Dallah Healthcare Company

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 AND
INDEPENDENT AUDITOR'S REPORT

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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Independent auditor's report

To the shareholders of
Dallah Healthcare Company (a Saudi Joint Stock Company)

Riyadh – the Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Dallah Healthcare Company (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements from (1) to (33), including a summary of significant accounting policies.

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 2019, and its consolidated financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct 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 its 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 for the year ended 31 December 2019. 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. The key audit matters include:

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Impairment of construction work-in-progress and intangible assets with indefinite useful lives	
Key audit matter	**How the key audit matter was addressed in our audit**
The Group assesses at the every financial report's date whether there is any indication of impairment in the value of the construction work in progress and, in case of any indication exists, the recoverable amount is estimated. The Group also examines the impairment, regardless of whether there are any indications of impairment, for intangible assets that are not determined by the useful life and the recoverable amount that is the higher of fair value less costs to sell or value in use. As of 31 December 2019, the carrying amount of the construction work in progress amounted to SR 365.7 million (2018 million: SR 213.2 million). Also the intangible assets with an indefinite life as of 31 December 2019 amounted to SR 16.2 million (2018: SR 16.2 million). We consider this to be a key audit matter because of the judgments and estimates used by the management in determining the recoverable amount, which including assumptions regarding the expected economic conditions, especially growth in the markets in which the Group operates are mainly assumptions about the Group's major competitors on the assumptions of expected income, gross profit margin, and the discount rate used in the value in use model.	Our procedures included the following: • Evaluated the methodology used by the management to determine the recoverable amount on the basis of the value in use and to compare it with that required by IAS (36) "impairment of assets". We also tested the mathematical accuracy of the model used. • Test the accuracy and relevance of input data by reference to supporting evidence, such as approved budgets, and considered the reasonableness of these budgets by comparison to the Group's historical results and performance. • Review the methodology of the value-in-use calculation and use of certain assumptions including discount rates and long-term growth rates. • Performed sensitivity analysis over key assumptions, principally sales growth rate, and terminal value multiple, and discount rates, in order to assess the potential impact. • We reviewed the adequacy of the Group's disclosures.
For more details refer to notes (3-6/3-7/3-9/5/6)	

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Implementation of IFRS 16 "Leases"	
Key audit matter	**How the key audit matter was addressed in our audit**
The group has adopted IFRS (16) "Leases" with effect from 1 January 2019 and this new standard supersedes the requirements of IAS (17) 'Leases'. Management performed a detailed analysis of each lease contract to identify difference between the requirements of the two standards, identify the changes required to be made on existing accounting policies, controls, recognition and measurement. IFRS (16) principally modifies the accounting treatment of operating leases at inception, with the recognition of a right-of-use assets and a corresponding lease liabilities. The Group has chosen retrospective approach of the standard application and record the cumulative impact of initial application on the date of initial application which is 1 January 2019. This resulted in recognition of right-of-use assets amounted to SR 43 million as at 1 January 2019 and lease liabilities of SR 36.4 million as of that date. Management also assessed the disclosure requirements of the new standard to be made in the consolidated financial statements. We considered this as a key audit matter because of new adoption by the Group and use of significant management judgement relating to the terms in the contracts.	Our procedures included the following: • Reviewed management's assessment of the impact of IFRS (16) on the terms of the recognition and measurement of the right-of-use assets and lease liabilities, and understood the approach taken towards implementation. • Assessed the accuracy of used data in lease contracts account for a sample of lease contract by vouching test. • Recalculated sample of the right-of-use assets and lease liabilities, based on the terms of the lease contracts. • Assessed the appropriateness of the used discount rates. • We Assessed the adequacy of the Group's disclosures included in the consolidated financial statements in relation to the implementation of the new standard.
For more details refer to notes (3-3/4-1/4-2/5/17)	

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Revenues from contract with customers	
Key audit matter	**How the key audit matter was addressed in our audit**
The Group recognized revenue of SR 1,252 million for the year ended 31 December 2019 (2018: SR 1,180 million). Revenue represents clinical services revenue and retail of pharmacy and cosmetics goods. The Group recognises revenue through five steps, as mentioned in IFRS (15) revenues form contracts with customers and these steps require using judgement from the management. We considered this as a key audit matter due to judgement involved in estimating the performance obligation and the assistant of variable considerations, represent mainly insurance companies' rejection rates and that the timing and amount of revenue recognized in a financial period can have a material effect on the Group's financial performance.	Our procedures included the following: • Considering the appropriateness of revenue recognition as per the Group's policies and assessing compliance IRFS (15) "revenues from contracts with customers". • Testing the design and effectiveness of internal controls implemented by the Group through the revenue cycle. • Testing sample of sales transactions taking place at either side of the consolidated statement of financial position date to assess whether the revenue was recognized in the correct period. • Evaluating the method of variable considerations calculation related to rejections for sample of insurance companies. • Evaluating the discounts for the key customers, by re-calculating the discounts awarded based on the contractual terms. • Performing analytical review on revenue based on trends of monthly sales and profit margins. • We Assessed the adequacy of the Group's disclosures included in the consolidated financial statements
For more details refer to notes (3-17/4-5/4-6/22)	

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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. Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA and Regulations of Companies requirements, 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 have no realistic alternative but to do so.

Those Charged with Governance, in particular the Audit Committee for the Group is 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism 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.
- 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.

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- 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, 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 a 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 the management and with 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.

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

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 Dr. Mohamed Al-Amri & Co.

M. A. Al-Amri

Dr.Mohamed A. Al-Amri
Certified Public Accountant
Registration No. (60)

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Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on: 03 Rajab 1441 H
Corresponding to: 27 February 2020 G

Dallah Healthcare Company

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	As of 31 December 2019 SR	As of 31 December 2018 SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2,102,520,973**	1,953,199,081
Intangible assets	6	**18,719,692**	18,890,812
Investment in associate	7	**140,951,919**	145,160,732
Equity instruments at fair value through other comprehensive income	8	**3,584,585**	5,443,934
Equity instruments at fair value through profit or loss	9	**35,706,967**	-
		2,301,484,136	2,122,694,559
Current assets			
Inventory	10	**104,534,336**	88,772,605
Prepayments and other debit balances	11	**83,808,296**	83,301,758
Due from related parties	12	**6,595,090**	5,194,560
Contract assets with customers	22	**1,961,722**	2,442,924
Trade receivables	13	**329,354,627**	356,180,416
Cash and cash equivalents	14	**88,326,259**	46,359,135
		614,580,330	582,251,398
TOTAL ASSETS		**2,916,064,466**	2,704,945,957
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the company's shareholders			
Share capital	1	**750,000,000**	590,000,000
Statutory reserve - share premium	15	**211,142,305**	371,142,305
Statutory reserve – transferred from net profit	15	**27,109,010**	27,109,010
Treasury Shares	1	**(190,452,878)**	-
Retained earnings		**724,696,633**	613,209,624
Cumulative valuation effect of equity instruments at fair value through other comprehensive income		**(367,096)**	(255,893)
Total Equity		**1,522,127,974**	1,601,205,046
Non-current liabilities			
Long term Murabaha financing	16	**839,268,569**	562,639,841
Long term lease liability	17	**5,585,688**	-
Long term Retentions		**468,244**	3,671,431
Employees benefit liability	18	**127,942,142**	117,454,595
		973,264,643	683,765,867
Current liabilities			
Trade payables	19	**110,878,833**	101,510,822
Accrued expenses and other credit balances	20	**67,408,495**	70,864,057
Contract liabilities with customers	22	**17,212,922**	5,229,801
Short term Murabaha financing	16	**69,647,000**	139,837,580
Current portion of long term Murabaha financing	16	**112,106,343**	5,916,666
Short term lease liability	17	**13,411,227**	-
Short term Retentions		**24,595,402**	-
Due to related parties	12	**766,464**	1,106,613
Dividend payable	26	**-**	88,240,400
Zakat	21	**4,645,163**	7,269,105
		420,671,849	419,975,044
Total liabilities		**1,393,936,492**	1,103,740,911
Total equity and liabilities		**2,916,064,466**	2,704,945,957

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	For the year ended 31 December 2019 SR	2018 SR
Revenue	22	**1,252,088,677**	1,180,942,051
Cost of revenue		**(804,241,290)**	(744,606,552)
Gross profit		**447,847,387**	436,335,499
Selling and marketing expenses	23	**(23,643,138)**	(25,298,372)
General and administrative expenses	24	**(261,957,995)**	(265,445,202)
Expected credit loss provision	13.10	**(7,855,546)**	563,281
Operating income		**154,390,708**	146,155,206
Other income and losses, net	25	**26,444,726**	12,474,788
Finance charges	17,16	**(25,097,162)**	(11,532,343)
Group share of loss of associates	7	**(4,112,138)**	(1,798,027)
Net profit before Zakat		**151,626,134**	145,299,624
Zakat	21	**(4,710,182)**	(3,541,169)
Net profit		**146,915,952**	141,758,455
Net profit attributable to the Company's shareholders		**146,915,952**	141,758,455
Other comprehensive income:			
Items will not be reclassified subsequently to profit or loss			
Change in equity instruments at fair value through other comprehensive income	8	**(111,203)**	26,102
Gain on sale of equity instruments at fair value through other comprehensive income	8	**688,855**	-
Actuarial valuation for employees benefit liability	18	**(391,123)**	6,274,894
Group share of other comprehensive income for the associate	7	**(96,675)**	-
Other comprehensive income		**89,854**	6,300,996
Comprehensive income		**147,005,806**	148,059,451
Comprehensive income attributable to the Company's shareholders		**147,005,806**	148,059,451
Basic and diluted earnings per share from net profit	27	**2.02**	1.89

