

**AL DAWAA MEDICAL SERVICES COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**AL DAWAA MEDICAL SERVICES COMPANY**  
**(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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## KPMG Professional Services

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P.O. Box 4803  
Al Khobar, 34412 - 3146  
Kingdom of Saudi Arabia  
Commercial Registration No 2051062328

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرغش  
٦١٨٩ طريق الأمير تركي، الكورنيش  
ص.ب. ٤٨٠٣  
الخبر ٣١٤٦ - ٣٤٤١٢  
المملكة العربية السعودية  
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

# Independent auditor's report

To the Shareholders of Al Dawaa Medical Services Company (A Saudi Joint Stock Company)

## Opinion

We have audited the consolidated financial statements of Al Dawaa Medical Services Company ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR 40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠٠٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة إنجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



# Independent auditor's report

To the Shareholders of Al Dawaa Medical Services Company (A Saudi Joint Stock Company) (Continued)

## Key Audit Matters (continued)

### Existence and valuation of inventories

Refer to Notes 3 for the accounting policy of inventories, Note 4.2 for the disclosure of estimates and judgements related to inventories and Note 10 for the related disclosure in the accompanying consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Inventories as at 31 December 2023 amounted to SR 1.3 billion representing 65% of current assets of the Group which is net of provision for slow moving inventories amounting to SR 10.6 million.</p> <p>Inventories are stated at the lower of cost and net realisable value and a provision is made by the Group, where necessary, for expired and obsolete inventories. Management determines provision for inventories based on the comparison of carrying value of inventory with net realisable value. In assessing it, management considers nature of inventories, ageing profile, obsolescence risk and their expiry based on historic trends and other qualitative factors.</p> <p>The Group has cyclical inventory count system in place to conduct the stock count in warehouses and pharmacies throughout the year.</p> <p>The Group's significant purchases are covered under the agreement with certain vendors where the Group is able to return the expired inventory.</p> <p>We considered it to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• the Group deals with large number of inventory items at multiple locations with high volume of daily transactions at multiple locations which increase the risks associated with inventory; and</li> <li>• significant judgements made by the management in assessing the level of provisions required as of year end includes assessment of inventory levels in relation to revenue for the period in consideration and estimated future sales to clear this inventory.</li> </ul>	<p>We performed the following audit procedures to address the key audit matter:</p> <ul style="list-style-type: none"> <li>– obtained an understanding of and assessed the design and testing implementation of management's controls designed to identify expired and / or obsolete inventories;</li> <li>– attended sample of inventory counts and performed sample counts at a number of the Group's pharmacies and warehouses;</li> <li>– assessed the effectiveness of the company's procedures for conducting physical inventory counts, including the design and implementation of controls over the counting process to ensure accuracy and completeness;</li> <li>– assessed the assumptions made by Group management, and particularly the key assumption that current provision levels are consistent with historical pattern, in assessing stock obsolescence provisions through an analysis of inventory items by category and age as well as the level of inventory write downs in these categories during the year;</li> <li>– assessed the reasonableness of the assumptions used in estimating the provision including assessing of accuracy and completeness of the key inputs with the underlying supports;</li> <li>– checked on sample basis purchase agreements with certain vendors for the Group's entitlement to return the expired or obsolete inventory;</li> <li>– performed net realisable value testing on a sample basis by tracing subsequent selling prices adjusted with expected costs necessary to make sales and compared with carrying value of inventory; and</li> <li>– assessed the adequacy of related disclosure included in the consolidated financial statements of the Group.</li> </ul>



# Independent auditor's report

To the Shareholders of Al Dawaa Medical Services Company (A Saudi Joint Stock Company) (Continued)

## Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 1 Ramadan 1444H corresponding to 23 March 2023G.

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

# Independent auditor's report

To the Shareholders of Al Dawaa Medical Services Company (A Saudi Joint Stock Company) (Continued)

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Al Dawaa Medical Services Company ("the Company") and its subsidiary ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### For KPMG Professional Services

**Nasser Ahmed Al Shutairy**  
License No: 454



Al Khobar, 11 Ramadan 1445H  
Corresponding to: 21 March 2024G