,191,296	1,266,767,687	2,605,012,303	2,476,482,568
Cost of sales		(803,401,872)	(808,790,477)	(1,604,047,624)	(1,566,548,930)
GROSS PROFIT		506,789,424	457,977,210	1,000,964,679	909,933,638
EXPENSES					
Selling and distribution		(381,787,833)	(354,379,481)	(773,260,274)	(705,912,996)
General and administration		(34,449,097)	(36,686,364)	(66,437,907)	(62,758,571)
OPERATING PROFIT		90,552,494	66,911,365	161,266,498	141,262,071
Fair value gain on swap derivatives		14,465,040	5,840,729	52,604,365	27,330,698
Finance costs		(25,622,242)	(18,873,091)	(49,670,164)	(34,852,669)
Other income, net		3,276,370	2,559,877	7,580,373	4,536,155
PROFIT BEFORE ZAKAT		82,671,662	56,438,880	171,781,072	138,276,255
Zakat	5	(2,000,000)	(3,500,000)	(4,000,000)	(6,500,000)
PROFIT FOR THE PERIOD		80,671,662	52,938,880	167,781,072	131,776,255
EARNINGS PER SHARE					
Basic and diluted earnings per share from profit for the period	6	0.95	0.62	1.97	1.55



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 1 to 16 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 six-month period ended 30 June 2022

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT FOR THE PERIOD	80,671,662	52,938,880	167,781,072	131,776,255
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	(66,228,251)	77,572,767	(70,941,916)	88,195,350
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(66,228,251)	77,572,767	(70,941,916)	88,195,350
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,443,411	130,511,647	96,839,156	219,971,605

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 (A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2022

		30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	907,461,523	823,396,398
Right-of-use assets	8	1,845,221,398	1,046,053,673
Intangible assets		19,459,961	20,996,400
Investment in unconsolidated subsidiaries		204,739	204,739
Equity instruments designated at FVOCI		194,097,214	265,039,130
TOTAL NON-CURRENT ASSETS		2,966,444,835	2,155,690,340
CURRENT ASSETS			
Inventories		1,403,779,753	1,331,812,994
Trade receivables and prepayments		395,536,958	496,270,446
Right of return assets		396,731	979,201
Swap derivatives assets		1,119,121	-
Bank balances and cash	10	55,716,502	46,306,634
TOTAL CURRENT ASSETS		1,856,549,065	1,875,369,275
TOTAL ASSETS		4,822,993,900	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		238,938,834	71,157,762
Fair value reserve of equity instruments designated at FVOCI		(31,828,295)	39,113,621
TOTAL EQUITY		1,086,025,037	989,185,881
NON-CURRENT LIABILITIES			
Lease liabilities	8	1,598,119,928	812,306,669
Employees' terminal benefits		132,078,054	125,348,335
TOTAL NON-CURRENT LIABILITIES		1,730,197,982	937,655,004
CURRENT LIABILITIES			
Refund liabilities		595,977	1,468,398
Trade payables and accruals		498,074,614	532,003,048
Amounts due to related parties	9	48,007,304	81,932,382
Current portion of lease liabilities	8	240,432,955	226,815,253
Contract liabilities		38,241,018	40,545,990
Bank overdrafts and short-term loans	13	1,170,881,617	1,155,977,491
Swap derivatives liabilities		-	51,485,244
Zakat provision	5	10,537,396	13,990,924
TOTAL CURRENT LIABILITIES		2,006,770,881	2,104,218,730
TOTAL LIABILITIES		3,736,968,863	3,041,873,734
TOTAL EQUITY AND LIABILITIES		4,822,993,900	4,031,059,615


 Authorised Board of Director Member
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Al Dawaa Medical Services Company (A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six-month period ended 30 June 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	-	-	-	131,776,255	-	131,776,255
Other comprehensive income for the period	-	-	-	-	88,195,350	88,195,350
Total comprehensive income for the period	-	-	-	131,776,255	88,195,350	219,971,605
Dividends (note 12)	-	-	-	(79,500,000)	-	(79,500,000)
Transfer to share capital (note 11)	840,000,000	(51,500,000)	-	(788,500,000)	-	-
As at 30 June 2021 (unaudited)	850,000,000	-	5,000,000	257,797,395	140,504,242	1,253,301,637
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	-	-	-	167,781,072	-	167,781,072
Other comprehensive loss for the period	-	-	-	-	(70,941,916)	(70,941,916)
Total comprehensive income for the period	-	-	-	167,781,072	(70,941,916)	96,839,156
As at 30 June 2022 (unaudited)	850,000,000	-	28,914,498	238,938,834	(31,828,295)	1,086,025,037