Dallah Healthcare Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

		Share capital	Reserve "Share premium"	Statutory reserve "Transferred from net income"	Treasury Shares	Retained earnings	The cumulative effect of valuation of equity instruments at fair value through other comprehensive income	Total equity
For the year ended 31 December 2019	**Note**	**SR**	**SR**	**SR**	**SR**	**SR**	**SR**	**SR**
Balance as at 1 January 2019		**590,000,00**	**371,142,305**	**27,109,010**	**-**	**613,209,624**	**(255,893)**	**1,601,205,046**
Net profit for the year		**-**	**-**	**-**	**-**	**146.915.952**	**-**	**146.915.952**
Other comprehensive income	7,8,18	**-**	**-**	**-**	**-**	**201,057**	**(111,203)**	**89,854**
comprehensive income for the year		**-**	**-**	**-**	**-**	**147,117,009**	**(111,203)**	**147,005,806**
Bonus share issuing	1	**160,000,00**	**(160,000,000**	**-**	**-**	**-**	**-**	**-**
Purchase of Treasury shares	1	**-**	**-**	**-**	**190,452,87**	**-**	**-**	**(190,452,878**
Dividends	26	**-**	**-**	**-**	**-**	**(35,630,000)**	**-**	**(35,630,000)**
Balance as at 31 December 2019		**750,000,00**	**211,142,305**	**27,109,010**	**190,452,87**	**724,696,633**	**(367,096)**	**1,522,127,974**
For the year ended 31 December 2018								
Balance as at 1 January 2018 after	29	590,000,00	371,142,305	27,109,010	-	701,176,275	(281,995)	1,689,145,595
Net Profit for the year		-	-	-	-	141,758,455	-	141,758,455
Other comprehensive income	8,18	-		-	-	6,274,894	26,102	6,300,996
comprehensive income for the year		-	-	-	-	148,033,349	26,102	148,059,451
Dividends	26	-	-	-	-	(236,000,000)	-	(236,000,000)
Balance as at 31 December 2018		590,000,00	371,142,305	27,109,010	-	613,209,624	(255,893)	1,601,205,046

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Dallah Healthcare Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	For the year ended 31 December 2019 SR	2018 SR
OPERATING ACTIVITIES			
Net profit before zakat		**151,626,134**	145,299,624
Adjustments			
Depreciation of property, plant, and equipment	5	**92,494,560**	73,883,211
Amortization of intangible assets	6	**171,120**	156,860
Employees' benefits provision	18	**22,132,918**	26,428,579
Provision for expected credit loss	13	**5,974,313**	(563,281)
Provision for Prepayments and other debit balances	11	**1,881,233**	22,268
Provision for inventory	10	**(61,302)**	2,632,875
Loss on sale of property, plant, and equipment		**85,416**	38,160
loss on sale of financial assets at fair value through profit		**-**	373,123
Gain from revaluation of Equity instruments at fair value through profit or loss	9	**(13,385,865)**	-
Share of loss of associates	7	**4,112,138**	1,798,027
Finance charges	17,16	**25,097,162**	11,532,343
Changes in			
Trade receivables		**20,851,477**	(76,384,420)
Contract assets with customers		**481,202**	(2,442,924)
Related parties		**(1,740,679)**	(4,807,439)
Prepayments and other debit balances		**(8,985,381)**	34,288,339
Inventory		**(15,700,430)**	(11,473,633)
Accounts payable		**11,543,636**	11,675,605
Contract liabilities with customers		**11,983,121**	5,229,801
Accrued expenses and other credit balances		**(3,455,562)**	6,155,365
Retentions		**21,392,215**	-
Cash flows from operation		**326,497,426**	223,842,483
Zakat paid	21	**(7,334,124)**	(10,238,099)
Employees' benefits paid	18	**(12,036,494)**	(9,294,391)
Net cash generated from operating activities		**307,126,808**	204,309,993
INVESTING ACTIVITIES			
Additions to property, plant, and equipment	5	**(201,062,336)**	(255,712,575)
Proceeds from sale of property, plant and equipment		**28,761**	24,713
Additions to investment in associate	7	**-**	(5,980,000)
Proceeds from disposal of equity instruments at fair value through other comprehensive income		**2,437,000**	-
Additions to equity instruments at fair value through	9	**(22,321,102)**	-
Proceeds from sale of available-for-sale investments		**-**	27,751,877
Net cash used in investing activities		**(220,917,677)**	(233,915,985)
FINANCING ACTIVITIES			
Proceeds Murabaha financing		**896,611,999**	452,756,481
Repayment Murabaha financing		**(583,984,174)**	(308,199,277)
Lease Payment	17	**(18,506,179)**	-
Purchase of treasury shares	1	**(190,452,878)**	-
Dividend paid	26	**(123,870,400)**	(147,500,000)
Finance cost paid		**(24,040,375)**	(11,532,343)
Net cash (used in) generated from financing activities		**(44,242,007)**	(14,475,139)
Net changes in cash and cash equivalents		**41,967,124**	(44,081,131)
Cash and cash equivalents at beginning of the period		**46,359,135**	90,440,266
Cash and cash equivalents at end of the period		**88,326,259**	46,359,135
Non-cash transactions			
Increasing capital by issuing bonus shares	1	**160,000,000**	-
Record asset and liability of financing leases		**43,043,918**	-

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

1. Overview

Dallah Healthcare Company (the "Company") was established in the Kingdom of Saudi Arabia as a limited liability company under commercial registration No. 1010128530 dated 13 Rabi II 1415H (corresponding to September 18, 1994) in Riyadh.

The Company's board of directors declared Dallah Healthcare Company as a Saudi Closed Joint Stock Company on 14 Jumada I 1429H (corresponding to May 20, 2008). On 28 Dhu Al Qa'dah 1433H (corresponding to October 14, 2012), the Company obtained an approval to be transferred to a public joint stock company by issuing 14.2 million shares in an initial public offering with a nominal value of SR 142 million, as a result of the offering, a share premium of SR 371 million was included in the Company's statutory reserve. The Company became a listed company in the Saudi Capital Market on 4 Safar 1434H (corresponding to December 17, 2012). The Company changed its trading name from Dallah Healthcare Holding Company to Dallah Healthcare Company during an extraordinary annual general meeting held on 16 Safar 1438H (corresponding to 16 November 2016).

The objectives of the Company are to operate, manage and maintain the healthcare facilities, wholesale and retail of medicals, surgical equipment, artificial parts, handicapped and hospital equipment and manufacturing medicines, pharmaceuticals, herbals, health, cosmetics, detergents, disinfectants and packaging in the Kingdom of Saudi Arabia.

The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group.

Capital

On 21 Jamada Al-Thani 1440H corresponding 26 February 2019, the Extraordinary General Assembly meeting has approved the increase of the Company's capital from SR 590 million to SR 750 million (59 million shares to 75 million shares) through stock dividends, one share for every 3.69 shares. As a result, the capital has increased by transferring SR 160 million from statutory reserve (share premium) to the capital. On April 25, 2019, the Company amended the article of association accordingly.

Treasury shares

On 21 Jamada Al-Thani 1440H corresponding 26 February 2019, the Extraordinary General Assembly meeting has approved the purchasing of 3,750,000 of the Company's shares as treasury shares. To be financed from the Company's own resources. The Board of directors has been delegated to complete the purchasing proves in one transaction or over several transactions in a period of 12 months as maximum from the resolution date of the Extraordinary General Assembly meeting. On 31 December 2019, the number of shares purchased is 3,740,000 shares at cost of 190,452,878 Saudi riyals. Thus, the Company has completed the purchase of treasury shares within the authorized number in accordance with the approval of the Extraordinary General Assembly.

All amounts are presented in Saudi Riyals unless otherwise indicated

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The following is an overview of subsidiaries.

Name of subsidiary	Share in equity% As of 31 December 2019	As of 31 December 2018	Country of operation and commercial register	Principal activity
Dallah Pharma Company	**100%**	100%	Kingdom of Saudi Arabia commercial registration No.1010410613	Pharmaceutical, herbal & cosmetic distribution & manufactory.
Afyaa Al-Nakheel for Supporting Services Co. Limited (1)	**100%**	100%	Kingdom of Saudi Arabia commercial registration No.1010404576	Provide manpower & Support services to hospitals and medical centres.
Dallah Namar Hospital Health Co.	**100%**	100%	Kingdom of Saudi Arabia commercial registration No.1010495218	Operating, managing, equipping and developing hospitals and healthcare facilities, medical polyclinics, and compounds, owning lands.

