

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 nine-month period ended 30 September 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 September 2022, and the related interim condensed statements of profit or loss, comprehensive income for three-month and nine-month periods then ended and the related interim condensed statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these 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" as 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  
Registration No. 422



Al Khobar: 8 Rabi Al-Thani 1444H  
2 November 2022

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

## INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine-month period ended 30 September 2022

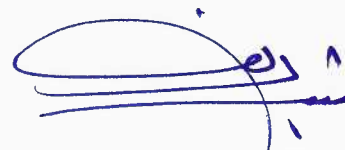
		For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2022 SR (Unaudited)	2021 SR (Unaudited)	2022 SR (Unaudited)	2021 SR (Unaudited)
Revenue	4	1,308,929,727	1,259,558,076	3,913,942,049	3,736,040,644
Cost of sales		(823,986,006)	(808,171,691)	(2,428,033,881)	(2,374,720,621)
<b>GROSS PROFIT</b>		<b>484,943,721</b>	<b>451,386,385</b>	<b>1,485,908,168</b>	<b>1,361,320,023</b>
<b>EXPENSES</b>					
Selling and distribution		(374,171,785)	(364,680,741)	(1,147,431,811)	(1,070,593,737)
General and administration		(28,084,735)	(35,898,276)	(94,522,663)	(98,656,847)
<b>OPERATING PROFIT</b>		<b>82,687,201</b>	<b>50,807,368</b>	<b>243,953,694</b>	<b>192,069,439</b>
Fair value (loss)/gain on swap derivatives		(1,081,205)	9,852,192	51,523,160	37,182,890
Finance costs		(29,881,438)	(20,844,304)	(79,551,602)	(55,696,973)
Other (expense) income, net		(570,540)	978,543	7,009,833	5,514,698
<b>PROFIT BEFORE ZAKAT</b>		<b>51,154,018</b>	<b>40,793,799</b>	<b>222,935,085</b>	<b>179,070,054</b>
Zakat	5	(3,000,000)	(2,500,000)	(7,000,000)	(9,000,000)
<b>PROFIT FOR THE PERIOD</b>		<b>48,154,018</b>	<b>38,293,799</b>	<b>215,935,085</b>	<b>170,070,054</b>
<b>EARNINGS PER SHARE</b>					
Basic and diluted earnings per share from profit for the period	6	0.57	0.45	2.54	2.00



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 nine-month period ended 30 September 2022

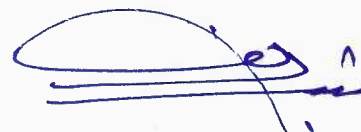
	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>48,154,018</b>	<b>38,293,799</b>	<b>215,935,085</b>	<b>170,070,054</b>
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>				
<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 FVOCI	<b>(2,296,439)</b>	<b>(59,643,047)</b>	<b>(73,238,355)</b>	<b>28,552,303</b>
<b>OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b>(2,296,439)</b>	<b>(59,643,047)</b>	<b>(73,238,355)</b>	<b>28,552,303</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>45,857,579</b>	<b>(21,349,248)</b>	<b>142,696,730</b>	<b>198,622,357</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

**Al Dawaa Medical Services Company (A Saudi Joint Stock Company)**  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
As at 30 September 2022

		<b>30 September 2022 SR (Unaudited)</b>	<b>31 December 2021 SR (Audited)</b>
	<i>Notes</i>		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	7	<b>936,003,290</b>	823,396,398
Right-of-use assets	8	<b>1,796,138,196</b>	1,046,053,673
Intangible assets		<b>19,806,969</b>	20,996,400
Investment in unconsolidated subsidiaries		<b>204,739</b>	204,739
Equity instruments designated at FVOCI		<b>191,800,775</b>	265,039,130
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,943,953,969</b>	2,155,690,340
<b>CURRENT ASSETS</b>			
Inventories		<b>1,191,621,933</b>	1,331,812,994
Trade receivable and prepayments		<b>430,732,672</b>	496,270,446
Right of return assets		<b>962,969</b>	979,201
Swap derivatives assets		<b>37,916</b>	-
Bank balances and cash	9	<b>55,321,546</b>	46,306,634
<b>TOTAL CURRENT ASSETS</b>		<b>1,678,677,036</b>	1,875,369,275
<b>TOTAL ASSETS</b>		<b>4,622,631,005</b>	4,031,059,615
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	<b>850,000,000</b>	850,000,000
Statutory reserve		<b>28,914,498</b>	28,914,498
Retained earnings		<b>180,842,847</b>	71,157,762
Fair value reserve of equity instruments designated at FVOCI		<b>(34,124,734)</b>	39,113,621
<b>TOTAL EQUITY</b>		<b>1,025,632,611</b>	989,185,881
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	8	<b>1,548,928,814</b>	812,306,669
Term loans	13.1	<b>270,000,000</b>	-
Employees' terminal benefits		<b>139,529,352</b>	125,348,335
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,958,458,166</b>	937,655,004