Authorised Board of Director Member
Mr. Ibrahim Salem Alrowais



Chief Executive Officer
Mr. Mohammed Saad Al-Farraaj



Chief Financial Officer
Mr. Shareef Al-Aqabawi

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2022

	Notes	For the six-month period ended 30 June	
		2022	2021
		SR	SR
		(Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Profit before zakat		171,781,072	138,276,255
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation for property and equipment	7	77,943,052	72,799,580
Depreciation for right-of-use assets	8	107,115,010	86,840,070
Gain on derecognition due to termination of leases		(2,358,580)	(959,081)
Write off of property and equipment		2,915,281	1,186,119
Amortisation of intangible assets		2,991,327	3,712,071
Provision for employees' terminal benefits		14,039,920	12,021,985
Finance costs		49,670,164	34,852,669
Fair value gain on swap derivatives liabilities		(52,604,365)	(27,330,698)
		<u>371,492,881</u>	<u>321,398,970</u>
Working capital adjustments			
Inventories		(69,014,183)	(33,763,039)
Trade receivables and prepayments		100,733,488	190,761,127
Amounts due from related parties		-	107,647
Right of return assets		582,470	1,102,454
Accounts payable and accruals		(33,928,434)	(8,764,169)
Amounts due to related parties		(33,925,078)	(15,745,759)
Contract liabilities		(2,304,972)	(98,811)
Refund liabilities		(872,421)	(1,650,488)
Cash flows from operations		<u>332,763,751</u>	<u>453,347,932</u>
Finance costs paid		(47,906,817)	(18,611,061)
Employees' terminal benefits paid		(9,073,548)	(2,104,808)
Zakat paid	5	(7,453,528)	(13,138,373)
Net cash from operating activities		<u>268,329,858</u>	<u>419,493,690</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(167,876,034)	(98,270,723)
Additions to intangible assets		(1,454,888)	(2,624,548)
Purchase of equity instruments designated at FVOCI		-	(22,983,329)
Net cash used in investing activities		<u>(169,330,922)</u>	<u>(123,878,600)</u>
FINANCING ACTIVITIES			
Proceeds from short-term loans		1,550,250,000	1,313,568,166
Repayment of short-term loans		(1,520,000,000)	(1,324,568,166)
Repayments of lease liabilities	8	(104,341,394)	(103,464,962)
Settlement for closure of certain lease contracts of branches		(151,800)	(702,489)
Dividends paid	12	-	(79,500,000)
Net cash used in financing activities		<u>(74,243,194)</u>	<u>(194,667,451)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>24,755,742</u>	<u>100,947,639</u>
Cash and cash equivalents at 1 January		(9,670,857)	(2,948,308)
CASH AND CASH EQUIVALENTS AT 30 JUNE	10	<u>15,084,885</u>	<u>97,999,331</u>

The attached notes 1 to 16 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 six-month period ended 30 June 2022

	Notes	For the six-month period ended 30 June	
		2022	2021
		SR (Unaudited)	SR (Unaudited)
SIGNIFICANT NON-CASH TRANSACTIONS:			
Additions to right-of-use assets and lease liabilities	8	119,793,158	227,797,558
Remeasurement of right-of-use assets and lease liabilities	8	805,920,181	14,605,357
Derecognised of right-of-use assets due to termination	8	(19,430,604)	(9,162,503)
Derecognised of lease liabilities due to termination	8	(21,940,984)	(10,824,073)
Interest cost on employees' terminal benefits		1,763,347	1,802,252
Fair value gain on swap derivatives liabilities		52,604,365	27,330,698
Fair value (loss) / gain on equity instruments designated at FVOCI		(70,941,916)	88,195,350
Transfer from retained earning to share capital	11	-	788,500,000
Transfer from proposed increase in capital to share capital	11	-	51,500,000
Transfer from inventories to property and equipment	7	2,952,576	-



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



Chief Financial Officer
Mr. Shareef Al-Aqabawi

The attached notes 1 to 16 form part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 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 30 June 2022 were authorised for issuance by the Board of Directors on 24 Muharram 1444H (corresponding to 22 August 2022).