(1) On 2 Safar 1440H (corresponding November 1, 2018) the Company acquired the remaining% 1 equity interest of Afyaa Al-Nakheel for Supporting Services Co. and therefore, the Company`s shareholding changed from 99% to 100%. as the remaining 1% equity interest therein was owned by other parties on behalf of the Company.

The Branches

Descriptions	Commercial Registration No.	City
Head Office (Branch of Dallah Healthcare Co.)	2057004206	Al Khafji
Dallah Hospital Al-Nakheel	1010132622	Riyadh
Dallah Pharma Factory (Dallah Pharma Branch)	4030278471	Jeddah
Medicine Warehouse (Dallah Pharma Branch)	2050071905	Dammam
Medicine Warehouse (Dallah Pharma Branch)	1010128997	Riyadh
Medicine Warehouse (Dallah Pharma Branch)	4030140769	Jeddah
Medicine Warehouse (Dallah Pharma Branch)	4030265250	Jeddah

2. Basis of accounting

These companying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and wherever appeared in these notes, that refers to the (IFRSs) adopted in Saudi Arabia and other standards and issuances and adopted by SOCPA.

The consolidated financial statements have been prepared at historical cost, except for:

- the employee benefit obligation which is measured in accordance with an actuarial valuation.
- Equity instruments at fair value through profit of loss which is measured at fair value.
- Equity instruments at fair value other comprehensive income which is measured at fair value.

At the date of adoption of these consolidated financial statements, the Group has not adopted the below new IFRSs and the amendments issued but not yet effective:

3. Summary of significant accounting policies

3-1 Issued standards and not yet effective

- IFRS (17) "Insurance Contracts" (Effective date 1 January 2021).

The adoption of this standard is not expected to have a material impact on the consolidated financial statements of the Group.

3-2 Standards, amendments and interpretations issued effective from 1 January 2018

Effective from 1 January 2019

- IFRS (16) "Leases".
- Improvement to IFRS (3) "Business Combinations" related to previously held interests in a joint operation.
- Improvement to IFRS (11) "Joint Arrangements" related to previously held interests in a joint operation.
- Improvement to IAS (12) "Income Taxes" related to income tax consequences of payments on financial instruments classified as equity.
- Improvement to IAS (23) "borrowing costs" related to borrowing costs eligible for Capitalization.
- International Interpretation (23) "Uncertainty on Income Tax Transactions".
- Amendments to IFRS (9) "Financial Instruments" related to prepayment features with negative compensation.
- Amendments to IAS (28) "Investments in Associates and Joint Ventures" related to long-term investments in associates and joint ventures.
- Amendments to IAS (19) "Employee Benefits "related to plan amendment, curtailment or settlement.

The application of standards, amendments and interpretations above have no impact on financial statements for the Group except for IFRS (16) "Leases", as explained later.

3.3 Changes in accounting policies

- Application of IFRS (16) "Leases"
- IFRS (16) "Leases" provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS (16) "Leases" supersedes IAS (17) "Leases" and the related Interpretations. It is effective for accounting periods beginning on or after January 1, 2019.
- The Group has chosen retrospective application of the standard and record the cumulative impact of initial application on the date of initial application which is January 1, 2019, in accordance with paragraph C5(b) and C7 of IFRS (16) "Leases" therefore comparative information is not restated and instead, the Group will recognize the cumulative effect of initially application "if any" as an adjustment to the opening balance of retained earnings.
- IFRS (16) "Leases" substantially carries forward the lessor accounting requirements in IAS 17 "Leases", however, it provides different accounting treatments for the lessees.
- The change in the definition of a lease mainly relates to the concept of control. IFRS (16) distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled. Control is considered to exist if the Group has:
- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of the identified asset.

- The Group applied the definition of a lease and related guidance set out in IFRS (16) “Leases” to all lease contracts entered into.
- Impact on Group Accounting as Lessee
- IFRS (16) has changed how the Group accounts for leases previously classified as operating leases under IAS (17), which were of a statement of financial position. The Group has recognized the following:
- Right-of-use assets
- Initial recognition:
- Amount of initial measurement of lease liability which is the present value of the future lease payments;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group as a lessee;
- An estimate of the costs will be incurred by the Group as a lessee in dismantling and removing the underlying asset in the contract, restoring the site on which it is located or restoring the underlying asset
- Subsequently, the right-of-use assets are measured at cost less any accumulated depreciation or accumulated impairment loss and adjusted by any re-measurement of the lease liabilities.
- The Group amortizes the right-of-use over the estimated lease period by the straight method.
- Lease liability
- Is initially measured at the present value of the lease payments that are not paid at beginning of contract date. And use the Group’s incremental borrowing rate.
- Lease liability is subsequently measured as follows by:
- Increasing the carrying amount to reflect the interest on the lease liabilities;
- Reduction of the carrying amount to reflect lease payments;
- Re-measuring the carrying amount to reflect any reassessment or adjustments to the lease contract.
- The Group shall separate the paid amounts into a principal portion (presented in financing activities) and interest (presented in operating activities) in the statement of cash flow.
- Under IFRS (16) the right-of-use assets are tested for impairment in accordance with IAS (36) “Impairment of Assets”.
- Lease period
- The Group determines the lease term as the non-cancellable period of a lease, together with both:
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.
- For short term leases (lease term 12 months or less) and low value contracts (such as personal computers and office furniture), if any, the Group has elected to recognize the lease expenses on a straight-line basis as permitted by IFRS (16), which is the same method that was accounted for in accordance with IAS (17) "Leases".

All amounts are presented in Saudi Riyals unless otherwise indicated

Effect of application of IFRS 16 "Leases"
Impact on the statement of financial position

	As of 31 December 2019			As of January 1, 2019		
	Without applying the IFRS 16	**Impact**	**After applying the IFRS 16**	**Without applying the IFRS 16**	**Impact**	**After applying the IFRS 16**
Property, plant and equipment	**2,075,920,787**	**26,600,186**	**2,102,520,973**	1,953,199,081	43,043,918	1,996,242,999
Prepaid expenses and other receivables	**90,405,907**	**(6,597,611)**	**83,808,296**	83,385,508	(6,597,611)	76,787,897
Long-term lease liability	**-**	**5,585,688**	**5,585,688**	-	20,208,585	20,208,585
Short-term lease liability	**-**	**13,411,227**	**13,411,227**	-	16,237,722	16,237,722
Retained earnings	**723,690,973**	**1,005,660**	**724,696,633**	613,209,624	-	613,209,624

Impact on the comprehensive income statement	For the year ended 31 December 2019		
	Without applying the IFRS 16	**Impact**	**After applying the IFRS 16**
Cost of revenue and general and administrative expenses	**1,068,261,732**	**(2,062,447)**	**1,066,199,285**
Finance charges	**24,040,375**	**1,056,787**	**25,097,162**

Impact on cash flow statement	For the year ended 31 December 2019		
	Without applying the IFRS 16	**Impact**	**After applying the IFRS 16**
Net cash flows generated from operating activities	**288,620,629**	**18,506,179**	**307,126,808**
Net cash flows used in Financing activities	**(25,735,828)**	**(18,506,179)**	**(44,242,007)**

3-4 Basis of consolidation

The consolidated financial statements include the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, as well as the notes to the consolidated financial statements of the Group, including the assets, liabilities and results of the operations of the Company and its subsidiaries as set out in note (1).

Subsidiaries are companies controlled by the Group. Control of the company is achieved by an investor company only when the following three elements of the company are realized:
- An authority over the invested company means existing rights granted by the ability to direct activities of particular interest to the invested company
- Gain of variable returns or take right
- The ability of the company to use its authority over the investee company and influence its revenues

In general, there is a presumption that it results from the majority of voting rights having control. In support of this assumption, when the Company has less than a majority of voting rights or similar rights in the investee, the Company takes into account all facts and circumstances to assess whether it has authority over the investee, including:

- Contractual arrangements with other voting rights holders in the investee company
- Rights arising from other contractual arrangements
- Special voting rights and any potential voting rights

The Company re-assesses whether it has control over the invested if the facts and circumstances indicate a change in one or more of the three prior control elements.
A subsidiary is consolidated when the exercise of control begins and is discontinued when the control of the subsidiary ceases. The assets, liabilities, income, and expenses of the subsidiary acquired during the period are included in the consolidated financial statements from the date control ceases until such control ceases.

The gain or loss and each other comprehensive income are attributable to the equity holders of the parent and to non-controlling interests even if the non-controlling interest balance is negative, meaning that losses are recognized on non-controlling interests even if the resulting restriction Non-controlling interest deficit.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as a transaction of equity.

In case the company loses control of the subsidiary, the company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss

Reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3-5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

For each business combination, the company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in statement of profit or loss.

When the company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill acquired through business combinations and licenses with indefinite lives are allocated to Cash Generating Units which are also operating and reportable segments, for impairment testing as carrying the amount of goodwill and licenses allocated to each of the Cash Generating Unit.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3-6 Property, plant and equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant, and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected costs asset disposal is recognized included in the asset cost.