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 FINANCIAL POSITION (UNAUDITED) (continued)**

As at 30 September 2022

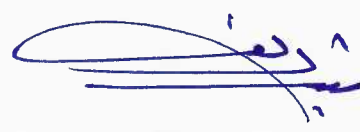
		<b>30 September</b>	<b>31 December</b>
		<b>2022</b>	<b>2021</b>
		<b>SR</b>	<b>SR</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>CURRENT LIABILITIES</b>			
Refund liabilities		1,845,842	1,468,398
Accounts payable and accruals		388,187,773	532,003,048
Amounts due to related parties	12	54,427,392	81,932,382
Current portion of lease liabilities	8	241,226,829	226,815,253
Contract liabilities		35,790,850	40,545,990
Current portion of term loans	13.1	80,000,000	-
Bank overdrafts and short-term loans	13.2	823,524,146	1,155,977,491
Swap derivatives liabilities		-	51,485,244
Zakat provision	5	13,537,396	13,990,924
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,638,540,228</b>	<b>2,104,218,730</b>
<b>TOTAL LIABILITIES</b>		<b>3,596,998,394</b>	<b>3,041,873,734</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,622,631,005</b>	<b>4,031,059,615</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 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 CHANGES IN EQUITY (UNAUDITED)

For the nine-month period ended 30 September 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	-	-	-	170,070,054	-	170,070,054
Other comprehensive income for the period	-	-	-	-	28,552,303	28,552,303
Total comprehensive income for the period	-	-	-	170,070,054	28,552,303	198,622,357
Dividends (note 11)	-	-	-	(252,173,721)	-	(252,173,721)
Transfer of fair value reserve of equity instruments designated at FVOCI to retained earnings	-	-	-	1,431,033	(1,431,033)	-
Transfer to share capital (note 10)	840,000,000	(51,500,000)	-	(788,500,000)	-	-
<b>As at 30 September 2021 (unaudited)</b>	<b>850,000,000</b>	<b>-</b>	<b>5,000,000</b>	<b>124,848,506</b>	<b>79,430,162</b>	<b>1,059,278,668</b>
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	-	-	-	215,935,085	-	215,935,085
Other comprehensive loss for the period	-	-	-	-	(73,238,355)	(73,238,355)
Total comprehensive income for the period	-	-	-	215,935,085	(73,238,355)	142,696,730
Dividends (note 11)	-	-	-	(106,250,000)	-	(106,250,000)
<b>As at 30 September 2022 (unaudited)</b>	<b>850,000,000</b>	<b>-</b>	<b>28,914,498</b>	<b>180,842,847</b>	<b>(34,124,734)</b>	<b>1,025,632,611</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 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)