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

2.1 Basis of preparation

These interim condensed financial statements for the six months period ended 30 June 2022 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 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 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022 (refer to note 3 below).

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 30 June 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 30 June 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. Except for note 7.1 and 8.1, 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.

3.1 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 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 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Type of revenue				
Retail	1,276,948,742	1,234,850,606	2,537,514,908	2,404,609,717
Wholesale	33,242,554	31,917,081	67,497,395	71,872,851
Total revenue	1,310,191,296	1,266,767,687	2,605,012,303	2,476,482,568
Geographical markets				
Saudi Arabia	1,310,191,296	1,266,767,687	2,605,012,303	2,476,482,568
Timing of revenue recognition				
Goods transferred at a point in time	1,296,701,330	1,251,254,233	2,577,049,600	2,446,647,556
Goods transferred over time	13,489,966	15,513,454	27,962,703	29,835,012
Total revenue	1,310,191,296	1,266,767,687	2,605,012,303	2,476,482,568

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

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

At 30 June 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>30 June</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period / year	13,990,924	20,256,603
Provided during the period / year	4,000,000	6,872,694
Payments during the period / year	(7,453,528)	(13,138,373)
At the end of the period / year	<u>10,537,396</u>	<u>13,990,924</u>

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</i>		<i>For the six-month period</i>	
	<i>ended 30 June</i>		<i>ended 30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	80,671,662	52,938,880	167,781,072	131,776,255
Weighted average number of ordinary shares outstanding	85,000,000	85,000,000	85,000,000	85,000,000
Basic and diluted earnings per share from profit for the period	0.95	0.62	1.97	1.55

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

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

At 30 June 2022

7 PROPERTY AND EQUIPMENT

	<i>30 June</i> <i>2022</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2021</i> <i>SR</i> <i>(Audited)</i>
<i>Cost:</i>		
At beginning of the period / year	1,723,002,451	1,433,374,028
Additions	167,876,034	313,292,034
Disposals	-	(1,588,539)
Write-off	(37,021,048)	(22,075,072)
Transfer to inventories	(2,952,576)	-
At end of the period / year	<u>1,850,904,861</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 / year	77,943,052	145,596,344
Disposals	-	(913,286)
Write-off	(34,105,767)	(20,429,864)
At end of the period / year	<u>943,443,338</u>	<u>899,606,053</u>
<i>Net book amount at end of the period / year</i>	<u><u>907,461,523</u></u>	<u><u>823,396,398</u></u>

7.1 During the period, the management and in assistant with an external third-party expert, concluded on the results of a detailed exercise to re-assess the useful lives of leasehold improvement, considering multiple factors including historical and future anticipated usage of similar assets. Based on such exercise, the Company's management revised the useful life range of its leasehold improvement from 5 years to 6.67 - 10 years with effect from 1 April 2022 considering the reclassification of total balance for air-conditions category to the leasehold improvements category to improve the presentation. The revision in estimated useful life range is considered to be a change in accounting estimate and, accordingly, the effect of this change has been adopted prospectively. As a result of this change, the depreciation charge has been decreased by SR 10.7 million and total comprehensive income for the period ended 30 June 2022 increased by SR 10.7 million compared to what it would have been using the previous useful life range.

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>30 June</i> <i>2022</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2021</i> <i>SR</i> <i>(Audited)</i>
At beginning of the period / year	1,046,053,673	756,330,855
Additions	119,793,158	413,039,654
Remeasurements (note 8.1)	805,920,181	74,416,828
Derecognised due to termination	(19,430,604)	(14,586,192)
Depreciation expense	(107,115,010)	(183,147,472)
At end of the period / year	<u>1,845,221,398</u>	<u>1,046,053,673</u>

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

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

At 30 June 2022

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

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

	<i>30 June</i> <i>2022</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2021</i> <i>SR</i> <i>(Audited)</i>
At beginning of the period / year	1,039,121,922	764,575,060
Additions	119,793,158	413,039,654
Remeasurements (note 8.1)	805,920,181	74,416,828
Derecognised due to termination	(21,940,984)	(17,555,126)
Accretion of interest	16,260,204	31,940,470
Payments	(120,601,598)	(227,294,964)
At end of the period / year	<u>1,838,552,883</u>	<u>1,039,121,922</u>
Current	240,432,955	226,815,253
Non-current	1,598,119,928	812,306,669

8.1 During the current period, the management has reevaluated the Company's business model relating to pharmacies and as a result, the Company's expected average rental period have increased from previous business model. Accordingly, the Company remeasured the lease term of the branches due to such change in the business model. As a result of this revaluation, the company has recognised additional SR 764 million as remeasurement of right-of-use assets and lease liabilities.