An item of property, plant, and equipment is derecognized when it is derecognized or when no future economic benefits are expected from use it or disposal. Any gain or loss arising on derecognition of assets is calculated on the basis of the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss when the asset is derecognized.

Capital work in progress is carried at cost less impairment losses, if any, and is not amortized until the assets in the business operation start.

The residual value, useful lives and depreciation methods of property, plant, and equipment are reviewed at the end of each financial year and adjusted to future periods, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	2019 Number of years
Buildings	55
Leasehold improvements	Shorter of estimated useful life (5) or lease year
Machinery and equipment	3-10
Medical equipment	6-8
Furniture and fixtures	5-10
Vehicles	4

3-7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income when it is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives
The period and method of amortization of intangible assets with finite lives are reviewed at the end of each financial period. Changes in the expected useful life or expected manner of amortization of the future economic benefits inherent in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.
Amortization expense for intangible assets with finite lives is recognized in profit or loss and other comprehensive income is included in the expense category that is consistent with the intangible asset's function.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are not amortized but are tested to ensure that there is no impairment in value annually, either individually or at the level of the cash-generating unit. The indefinite age assessment is reviewed annually to determine whether indefinite ages are still possible. If not, the useful life is changed from indefinite to specific on a future basis.

Gains or losses arising from the reversal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other when the asset is derecognized.

Leasehold rights are amortized over the life of the lease using the straight-line method.

3-8 Investment in associates

An associate is a company over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in its associate and are accounted for using the equity method. Under the equity method, the investment in an associate or is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate companies since the acquisition date. Goodwill relating to the associate is included in investment cost.

The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate the Group recognizes its share of this changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in profit or loss.

Upon loss of significant influence over the associate the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

3-9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that any of non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market estimates of the time value of funds and any specific risks to the asset. When determining the fair value less costs of disposal, current transactions in the market are taken into consideration. When these transactions are not available, an appropriate valuation model is used. These calculations are supported by the use of valuation exercises and quoted share prices for listed companies or other available factors for fair value

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Unit to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognized for continuing operations in profit or loss.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each Cash Generating Unit (or group of Cash Generating Units) to which the goodwill relates.

When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

3-10 Financial instruments

The Group recognizes financial assets or financial liabilities in the statement of financial position when it becomes a party to the contractual provisions for performance.

Financial assets

Initial recognition

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

A) Debt instruments at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

B) Equity instruments at fair value through OCI with no recycling to gains and losses.
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in profit or loss when the right of receipt has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.Equity instruments designated at fair value through OCI are not subject to impairment assessment.

C) Equity instruments at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment in value of financial assets

The Group applies the simplified approach to the calculation of impairment. The estimated credit losses on financial assets are estimated using the historical credit loss experience of the Group, adjusted to general economic conditions and the assessment of both the current trend as well as expectations of the circumstances at the reporting date, including the time value of the money where applicable. Appropriate.

The measurement of the expected credit loss is evidence of default or default loss (means, loss if there is a default). The assessment of the probability of default depends on historical data that is adjusted by information that predicts the future as described above.

The Group recognizes impairment gains or losses separately in the statement of profit or loss and OCI the provisions for losses on financial assets measured at amortized cost are deducted from and the carrying amount of the financial assets.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Group neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified either at amortized cost or at fair value through profit or loss.

All financial liabilities of the Group have been classified and measured at amortized cost using the effective yield method. The Group does not have financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss

Derecognition of financial liabilities

The Group derecognize the financial liabilities only when these liabilities are fulfilled, canceled or ended.

3-11 Inventory

Inventory are stated at the lower of cost and net realizable value. Costs of Inventory are determined on a weighted average basis, with the exception of medication applying the first-in-first-out. The net realizable value represents the estimated selling price for Inventory less estimated costs to complete sale operation.

3-12 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts are included as a part of Group's cash management.

3-13 Equity and reserves

Share Capital

Share capital represents the nominal value of shares that have been issued.

Dividends

An obligation is recognized against the cash or non-cash distributions to the equity holders when the distribution is approved by the General Assembly of shareholders for annual distributions. The distributions are approved after approval by the Board of Directors.

Non-cash distributions are measured at the fair value of the assets that will be distributed with the re-measurement at fair value recognized directly in equity.

Statutory reserve

In accordance with the Articles of Association, the Company shall transfer 10% of the annual net profit to the statutory reserve until such reserve reaches 30% of the capital.

Treasury Shares

Treasury Shares consists of the Company's issued shares and subsequently repurchased. Treasury shares are accounted for using the cost method. That the od treasury shares is deducted for the equity

3-14 Employee Benefits

End of service Benefits

End of service benefits is measured using the expected unit cost method with an actuarial valuation performed at the end of each annual financial period.

The costs of the identified benefits are classified as follows:

- Current and previous service cost
- Cost of returns
- Re-Measurement Actuary

The Group recognizes the first two cost-benefit items identified in profit or loss under "general and administrative expenses" and "cost of sales" and the third item is included in other comprehensive income.

Short-term employee benefits

The liability is recognized for benefits payable to employees in respect of wages and salaries, annual leave and sick leave in the period in which the related service is rendered against the undiscounted amount of the benefits expected to be paid to the service.

3-15 Murabaha financing costs

Murabaha financing costs directly attributable to the acquisition, construction or production of a qualifying asset that requires the establishment or production of a qualifying asset are capitalized to be ready for the purpose for which it was created or sold, as part of the cost of that asset. All other Murabaha financing costs are charged to expenses in the period in which they are incurred. Murabaha financing costs include commission and other costs incurred by the Group with respect to borrowing funds.

3-16 Zakat

The Group and its Subsidiaries are subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision of zakat is calculated as per the zakat base prepared on the basis of the consolidated financial statements of Dallah Healthcare Company and its Subsidiaries directly or indirectly. The calculated zakat provision is then distributed between the Company and its Subsidiaries. Any differences between the provisions and the final assessment are recorded at the year which the final assessment has been done.

3-17 Revenues from Contracts with Customers"

Under IFRS (15) Financial Statement Preparation, the term "contract assets with customers" and "contract liabilities with customers" are used to describe what was recognized as accrued income and discount volume.

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. The principles of IFRS (15) "Revenue from Contracts with Customers " are applied by using the following five steps:

Step 1: Identify the contract, when:

- When the contract has been approved and the parties are committed;
- When each party's rights are identified;
- When the payment terms are defined;
- When the contract has a commercial.
- When the collection is Collectible

Step 2: Identify performance obligations, by identifying promised goods or services agreed in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if:

- the customer can benefit from the goods or services separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: Determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: Allocate the transaction price to performance obligations is allocated to each separate performance obligation based on the relative standalone selling price of the goods or services being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer.

Rendering of clinical services

Revenue from services primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, and laboratory. The revenue generates from services separately or bundled together with the revenue from pharmacy to a customer.

Under IFRS (15) “Revenue from Contracts with Customers”, the Group concluded that revenue from Inpatients would be recognized over time.

The Group concluded that the performance obligation is achieved when providing medical services and the patient gets treatment services

Sale of goods – Distribution

Revenue is recognized when control of the products has transferred, is when the products are delivered to the customer. Delivery occurs when the products have been shipped to a specific location, the risks of obsolescence and loss have been transferred to the customer.

The Group is primarily responsible for fulfilling the promise to provide the specified pharmaceutical and other specific products. The Group bears inventory risk before the pharmaceutical and other products have been transferred to the customer. In addition, the Group has discretion in establishing the price for the specified pharmaceutical products.

The Group has concluded that the performance obligation is achieved when the ownership of the goods is transferred to the customer

3-18 Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values when the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3-19 Segmental Reporting

A segment is a component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

4. Use of significant judgements and estimates

The preparation of these consolidated financial statements, in conformity with IFRSs as endorsed in the Kingdom of Saudi Arabia, requires the use of judgments, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the consolidated statement of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

4-1 Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate

4-2 incremental borrowing rate for lease

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group estimates the IBR using observable inputs (such as market interest rates and other information.

4-3 Provisions for slow-moving and obsolete Inventory:

Inventory are stated at the lower of cost or net realizable value. Adjustments are made to reduce the cost of inventory to net recoverable amount.

Factors responsible such adjustments include changes in inventory demand, technological changes, deterioration of quality and quality matters. Accordingly, the Group considers these factors and takes them into considering to calculate the provision of impaired and slow-moving Inventory. Any adjustments that may result from the difference in these factors are periodically reviewed.

4-4 Provision for expected credit losses

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates then is adjusted to include the macroeconomic data.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

4-5 Expected medical rejections

The Group is based on the evaluation of medical objections on its previous experience with each individual customer. To anticipate these objections, the Group measures the extent to which customers accept the services and medical goods provided and uses assumptions based on the earliest medical objections and direct negotiations with clients as well as relying on data available in the market and in similar companies.