For the nine-month period ended 30 September 2022

		<i>For the nine-month period ended 30 September</i>	
		<b>2022</b>	<b>2021</b>
		<b>SR</b>	<b>SR</b>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		<b>222,935,085</b>	179,070,054
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation for property and equipment	7	<b>114,335,656</b>	109,830,990
Depreciation for right-of-use assets	8	<b>157,677,075</b>	132,361,278
Gain on disposal of property and equipment		<b>(1,871,461)</b>	-
Gain on derecognition due to termination of leases		<b>(947,409)</b>	(1,322,510)
Write off of property and equipment		<b>5,078,558</b>	2,001,602
Amortisation of intangible assets		<b>4,498,888</b>	6,050,501
Provision for employees' terminal benefits		<b>22,236,797</b>	18,032,977
Finance costs		<b>79,551,602</b>	55,696,973
Fair value gain on swap derivatives liabilities		<b>(51,523,160)</b>	(37,182,890)
		<b>551,971,631</b>	464,538,975
Working capital adjustments			
Inventories		<b>143,143,637</b>	(173,000,932)
Trade receivable and prepayments		<b>65,537,774</b>	157,099,196
Amounts due from related parties		-	43,487
Right of return assets		<b>16,232</b>	1,027,608
Accounts payable and accruals		<b>(144,854,849)</b>	151,891,009
Amounts due to related parties		<b>(27,504,990)</b>	(15,772,174)
Contract liabilities		<b>(4,755,140)</b>	(127,082)
Refund liabilities		<b>377,444</b>	(1,722,934)
Cash flows from operations		<b>583,931,739</b>	583,977,153
Finance costs paid		<b>(48,425,829)</b>	(30,679,501)
Employees' terminal benefits paid		<b>(10,700,802)</b>	(3,239,929)
Zakat paid	5	<b>(7,453,528)</b>	(13,138,373)
Net cash from operating activities		<b>517,351,580</b>	536,919,350
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	7	<b>(236,702,009)</b>	(158,976,709)
Proceeds from disposal of property and equipment		<b>3,599,788</b>	-
Additions to intangible assets		<b>(3,309,457)</b>	(5,840,509)
Purchase of equity instruments designated at FVOCI		-	(62,177,757)
Proceeds from sale of equity instruments designated at FVOCI		-	17,391,033
Net cash used in investing activities		<b>(236,411,678)</b>	(209,603,942)

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 nine-month period ended 30 September 2022

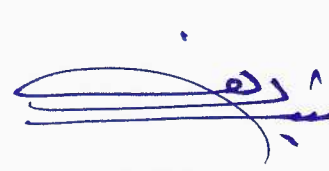
		<i>For the nine-month period ended 30 September</i>	
		<b>2022</b>	<b>2021</b>
		<b>SR</b>	<b>SR</b>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>FINANCING ACTIVITIES</b>			
Proceeds from term loans		350,000,000	-
Proceeds from bank overdrafts and short-term loans		2,106,500,000	1,538,386,750
Repayments of bank overdrafts and short-term loans		(2,385,500,000)	(1,400,386,750)
Repayments of lease liabilities	8	(184,261,219)	(159,981,521)
Settlement for closure of certain lease contracts of branches		-	(925,489)
Dividends paid		(105,210,426)	(252,173,721)
Net cash flows used in financing activities		(218,471,645)	(275,080,731)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>62,468,257</b>	<b>52,234,677</b>
Cash and cash equivalents at 1 January		(9,670,857)	(2,948,308)
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>		<b>52,797,400</b>	<b>49,286,369</b>
<b>SIGNIFICANT NON-CASH TRANSACTIONS:</b>			
Additions to right-of-use assets and lease liabilities	8	(141,690,219)	358,380,036
Remeasurement of right-of-use assets and lease liabilities	8	(818,391,956)	46,808,658
Derecognition of right-of-use assets due to termination	8	(52,320,577)	(11,236,070)
Derecognition of lease liabilities due to termination	8	(53,267,986)	(13,484,069)
Interest cost on employees' terminal benefits		(2,645,022)	(2,703,377)
Fair value gain on swap derivatives liabilities		51,523,160	37,182,890
Fair value (loss) / gain on equity instruments designated at FVOCI		(73,238,355)	28,552,303
Transfer from property and equipment to inventories	7	2,952,576	-
Transfer from retained earning to share capital	10	-	788,500,000
Transfer from proposed increase in capital to share capital	10	-	51,500,000
Transfer of fair value reserve of equity instruments designated at FVOCI to retained earnings		-	1,431,033



Authorised Board of Director Member  
Mr. Ibrahim Salem Alrowais



Chief Executive Officer  
Mr. Mohammed Saad Al-Farraj



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 30 September 2022

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**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 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 September 2022 were authorised for issuance by the Board of Directors on 8 Rabi Al-Thani 1444H (corresponding to 2 November 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 nine-month periods ended 30 September 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 September 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 September 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 September 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 September</i>		<i>For the nine-month period ended 30 September</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>
<b>Type of revenue</b>				
Retail	1,270,448,909	1,229,868,790	3,799,369,165	3,628,991,616
Wholesale	38,480,818	29,689,286	114,572,884	107,049,028
Total revenue	<u>1,308,929,727</u>	<u>1,259,558,076</u>	<u>3,913,942,049</u>	<u>3,736,040,644</u>
<b>Geographical markets</b>				
Saudi Arabia	<u>1,308,929,727</u>	<u>1,259,558,076</u>	<u>3,913,942,049</u>	<u>3,736,040,644</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	1,300,745,237	1,244,748,685	3,877,794,837	3,691,396,241
Goods transferred over time	8,184,490	14,809,391	36,147,212	44,644,403
Total revenue	<u>1,308,929,727</u>	<u>1,259,558,076</u>	<u>3,913,942,049</u>	<u>3,736,040,644</u>