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

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

At 30 June 2022

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, 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>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Meshraf General Contracting Company (affiliate)						
Classic Travel & Tours Agency (affiliate)						
Digital Business System Company (affiliate)						
Mawarid Trading Limited (fellow subsidiary)						
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Construction services of new pharmacies	(56,664,913)	(41,670,284)	(84,631,699)	(70,050,184)		
Tickets and other travel expenses	(8,549,987)	(7,710,510)	(15,260,926)	(13,287,673)		
IT services provided to the Company	(22,258,615)	(2,144,342)	(32,567,532)	(11,618,063)		
Purchases of inventories	(50,846)	(1,549,099)	(1,564,173)	(1,549,099)		
Compensation of key management personnel of the Company were as follows:						
	<i>For the three-month period ended 30 June</i>		<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short-term employee benefits	7,842,500	755,750	14,529,500	1,511,500		
End of services benefits	245,544	32,500	488,229	65,000		
Total compensation	8,088,044	788,250	15,017,729	1,576,500		

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

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

At 30 June 2022

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

9.1 Amounts due to related parties under current liabilities

	30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Meshraf General Contracting Company	39,793,166	64,375,189
Digital Business System Company	6,004,882	10,494,227
Accrued directors' remuneration	1,230,000	4,302,000
Classic Travel & Tours Agency	765,518	966,984
Mawarid Trading Limited	213,738	529,365
966 Motors Establishment	-	1,264,617
	<u>48,007,304</u>	<u>81,932,382</u>

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 Board of Directors. The outstanding balances at the period ended 30 June 2022 and the year end 31 December 2021 are unsecured, interest free and settlement occurs in cash. For the period ended 30 June 2022 and the year ended 31 December 2021, the Company has not recorded any impairment of receivable relates to amounts owed by related parties.

10 BANK BALANCES AND CASH

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

	30 June 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Bank balances and cash	55,716,502	46,306,634
Bank overdrafts	(40,631,617)	(55,977,491)
Cash and cash equivalents	<u>15,084,885</u>	<u>(9,670,857)</u>

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 20 Dhual-Qa'dah 1442H (corresponding to 30 June 2021), the shareholders approved an interim dividends amounting to SR 79.5 million for the six-month period ended 30 June 2021. Dividends have been fully paid during the related period.

No dividend was paid during the current six-month period.

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

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

At 30 June 2022

13 BANK OVERDRAFTS AND SHORT TERM LOANS

	<i>30 June</i> <i>2022</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2021</i> <i>SR</i> <i>(Audited)</i>
Short-term loans	1,130,250,000	1,100,000,000
Bank overdrafts	40,631,617	55,977,491
	<u>1,170,881,617</u>	<u>1,155,977,491</u>

- 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 related parties, promissory notes and assignments of rights arising from insurance policies. These facilities carry borrowing cost at average rate of SAIBOR + 1%.
- 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.

14 FAIR VALUES OF FINANCIAL INSTRUMENTS

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 thorough 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 30 June 2022 and the year ended 31 December 2021.

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

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

At 30 June 2022

14 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

30 June 2022 (unaudited)	Carrying value SR	Fair value measurement using		
		Level 1 SR	Level 2 SR	Level 3 SR
<i>Financial assets designated at fair value through OCI (equity instruments):</i>				
Equity instruments designated at FVOCI	194,097,214	194,097,214	-	-
<i>Derivatives financial instruments</i>				
Swap derivatives assets	1,119,121	-	1,119,121	-
31 December 2021 (Audited)	Carrying value SR	Fair value measurement using		
		Level 1 SR	Level 2 SR	Level 3 SR
<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 252 million (31 December 2021: SR 420 million) relating to construction of new pharmacies, warehouses and purchase of other capital assets.

16 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the period ended 30 June 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.