4-6 Volume discounts

Sometime, income is recognized on the basis of the discounted complex. These revenues are recognized on the basis of the contract price, net of the estimated amount. The accumulated experience of estimating discounts is used using the expected value method, and revenue is recognized only to the extent that it is probable that a significant reversal will not occur.

The Group's expected volume rebates are analyzed on a per-customer basis for contracts that are subject to this discount. Determining whether a customer will be likely entitled to the rebate will depend on the customer's historical rebates entitlement and accumulated transaction till reporting date.

4-7 Impairment of non-financial assets

An impairment loss is recognized for the amount by which the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. To determine the recoverable amount, management estimates the expected future cash flows from each cash-generating unit and determines the appropriate rate of return to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. Actual results may differ and may result in material adjustments to the Group's assets during the following financial years.

In most cases, the determination of the applicable discount rate includes the estimation of appropriate market risk adjustments and appropriate adjustments to the asset risk factors.

Dallah Healthcare Company
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5. Property, plant and equipment

	Right to use of assets	Land	Buildings	Leasehold Improvements	Machinery and Equipment	Medical Equipment	Furniture and Fixtures	Vehicles	Construction Work In Progress	Total
Cost:										
As at 1 January 2018	-	530,002,199	449,681,710	72,578,669	76,915,438	382,619,362	18,039,710	7,569,063	822,022,816	2,359,428,967
Additions	-	-	55,315,318	268,164	9,177,789	82,686,784	13,850,165	1,450,000	92,964,355	255,712,575
Disposals	-	-		(23,000)	(16,363)	(3,139,415)	(137,261)	-	-	(3,316,039)
Transfer	-	-	613,910,415	-	72,603,639	13,449,130	1,832,532	-	701,795,716)	-
As at 31 December 2018	**-**	**530,002,199**	**1,118,907,44**	**72,823,833**	**158,680,503**	**475,615,861**	**33,585,146**	**9,019,063**	**213,191,455**	**2,611,825,503**
Additions	**43,043,918**	**-**	**327,800**	**2,156,825**	**2,670,700**	**39,098,703**	**2,428,650**	**-**	**154,544,962**	**244,271,558**
Disposals		**-**		**(231,470)**	**(570,000)**	**(6,992,280)**	**(157,237)**	**-**		**(7,950,987)**
Transfer	**-**	**-**	**12,982,967**	**2,017,292**	**(12,982,967)**	**-**	**-**	**-**	**(2,017,292)**	
As at 31 December 2019	**-**	**530,002,199**	**1,132,218,210**	**76,766,480**	**147,798,236**	**507,722,284**	**35,856,559**	**9,019,063**	**365,719,125**	**2,848,146,074**
Accumulated Depreciation:										
As at 1 January 2018	-	-	209,472,268	51,531,388	56,761,400	253,245,995	11,438,481	5,546,845	-	587,996,377
Charge for the year	-	-	20,162,802	6,299,944	5,976,344	37,350,200	2,979,535	1,114,386	-	73,883,211
Elimination on disposals	-	-		(3,834)	(11,815)	(3,112,834)	(124,683)		-	(3,253,166)
As at 31 December 2018	**-**	**-**	**229,635,070**	**57,827,498**	**62,725,929**	**287,483,361**	**14,293,333**	**6,661,231**	**-**	**658,626,422**
Charge for the year	**16,443,732**	**-**	**18,733,474**	**6,458,775**	**6,259,703**	**41,167,385**	**2,643,110**	**788,381**	**-**	**92,494,560**
Elimination on disposals	**-**	**-**	**-**	**(146,598)**	**(38,000)**	**(5,171,438)**	**(139,845)**	**-**	**-**	**(5,495,881)**
As at 31 December 2019	**16,443,732**	**-**	**248,368,544**	**64,139,675**	**68,947,632**	**323,479,308**	**16,796,598**	**7,449,612**	**-**	**745,625,101**
Net book value:										
As at 31 December 2019	**26,600,186**	**530,002,199**	**883,849,666**	**12,626,805**	**78,850,604**	**184,242,976**	**19,059,961**	**1,569,451**	**365,719,125**	**2,102,520,973**
As at 31 December 2018	-	530,002,199	889,272,373	14,996,335	95,954,574	188,132,500	19,291,813	2,357,832	213,191,455	1,953,199,081

All amounts are presented in Saudi riyals unless otherwise indicated

The allocation of depreciation expense is as follows:

	2019	2018
Cost of Revenue	**88,679,820**	72,495,659
General and administrative expenses (note 24)	**3,814,740**	1,387,552
	92,494,560	73,883,211

Construction in progress

The Group has the construction of Dallah Hospital -Namar project, with a maximum capacity of 400 beds and 200 clinics with an estimated total cost of SR 920 million. The first stage of operation started on 8 April 2018 with a capacity power of 150 beds and 100 clinics.

The Group has started construction work for the western expansion of Dallah Hospital in Al-Nakheel district on 25 September 2017, with a capacity of 150 beds and 30 clinics.

6. Intangible assets

	Manufacturig licenses	Product licenses	Goodwill	Leasehold Rights	Total
Cost:					
As at 31 December2018	10,648000	11,505,000	5,091,000	3,422,270	30,666,270
As at 31 December 2019	**10,648,000**	**11,505,000**	**5,091,000**	**3,422,270**	**30,666,270**
Amortization and Impairment					
As at 1 January 2018	3,000,000	3,000,000	5,091,000	527,598	11,618,598
Amortization 2018	-	-	-	156,860	156,860
As at 31 December	**3,000,000**	**3,000,000**	**5,091,000**	**684,458**	**11,775,458**
Amortization 2019	**-**	**-**	**-**	**171,120**	**171,120**
As at 31 December	**3,000,000**	**3,000,000**	**5,091,000**	**855,578**	**11,946,578**
Net book value					
As at 31 December 2019	**7,648,000**	**8,505,000**	**-**	**2,566,692**	**18,719,692**
As at 31 December 2018	7,648,000	8,505,000	-	2,737,812	18,890,812

Impairment in manufacturing and product licenses (Intangible assets with indefinite useful life)
is subject to annual impairment testing. Intangible assets with indefinite useful life are tested to insure if impairment happened on its value by comparing the carrying amount of each cash-generating unit (CGU) to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts covering a five-year period. The discount rate to cash flow reached projections varies 16.67% as relevant for each CGU and the terminal value. Terminal value is calculated using earnings multiple Model for the final year of the forecast period.

All amounts are presented in Saudi riyals unless otherwise indicated

The calculation of value in use is most sensitive to the assumptions on sales growth rate and terminal value used to extrapolate cash flows beyond the budget period of 5 years, as well as the factors used in computing terminal value.

Leasehold Rights

The leasehold rights represented the amount paid to Saudi Authority for industrials cities and technology zones against land leasehold rights and that is amortized over the remaining contract years ends on 10 Safar 1456H (corresponding to April 28, 2034).

7. Investment in associate

Investment in associate comprises of investments in Dr. Mohammed Rashed Al-Faqeeh Company "A closed Joint Stock Company" which is constructing a general hospital in east of Riyadh city. The Group's share is accounted for using the equity method as follows:

	Ownership interest (%)			
	As of 31 December 2019	As of 31 December 2018	Country of operation and incorporation	Principal activity
Dr. Mohammed Rashed Al-Faqeeh Company	**31.21%**	31.21%	Kingdom of Saudi Arabia	Owning, operating and maintaining the hospital and health centers

During the first quarter of 2018, the Group increased its ownership in the associated company to be 31.21% instead of 30%. The movement of the investment can be summarized as follows:

	As at 31 December 2019	As at 31 December 2018
Opening balance	**145,160,732**	140,978,759
Additions	**-**	5,980,000
Adjustment	**478,566**	138,707
Share of loss from associate	**(4,590,704)**	(1,936,734)
Share of comprehensive income from associate	**(96,675)**	-
Closing balance	**140,951,919**	145,160,732

The aggregate amounts of certain financial information of the associate can be summarized as follows:

	As at 31 December 2019	As of 31 December 2018
Current assets	**38,914,022**	97,403,849
Non-current assets	**698,574,269**	579,625,407
Current liabilities	**42,397,229**	69,629,799
Non-current liabilities	**287,298,942**	184,622,434
Profit or loss from continuing operation	**(14,709,079)**	(4,670,565)
Other comprehensive income	**(275,824)**	(33,933)
Comprehensive income	**(14,984,902)**	(4,704,498)
Equity	**407,792,120**	422,777,023

In the opinion of management, there has been no impairment in the carrying value of the Group's investment in associate as at the reporting period.

All amounts are presented in Saudi riyals unless otherwise indicated

8. Equity instrument at fair value through other comprehensive income

	Country	Ownership %	As at 31 December 2019	Ownership %	As at 31 December 2018
Quoted :					
Jordanian Pharmaceutical Manufacturing Company	Jordan	٪0,4	**136,465**	٪0,4	247,669
Unquoted investments					
Makkah Medical Canter Company	Saudi Arabia	٪7,5	**3,448,120**	٪7,5	3,448,120
Al Ehsa Medical Services Company	Saudi Arabia	-	**-**	٪1,1	1,748,145
			3,584,585		5,443,934

Unquoted equity investments

According to management, the unquoted equity instruments have not met any of the indicators according to IFRS (9) "Financial Instruments" paragraph 5-4-2 which indicates that when cost may not represent the fair value of these instruments, as a result, the cost of these instruments has been considered as the best estimate of their fair value.