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

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

At 30 September 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:

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

#### 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:

	<b>For the three-month period ended 30 September</b>		<b>For the nine-month period ended 30 September</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period	48,154,018	38,293,799	215,935,085	170,070,054
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	0.57	0.45	2.54	2.00

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

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

At 30 September 2022

### 7 PROPERTY AND EQUIPMENT

	<b>30 September 2022 SR (Unaudited)</b>	<b>31 December 2021 SR (Audited)</b>
<i>Cost:</i>		
At beginning of the period / year	1,723,002,451	1,433,374,028
Additions	236,702,009	313,292,034
Write-off	(55,798,942)	(22,075,072)
Disposals	(15,341,723)	(1,588,539)
Transfer to inventories	(2,952,576)	-
At end of the period / year	<b>1,885,611,219</b>	<b>1,723,002,451</b>
<i>Accumulated depreciation:</i>		
At beginning of the period / year	899,606,053	775,352,859
Charge for the period	114,335,656	145,596,344
Write-off	(50,720,384)	(20,429,864)
Disposals	(13,613,396)	(913,286)
At end of the period / year	<b>949,607,929</b>	<b>899,606,053</b>
<i>Net book amount at end of the period / year</i>	<b>936,003,290</b>	<b>823,396,398</b>

- 7.1 During the nine-month period, the Company's in-house technical team, in assistance with management's 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 - 6.67 years to 6.67 - 10 years with effect from 1 April 2022 considering the reclassification of total balance for tools and 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 decreased by SR 21.9 million and total comprehensive income for the period ended 30 September 2022 increased by SR 21.9 million compared to what it would have been used in 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:

	<b>30 September 2022 SR (Unaudited)</b>	<b>31 December 2021 SR (Audited)</b>
At beginning of the period / year	1,046,053,673	756,330,855
Additions	141,690,219	413,039,654
Remeasurements (note 8.1)	818,391,956	74,416,828
Derecognised due to termination	(52,320,577)	(14,586,192)
Depreciation expense	(157,677,075)	(183,147,472)
At end of the period / year	<b>1,796,138,196</b>	<b>1,046,053,673</b>

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

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

At 30 September 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:

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
At beginning of the period / year	1,039,121,922	764,575,060
Additions	141,690,219	413,039,654
Remeasurements (note 8.1)	818,391,956	74,416,828
Derecognised due to termination	(53,267,986)	(17,555,126)
Accretion of interest	28,480,751	31,940,470
Payments	(184,261,219)	(227,294,964)
At end of the period / year	<u>1,790,155,643</u>	<u>1,039,121,922</u>
Current	241,226,829	226,815,253
Non-current	1,548,928,814	812,306,669

- 8.1 During the nine-month period, the management has reevaluated the 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 the change in the business model. As a result of this revaluation, the Company has recognised SR 764 million as remeasurement of right-of-use assets and lease liabilities.

### 9 CASH AND CASH EQUIVALENTS

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

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Bank balances and cash	55,321,546	46,306,634
Bank overdrafts	(2,524,146)	(55,977,491)
	<u>52,797,400</u>	<u>(9,670,857)</u>

### 10 SHARE CAPITAL AND PROPOSED INCREASE IN CAPITAL

- 10.1 Share capital of the Company is divided into 85 million shares of SR 10 each (31 December 2021: same).
- 10.2 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 transfer of SR 51.5 million from proposed increase in capital and SR 788.5 million from retained earnings. The legal formalities in respect of the Company's capital increase has been completed during the year ended 31 December 2021.

### 11 DIVIDENDS

On 25 Muharram 1444H (corresponding to 23 August 2022), the Board of Directors, resolved to distribute interim cash dividend of SR 1.25 per share amounting to SR 106.25 million for the first half of 2022.