On 28 Rajab 1440H corresponding to April 4, 2019, the company sold its entire share in Al-Ahsa Medical Services Company amounting to 162,500 shares, at a total value of SR 2,437,000. resulted in a gain of SAR 688,855 which is included in other comprehensive income.

9. Equity instruments at fair value through profit or loss

On May 14, 2019 G, Corresponding 9 Ramadan 1440 H, the Company made a payment of SR 22,321,002 to purchase units in investment fund(MEFIC Private Equity Opportunities Fund) and its objective is to achieve a high return on capital over the long term and investing in healthcare sector.

On December 31, 2019, the fund's assets were reassessed at fair value by using the discounted cash flow method. The value of the Group’s investment share in the fund amounted to SR 35,706,967 and as a result, it recorded profit or loss of SR 13,385,865 (Note 24)

10. Inventory

	As of 31 December 2019	As of 31 December 2018
Medicines	**82,470,438**	72,645,034
Raw materials	**8,977,730**	3,043,789
Medical consumables and cosmetics	**5,601,306**	5,821,644
Others	**5,195,922**	2,728,922
Medical supplies	**3,349,312**	6,148,553
	105,594,708	90,387,942
Less: Provision for slow moving items	**(1,060,372)**	(1,615,337)
	104,534,336	88,772,605

All amounts are presented in Saudi riyals unless otherwise indicated

The summary of the movement of provision for slow-moving items is as follows:

	As of 31 December 2019	As of 31 December 2018
1 January	**1,615,337**	1,381,403
Charge for the year	**31,898**	2,632,875
Reverse	**(93,200)**	-
Write-off Inventory obsolescence	**(493,663)**	(2,398,941)
31 December	**1,060,372**	1,615,337

11. Prepayment and other debit balances

	As of 31 December 2019	As of 31 December 2018
Advances to suppliers	**43,757,003**	49,021,028
Prepayments	**12,865,558**	17,138,677
Employees' advances	**6,803,339**	5,401,088
LC and LG Margin	**12,130,125**	5,630,125
Human Resources Fund	**3,844,014**	3,249,427
Others	**12,536,567**	9,108,490
Less: The provision	**(8,128,310)**	(6,247,077)
	83,808,296	83,301,758

The summary for the movement of provision:

	For the year ended 31 December	
	2019	2018
1 January	**6,247,077**	6,234,341
Additions	**1,881,233**	22,268
Write-off bad debts	**-**	(9,532)
31 December	**8,128,310**	6,247,077

12. Related party

The Group in the normal course of business carries on business with other enterprises that fall within the definition of a related party contained in IFRS. These transactions are carried out in the normal course of the business and are measured at exchange amounts, being the amounts agreed by both parties.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm’s length transactions.

The Group's related parties include its key management personnel, Subsidiaries, associates company, and others as described below.

All amounts are presented in Saudi riyals unless otherwise indicated

key Management remuneration

	For the year ended 31 December	
	2019	**2018**
	SR	SR
Salaries and bonuses for Group's executive directors	**9,065,012**	8,809,823
Board of directors remuneration (Note 24)	**2,933,334**	2,966,667

Due from related parties			**Transactions for year ended 31 December**		**Balance as of 31 December**	
	Relation	**Nature of transaction**	**2019**	**2018**	**2019**	**2018**
Adaptive TechSoft	Owned partially by shareholder	Technical Support	**1,849,863**	7,229,280	**5,096,706**	4,160,956
Dallah Al-Barakah Holding	Owned by shareholder	Medical service	**301,016**	367,508	**293,016**	273,291
Dr Mohammed Al-Faqih Hospital	Associate company	Technical Support and Medicines sales	**636,538**	-	**636,538**	-
Al-Mashfa Medical	Owned by Relatives for board member	Medical services	**922,121**	933,993	**568,830**	760,313
Khalid Rashid Al-Faqih	Relatives for board member	Engineering consulting	**328,880**	-	**-**	-
					6,595,090	5,194,560

Due to related parties			**Transactions for year ended 31 December**		**Balance as of 31 December**	
	Relation	**Nature of transaction**	**2019**	**2018**	**2019**	**2018**
Dareem Travel Agency	Owned partially by shareholder	Travel tickets	**5,726,349**	6,672,051	**743,174**	354,036
Eng. Tarek Alkasabi	Chairman	Consulting management	**1,147,596**	697,165	**-**	697,165
Dallah Trading	Owned by shareholder	Maintenance	**169,614**	298,480	**-**	-
Others	Others	Medical service	**-**	-	**23,290**	55,412
					766,464	1,106,613

All amounts are presented in Saudi riyals unless otherwise indicated

13. Trade receivables

	As of 31 December 2019	As of 31 December 2018
Trade receivables	**360,197,236**	381,048,712
Less:		
Provision for expected credit losses debts)	**(30,842,609)**	(24,868,296)
	329,354,627	356,180,416

The summary of movement for Provision for expected credit losses

	For year ended 31 December 2019	31 December 2018
Opening balance at 1 January after adjustments	**24,868,296**	26,367,371
Charge for the year	**14,440,953**	4,628,160
Reversal during the year	**(8,466,640)**	(5,191,441)
Written off bad debits during the year	**-**	(935,794)
Closing balance	**30,842,609**	24,868,296

All of the Group's Accounts receivable have been reviewed for indicators of impairment. In the opinion of management, there has been no impairment in the carrying value of trade receivable other than the recorded provision of expected credit losses

14. Cash and cash equivalent

	As of 31 December 2019	As of 31 December 2018
Cash in hand	**87,504,182**	45,178,436
Cash at banks	**822,077**	1,180,699
	88,326,259	46,359,135

15. Statutory reserve

In accordance with the Regulations of Companies' law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits for the year to a statutory reserve until such reserve equals 30% of its share capital. No transfer was made to statutory reserve due the reserve has exceeded 30% of the Company's share capital. This reserve is not available for distribution to shareholders.

16. Murabaha financing

	As of 31 December 2019	As of 31 December 2018
Non-current		
Long -term Murabaha Finance	**839,268,569**	562,639,841
Current		
Short-term Murabaha Finance	**69,647,000**	139,837,580
Current portion of long-term Murabaha	**112,106,343**	5,916,666
Total current Murabaha	**181,753,343**	145,754,246
Total Murabaha	**1,021,021,912**	708,394,087

The Group has Murabaha financing contracts with local banks Murabaha contracts are denominated in Saudi Riyals and bear financial charges based on prevailing finance cost in the market. Murabaha contracts for the purpose of financing the construction of new medical facilities and hospitals under construction and with working capital financing, Murabaha contracts are secured by order bonds.

As of 31 December 2019, Murabaha financing being granted to the Group amounted to SR 1,618 million (31 December 2018: SR 2,631 million). SR 1,020 million has been used as of 31 December 2019 (31 December 2018: SR 708.3 million) warranted by promissory notes as of 31December 2019 amounted of SR 1,798 million (2018: 2,851 million).

During the year 2019, the Group capitalized financial charges amounted to 11 million (2018: SR 12,5 million).

The Group recorded finance charges for the year 2019 mounting to SR 24,04 million (2018: SR 11,5 million) in the statement of profit or loss and other comprehensive income.

17. Lease Contracts

Right-of-use Assets are included in property, plant, and equipment in the buildings caption (note 5).

Lease Liability	**2019**	**2018**
Addition during the year	**36,446,307**	-
Incurred returns	**1,056,787**	-
Paid	**(18,506,179)**	-
Balance at end of period/year	**18,996,915**	-
Divided into		
Long-term lease liability	**5,585,688**	-
Short-term lease liability	**13,411,227**	-
	18,996,915	-

The Group has recognized the obligation of the lease and interest expense using the incremental borrowing rate, which is the rate of return that it expects to use to borrow the necessary funding for a similar period of the lease and the same guarantees.

Leases do not include any pledges, but leases cannot be used as security for borrowing purposes. As at the reporting date, the Group has a low-value lease contract or less than 12 months of non-extendable lease contracts. The rental expense recorded in the statement of profit or loss for these contracts for the year ended 31 December 2019 amounted to SR 413,318.

18. Employee benefits

The following table shows movement on the liability of employees benefits.

	As of 31 December 2019	**As of 31 December 2018**
Balance at 1 January	**117,454,595**	106,595,301
Included in profit or loss		
Current service cost	**17,050,471**	22,164,767
Finance cost	**5,082,447**	4,263,812
Included in OCI		
Actuarial valuation	**391,123**	(6,274,894)
Paid	**(12,036,494)**	(9,294,391)
Balance at the end of the year	**127,942,142**	117,454,595

All amounts are presented in Saudi riyals unless otherwise indicated

The following were the principal actuarial assumptions at the reporting date.

	As of 31 December 2019	As of 31 December 2018
Discount rate	**%3,86**	4.15%
Future salary growth	**%2,8**	2%

The following table shows the effect of the change in actuarial assumptions at the reporting date:

	As of 31 December 2019 Liability amount Thousands	As of 31 December 2019 Change Rate	As of 31 December 2018 Liability amount Thousands	As of 31 December 2018 Change Rate
Discount factor				
+0.5%	**119,501,225**	**(% 6.6)**	111,925	(%4,7)
-0.5%	**134,288,016**	**% 5**	123,505	%5.15
Future salary growth				
+0.5%	**131,753,976**	**% 3**	121,192	%3.18
-0.5%	**117,354,549**	**(% 8.3)**	113,986	(%2.95)

19. Trade payables

	As of 31 December 2019	As of 31 December 2018
Medicine suppliers	**69,889,841**	57,640,317
Medical material suppliers	**23,952,139**	24,952,496
General and administrative suppliers	**11,889,024**	10,069,784
Catering suppliers	**1,716,182**	1,306,726
Spare parts suppliers	**1,606,926**	7,217,906
Others	**1,824,721**	323,593
	110,878,833	101,510,822

20. Accrued expenses and other credit balances

	As of 31 December 2019	As of 31 December 2018
Vacations and Accrued Tickets	**24,290,380**	20,817,297
Employees' Benefits	**8,137,783**	8,535,884
Accrued Revenues	**7,680,314**	8,544,573
Accrued finance charges	**3,145,649**	4,142,691
Employees Accruals	**2,560,043**	2,692,388
GOSI Accruals	**1,574,225**	1,380,435
Value Added Tax	**1,133,005**	3,479,329
Advanced from customers	**546,307**	440,307
Other Accrued Expenses	**18,340,789**	20,831,153
	67,408,495	70,864,057

All amounts are presented in Saudi riyals unless otherwise indicated

21. Zakat

	As of 31 December 2019	As of 31 December 2018
Zakat base		
Shareholders' equity	**1,287,137,661**	1,541,927,590
Provisions	**141,527,077**	135,150,092
Loans used in financing non-current assets	**845,322,501**	568,556,505
Adjusted net income	**185,806,532**	169,878,507
	2,459,793,771	2,415,512,694
Less: Property, plant and equipment, net	**(2,077,309,964)**	(1,953,199,081)
Investments	**(180,541,738)**	(152,658,586)
Intangible assets	**(18,719,692)**	(18,890,812)
Zakat base	**183,222,377**	290,764,215
Zakat	**4,645,163**	7,269,105

Adjusted net income	As of 31 December 2019	As of 31 December 2018
Net profit before tax	**151,626,134**	145,299,624
Adjustments	**34,180,398**	24,578,883
Adjusted net income	**185,806,532**	169,878,507

Zakat Movement	For the year ended 31 December 2019	2018
1 January	**7,269,105**	13,966,035
Provided during the year	**4,710,182**	3,541,169
Payments made during the year	**(7,334,124)**	(10,238,099)
31 December	**4,645,163**	7,269,105

22. Contracts with customers

	For the year ended 31 December 2019	2018
Revenues classification		
Revenue from services	**942,118,502**	889,657,826
Revenue from sale of medicines	**309,970,175**	291,284,225
	1,252,088,677	1,180,942,051
Timing of Revenue recognition		
Over time	**452,347,919**	421,842,155
At a point in time	**799,740,758**	759,099,896
	1,252,088,677	1,180,942,051

Contracts Balances	As of December 31 2019	2018
Trade receivables (Note 13)	**329,354,627**	356,180,416
Contract assets	**1,961,722**	2,442,924
Contract liabilities	**17,212,922**	5,229,801

All amounts are presented in Saudi riyals unless otherwise indicated

Contract assets
Contract assets relate to revenue earned from ongoing and un invoiced revenues. As such, the balances of this account vary and depend on the number of ongoing services at the end of the year. There is no recognized provision for expected credit losses on contract assets due to its near due dates.
The contract liability
The contract liability is mainly represented in the volume discount for customers which is depend on the contracts terms.
In 2019 there is no revenue recorded was including in contract liability in beginning of the year or revenue which already fulfilled during last year.

23. Selling and marketing expenses

	For the year ended 31 December	
	2019	**2018**
Advertising and promotions	**16,061,092**	16,433,077
Salaries, wages and benefits	**4,697,800**	5,280,600
Marketing incentives	**662,500**	943,872
Others	**2,221,746**	2,640,823
	23,643,138	25,298,372

24 . General and administrative expenses

	For the year ended 31 December	
	2019	**2018**
Salaries, wages and benefits	**196,793,255**	191,280,963
Material	**15,270,912**	23,855,153
Maintenance and services	**7,078,459**	3,930,412
Utilities	**5,695,971**	6,606,969
Professional fees	**4,452,158**	5,573,907
Board of Directors and related committees remunerations	**3,211,905**	3,266,667
Depreciation (Note 5)	**3,814,740**	1,387,552
Insurance	**2,674,957**	3,858,183
Permissions and licenses	**2,284,541**	2,565,759
Stationery	**1,806,929**	2,598,840
Training and development	**1,516,322**	1,413,827
Rentals	**-**	3,272,881
Provision for slow moving items (Note 10)	**(61,302)**	2,632,875
Other	**17,419,148**	13,201,214
	261,957,995	265,445,202

All amounts are presented in Saudi riyals unless otherwise indicated

25. Other income and losses

	For the year ended 31 December	
	2019	**2018**
Gain on valuation of financial instrument profit and loss(Note 9)	**13,385,865**	-
Rentals	**4,122,197**	3,351,354
Scientific support	**3,777,451**	2,983,139
Food	**3,245,227**	2,487,213
Infants' milk Subsidy	**419,265**	1,045,678
Loss on sale of investments	**-**	(373,123)
Gain on sale of property plant and equipment	**(85,416)**	(38,160)
Other	**1,580,137**	3,018,687
	26,444,726	12,474,788

26. Meetings, and significant decisions

On 10 September 2019, corresponding to 11 Muharram 1441H, the Company signed a non-binding Memorandum of Understanding ("Memorandum") with Kingdom Investment and Development Company regarding the exchange of shares owned by Kingdom Investment and Development Company in Care Shield Holding Co. Ltd. for shares in Dallah Health Services Company in addition to cash consideration. Care Shield Holding Company owns Medical Service Projects Company (LLC) (Kingdom Hospital), Consulting Clinics Company (LLC) and, Modern Clinics Pharmacy Company (LLC). The parties have agreed an initial relative valuation. The final value of the Proposed Transaction will be determined after completing the due diligence process. The Memorandum is effective from the date of signing by both parties and will remain valid until December 31, 2019. The memorandime is extended till 30 April 2020.

On 09 Dec 209, corresponding 2 Rabi' al-Thani 1441 the Company is signing of Purchase Agreement for 10% share in Meras Arabia Medical Holding Co. Which is specialized in dental and aesthetic medicine. Dallah Healthcare Co. currently owns 18.9% of Meras, Before this Agreement, indirectly through its investment in MIFIC Private Equity opportunities fund 3(Note 9)

On 1 September 2019, corresponding 2 Muharram 1441H, Dallah Healthcare Services signed a long-term strategic partnership with Siemens Healthcare Limited to manage and operate the radiology departments of the company's hospitals and the radiology departments of the hospitals it wins in government tenders and the private sector and provide technical support to the radiology departments. The contract amounted to 112 million riyals distributed over a period of ten years.

On May 1, 2019, corresponding 25 Shaban 1440 H, the General Assembly decided to authorize the Board of Directors to distribute interim dividends on a semi-annual basis for the financial year 2019 and determine the maturity and disbursement date according to the regulatory controls and procedures issued. On 11 Nov 2019, corresponding Rbie AlAwal 1441 H, the the Board of Directors to decided to distribute cash dividends to the shareholders of the company for the first half of the fiscal year 2019 amounting to SR 37,500,000 at SR 0.5 per share. Dividends payed during the fourth quarter of 2019.

On 26 February 2019, corresponding 20 Jamada al-Thani 1440 H, the General Assembly decided to approve the recommendation of the Board of Directors to distribute cash dividends to the shareholders of the company for the first half of the fiscal year 2018 amounting to SR 88,500,000 at SR 1.5 per share. Dividends paye during the first quarter of 2019. During the first quarter, the Company completed the distribution of cash dividends of SR 88,240,400 million.

On May 22, 2018, corresponding 6 Ramadan 1439 the shareholders of the Company approved the distribution of cash dividends for the financial year 2017 amounting to SR 147.5 million at a price of SR 2.5 per share and distributed during the second quarter of 2018.

All amounts are presented in Saudi riyals unless otherwise indicated

27. Basic and diluted earnings per share from profits

Earnings per share are calculated based on the weighted average number of shares outstanding. The diluted earnings per share are the same as the basic earnings per share because the Company does not have any issued diluted instruments.