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

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

At 30 September 2022

### 12 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:

Related parties	Nature of transactions	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2022	2021	2022	2021
		SR	SR	SR	SR
Meshrat General Contracting Company (affiliate)	Construction services of new pharmacies	(11,968,734)	(48,898,531)	(96,600,433)	(118,948,715)
Classic Travel & Tours Agency (affiliate)	Tickets and other travel expenses	(1,173,105)	(6,867,110)	(16,434,031)	(20,154,783)
Digital Business System Company (affiliate)	IT services provided to the Company	(6,428,754)	(38,642,629)	(38,996,286)	(50,260,692)
Mawarid Trading Limited (affiliate)	Purchases of inventories	(368,847)	(2,315,970)	(1,250,571)	(3,865,069)
966 Motors Establishment (affiliate)	Services provided to the Company	(5,007,853)	(1,320,292)	(5,007,853)	(3,288,873)
Compensation of key management personnel of the Company were as follows:					
		For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2022	2021	2022	2021
		SR	SR	SR	SR
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term employee benefits		6,754,500	755,750	21,284,000	2,267,250
Employees' terminal benefits		542,728	32,500	1,030,957	97,500
Total compensation		7,297,228	788,250	22,314,957	2,364,750



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

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

At 30 September 2022

### 12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### 12.1 Amounts due to related parties under current liabilities

	30 September 2022	31 December 2021
	SR	SR
	(Unaudited)	(Audited)
	SR	SR
Meshraf General Contracting Company	39,990,529	64,375,189
Digital Business System Company	10,785,096	10,494,227
Classic Travel & Tours Agency	1,131,872	966,984
966 Motors Establishment	605,988	1,264,617
Mawarid Trading Limited	68,907	529,365
Accrued directors' remuneration	1,845,000	4,302,000
	<u>54,427,392</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 September 2022 and the year end 31 December 2021 are unsecured, interest free and settlement occurs in cash. For the period ended 30 September 2022 and the year ended 31 December 2021, the Company has not recorded any impairment of receivable relate to amounts owed by related parties.

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

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

At 30 September 2022

### 13 INTEREST BEARING LOANS AND BORROWINGS

#### 13.1 TERM LOANS

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Term loans	<b>350,000,000</b>	-
Less: current portion	<b>(80,000,000)</b>	-
Non-current portion	<b>270,000,000</b>	-

13.1.1 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%.

13.1.2 These facility agreements have certain financial covenants require the Company to maintain certain level of financial ratios.

#### 13.2 BANK OVERDRAFTS AND SHORT-TERM LOANS

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>SR</b>	<b>SR</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Short-term loans	<b>821,000,000</b>	1,100,000,000
Bank overdrafts	<b>2,524,146</b>	55,977,491
Total bank overdrafts and short-term loans	<b>823,524,146</b>	1,155,977,491

13.2.1 The bank overdrafts, Tawarooq, Murabaha and Tayseer short-term loans which are repayable within 12 months which 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 partners for certain facilities with a local commercial bank. These facilities carry borrowing cost at average rate of SIBOR plus 1%.

13.2.2 These 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 certain ratios under certain of its facility agreements as of 31 December 2021. These agreements have been updated during the period where certain financial covenants have been amended by the banks for the year ending 31 December 2022. Considering these amendments, the management expects to be in compliance with these financial covenants for the year ending 31 December 2022.

### 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 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.

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

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

At 30 September 2022

### 14 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 September 2022 and the year ended 31 December 2021.

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

		Fair value measurement using		
	Carrying value	Level 1	Level 2	Level 3
30 September 2022 (unaudited)	SR	SR	SR	SR
Financial assets designated at fair value through OCI (equity instruments):				
Equity instruments designated at FVOCI	191,800,775	191,800,775	-	-
Derivatives financial instruments				
Swap derivatives assets	37,916	-	37,916	-
		Fair value measurement using		
	Carrying value	Level 1	Level 2	Level 3
31 December 2021 (Audited)	SR	SR	SR	SR
Financial assets designated at fair value through OCI (equity instruments):				
Equity instruments designated at FVOCI	265,039,130	265,039,130	-	-
Derivatives financial instruments				
Swap derivatives liabilities	51,485,244	-	51,485,244	-

### 15 COMMITMENTS

At 30 September 2022, the Company has authorised future capital expenditure amounting to SR 194 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 September 2022 but before the 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.