	As of 31 December 2019	**As of 31 December 2018**
Net income	**146,915,952**	141,758,455
Weighted average of outstanding shares	**72,584,673**	75,000,000
Basic and diluted earnings per share	**2,02**	1.89

The number of outstanding shares is 75 million. For the purpose of calculating earnings per share, the weighted average number of shares was adjusted retrospectively to reflect the effect of bonus shares to be issued by the Company.

The net loss of Dallah Namar Hospital Company amounted to SR 94.96 million for the year ended 31 December 2019 (31 December 2018: SR 111.9 million).

28. Contingencies and commitments

Capital commitments

As at 31 December 2019, the Group had capital commitments that mainly relate to the construction contracts of the expansion of Dallah Hospital Al-Nakheel and the construction of Dallah Namar amounting to SR 117,5 million (31 December 2018: SR 204,9 million).

Contingent liabilities

As at 31 December 2019, the Group has a contingent liability in the form of bank guarantees amounting to SR 37.4 million which have been issued on behalf of the Group in the normal course of business (31 December 2018: SR 24.5 million).

The Group issued a third party bank guarantee on behalf of Dr. Mohammed Al faqeeh hospital, an associate company, amounting to SR 17.5 million. The guarantee ends on 29 October 2020.

There are also documentary credits amounting to SR 35.9 million as at 31 December 2019 (31 December 2018: SR 36.5 million)

There are some legal cases filed against the Group, in the normal course of business, and is currently pleading them, but the final outcome of such cases is not certain yet. Management does not expect the outcome of these cases to be material to the consolidated financial statements of the Group.

All amounts are presented in Saudi riyals unless otherwise indicated

29. Classification of financial instruments, fair value measurement, and risk management

29-1 Classification of financial liabilities

	As at 31 December 2019	As at 31 December 2018
Financial assets		
Financial assets at amortized cost		
Due from related parties	**6,595,090**	5,194,560
Contract Assets with customers	**1,961,722**	2,442,924
Trade receivables	**329,354,627**	356,180,416
Advances to Employees'	**6,803,339**	5,401,088
LC and LG margin	**12,130,125**	5,630,125
Cash and cash equivalents	**88,326,259**	46,359,135
Financial assets at fair value through other		
Equity instruments at fair value through other	**3,584,585**	5,443,934
Equity instruments at fair value through Profit and loss	**35,706,967**	-
Financial liabilities		
Financial liabilities at amortized cost		
Long Term Murabaha Financing	**839,268,569**	562,639,841
Long term lease liability	**5,585,688**	-
Long term Retentions	**468,244**	3,671,431
Trade payables	**110,878,833**	101,510,822
Contract liabilities with customers	**17,212,922**	5,229,801
Short Term Murabaha Financing	**69,647,000**	139,837,580
Current portion of long term Murabaha financing	**112,106,343**	5,916,666
Short term lease liability	**13,411,227**	-
Short term Retentions	**24,595,402**	-
Due to Related Parties	**766,464**	1,106,613

29-2 Fair value measurement

The Group measures financial instruments, such as Equity instruments at fair value through other comprehensive income at fair value at each statement of financial position date.

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 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 Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All amounts are presented in Saudi riyals unless otherwise indicated

All assets and liabilities measured at fair value or disclosed in the financial statements are classified in the hierarchy of fair value levels. The following is an explanation:

- 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 directly or indirectly unobservable

The following table shows the analysis of items carried at fair value according to the level of the fair value hierarchy:

	As of 31 December 2019		
	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through Other comprehensive income	**136,465**	**-**	**3,448,120**
Financial assets at fair value through profit or loss	**-**	**-**	**35,706,967**

	As of 31 December 2018		
	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through Other comprehensive income	247,669	-	5,196,265
Financial assets at fair value through profit or loss	-	-	-

29-3 Risk Management

The Group is exposed to the following risks as a result of its use of financial instruments:
(A) Foreign currency risk
(B) Credit risk
(C) Liquidity risk
(D) Interest risk

(A) Foreign currency risk

Foreign currency risk arises from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates, The Group did not perform any transactions of relative importance in currencies other than the Saudi Riyal, the US Dollar, Since the Saudi riyal is pegged against the US dollar, it does not represent significant currency risk, The Group 's management monitors currency exchange rates and believes that currency risk is immaterial,

(B) Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss and arises principally from trade and other receivables, contract assets, due from related parties and cash balances in banks.
The carrying amount of financial assets represents the maximum exposure to credit risk,

Trade receivables, contracts assets and due from related parties

The Group's exposure to credit risk is mainly affected by the individual characteristics of each individual trade receivables and contracts assets due from related parties, but management also determines other factors that may have an impact on the credit risk.

All amounts are presented in Saudi riyals unless otherwise indicated

The trade receivables, contracts assets and due from related aging are as follows:

	As at 31 December 2019	As at 31 December 2018
Trade receivables		
Not more than six months	**196,684,425**	230,155,321
Over six months but less than one year	**50,449,926**	104,932,119
More than one year	**82,220,276**	21,092,977
	329,354,627	356,180,417
Contract assets		
Not more than six months	**1,961,722**	2,442,924
Due from related parties		
Not more than six months	**1,239,861**	3,161,211
Over six months but less than one year	**973,320**	1,865,938
More than one year	**4,381,909**	167,411
	6,595,090	5,194,560

The amount of the provision of expected credit losses as at 31 December 2019 was SR 30.8 million (2018: SR 24 .9 million).

Cash and cash equivalents
Cash and cash equivalents are deposited with highly trustworthy banks. Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations related to its liabilities The Group 's approach to liquidity management is to ensure that it has adequate liquidity on an ongoing basis and to the extent possible to meet its obligations under normal and critical circumstances, without incurring unacceptable losses or compromising the reputation of the Group at risk.

(C) Liquidity risk,
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments, To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities,

Maturity Table for financial liabilities

As of 31 December 2019	**Less than one year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Murabaha "includes interest "	**187,428,452**	**689,587,969**	**179,055,000**	**1,056,071,421**
lease liability	**13,411,227**	**5,585,688**	**-**	**18,996,915**
Term Retentions	**24,595,402**	**468,244**	**-**	**25,063,646**
Trade payables	**110,878,833**	**-**	**-**	**110,878,833**
Due to related parties	**766,464**	**-**	**-**	**766,464**
	337,080,378	**695,641,901**	**179,055,000**	**1,211,777,279**

All amounts are presented in Saudi riyals unless otherwise indicated

Maturity Table for financial liabilities

As of 31 December 2018	**Less than one year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Murabaha "includes interest "	147,687,905	619,457,730	11,123,401	778,269,036
lease liability	-	-	-	-
Term Retentions	-	3,671,431	-	3,671,431
Trade payables	101,510,822	-	-	101,510,822
Due to related parties	1,106,613	-	-	1,106,613
	250,305,340	623,129,161	11,123,401	884,557,902

(D) Interest risk
Financial instruments are exposed to the risks of changes in value as a result of changes in interest rate rates of their assets and liabilities with variable interest, The actual interest rates and the periods which the financial assets and liabilities are reprised or matured are indicated in the related notes. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings, no effects on comprehensive income:

	Increase (decrease) in Interest rate	**Total Murabaha liability**	**Expected impact on comprehensive income**
As at 31 December 2019	**10,210,219±**	**1,021,021,912**	**%1 ±**
As at 31 December 2018	7,083,940±	708,394,087	%1 ±

30. Segmental information

The Group's operations principally consist of one main operating segment, which is hospital services. Accordingly, presenting different segmental information is not considered necessary. Furthermore, the vast majority of the Group's operations are conducted in the Kingdom of Saudi Arabia.

31. Subsequent events

On 23 February 2020G corresponding to 29 Jumada Al Akhirah 1441H.The Group signed non-binding memorandum of understanding ("MoU") with Makkah Medical Center Company in connection with the acquisition of a majority stake for cash.Makkah Medical Canter hospital (owned by Makkah Medical Centre Company) is considered one of the top private sector hospitals in the Holy Capital, with capacity of 120 beds and 40 clinics, and potential future expansion. Dallah Healthcare Company currently owns 7.5% of the shares of Makkah Medical Centre Company. The final value of the transaction will be paid in cash based on due diligence results. This MoU is valid from signing date between the two parties up to 30 June 2020.

On 26 February 2020 G, and according to the mandate of the Ordinary General Assembly on 1 May 2019 G, for the Board of Directors to distribute interim dividends, the Company's Board of Directors decided to distribute cash dividends to shareholders for the second half of the fiscal year 2019 with a value of SR 52,500,000.

On 26 February 2020 G, the company's board of directors recommended increasing the Company's capital by issuing bonus shares to the company's shareholders, so that the capital will becomes 900 million Saudi Riyals instead of 750 million Saudi Riyals. This bonus shares issuance will use SR. 150 million from the Statutory reserve - share premium.

32. Comparative figures

Certain comparative figures for the previous year have been reclassified to conform to the current year classification.

33. Approval of the consolidated financial statements

The consolidated financial statements have been approved by the board of directors on: 02 Rajab 1441 H Corresponding to: 26 February 2020 G