

**AL TIBIYAH AL ARABIAH AL ALAMIYA
HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
Consolidated Financial Statements
31 December 2020
Together with independent Auditor's report**

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**
(A Limited Liability Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

<i>INDEX</i>	<i>PAGE</i>
Independent auditor's report	1-3
Consolidated statement of financial position	4
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8-40



KPMG Professional Services

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Kingdom of Saudi Arabia
Headquarter

Commercial Registration No 1010425494

كي بي ام جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent Auditor's Report

To the Shareholders of Al Tibiyah Al Arabiah Al Alamiya Holding Company

Opinion

We have audited the consolidated financial statements of **Al Tibiyah Al Arabiah Al Alamiya Holding Company ("the Company") and its subsidiaries ("the Group")**, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are 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 that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Comparative information

We draw attention to Note 36 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

The consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 31 December 2018 (from which the statement of financial position as at 1 January 2019 has been derived), excluding the adjustments described in Note 36 to the consolidated financial statements were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 24 Rajab 1441H (corresponding to 19 March 2020) and on 14 Rajab 1440H (corresponding to 21 March 2019).

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in Note 36 that were applied to restate the comparative information presented as at and for the year ended 31 December 2019 and the statement of financial position as at 1 January 2019. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the years ended 31 December 2019 or 31 December 2018 (not presented herein) or to the consolidated statement of financial position as at 1 January 2019, other than with respect to the adjustments described in Note 36 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective consolidated financial statements taken as a whole. However, in our opinion, the adjustments described in Note 36 are appropriate and have been properly applied.



Independent Auditor's Report

To the Shareholders of Al Tibiyah Al Arabiah Al Alamiya Holding Company (continued)

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

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

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

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

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

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

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

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



Independent Auditor's Report

To the Shareholders of Al Tibiyah Al Arabiah Al Alamiya Holding Company (continued)

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Al Tibiyah Al Arabiah Al Alamiya Holding Company ("the Company")** and its **subsidiaries ("the Group")**.

KPMG Professional Services

Fahad Mubark Aldossari
License No: 469


Riyadh on: 16 Sha'ban 1442H
Corresponding to: 29 March 2021




AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	<i>Notes</i>	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>	<i>As at 1 January 2019 SR</i>
ASSETS			<i>Restated - note 36</i>	<i>Restated - note 36</i>
Non-current assets				
Property and equipment	13	5,838,953	8,657,463	10,834,473
Right-of-use assets	14	13,173,417	15,279,671	--
Intangible assets	15	274,678	472,580	1,181,070
Investment in a joint venture	16	46,385,903	45,558,018	34,911,322
Total non-current assets		65,672,951	69,967,732	46,926,865
Current assets				
Inventories, net	17	223,761,306	205,712,524	119,770,378
Trade receivables, net	18	915,301,843	893,440,723	620,818,977
Contract assets	19	36,584,207	110,498,135	300,442,937
Prepayments and other current assets	20	53,935,874	48,784,957	40,088,856
Amounts due from related parties	21	867,729	1,416,297	3,935,899
Cash and cash equivalents		13,110,271	14,220,793	3,781,122
Total current assets		1,243,561,230	1,274,073,429	1,088,838,169
TOTAL ASSETS		1,309,234,181	1,344,041,161	1,135,765,034
EQUITY AND LIABILITIES				
Equity				
Capital	22	200,000,000	500,000	500,000
Additional equity contribution	23	--	179,310,546	179,310,546
Statutory reserve	24	9,829,040	250,000	250,000
Retained earnings		122,613,221	86,217,457	62,925,866
Total equity		332,442,261	266,278,003	242,986,412
Non-current liabilities				
Employee defined benefit liabilities	25	26,844,276	27,204,364	23,177,450
Non-current portion of contract liabilities	26	30,517,468	30,468,802	23,631,311
Non-current portion of lease liabilities	14	9,521,537	11,730,327	--
Loans and borrowings	27	100,000,000	--	--
Total non-current liabilities		166,883,281	69,403,493	46,808,761
Current liabilities				
Trade and notes payables	28	287,878,025	270,339,001	154,216,248
Accrued expenses and other current liabilities	29	157,645,028	132,037,045	124,936,439
Amounts due to a related party	21	27,030,833	1,157,284	--
Current portion of contract liabilities	26	85,200,295	65,778,159	73,317,174
Current portion of lease liabilities	14	3,154,458	2,448,176	--
Loans and borrowings	27	225,000,000	521,000,000	475,500,000
Zakat payable	12	24,000,000	15,600,000	18,000,000
Total current liabilities		809,908,639	1,008,359,665	845,969,861
Total liabilities		976,791,920	1,077,763,158	892,778,622
TOTAL EQUITY AND LIABILITIES		1,309,234,181	1,344,041,161	1,135,765,034

These consolidated financial statements shown on pages 4 to 40 were approved by the Board of Directors on 16 Sha'ban 1442 H (corresponding to 29 March 2021) and signed on their behalf by:


Alaa Ameen
Chief Executive Officer


Murali Mohan
Chief Financial Officer

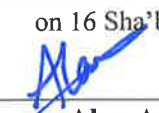
The attached notes 1 to 39 form an integral part of these consolidated financial statements.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**

For the year ended 31 December 2020

		2020 SR	2019 SR
	<i>Notes</i>		
Revenue	6	818,689,016	697,033,413
Cost of revenue	7	<u>(620,309,116)</u>	<u>(525,689,241)</u>
GROSS PROFIT		198,379,900	171,344,172
Selling and marketing expenses	8	(66,260,322)	(64,610,004)
General and administrative expenses	9	(31,554,981)	(25,860,450)
Impairment loss on trade receivables and contract assets	18,19	(2,950,000)	(19,164,526)
Share in profit of joint venture	16	8,157,007	19,229,863
Other income	10	46,422,212	13,997,508
Other expenses, net	11	<u>(10,353,652)</u>	<u>(12,590,111)</u>
OPERATING PROFIT		141,840,164	82,346,452
Finance charges	27	<u>(22,049,760)</u>	<u>(25,617,820)</u>
PROFIT BEFORE ZAKAT		119,790,404	56,728,632
Zakat	12	<u>(24,000,000)</u>	<u>(15,600,000)</u>
PROFIT FOR THE YEAR		95,790,404	41,128,632
OTHER COMPREHENSIVE INCOME			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gain / (loss) of employee defined benefit liabilities	25	<u>1,223,854</u>	<u>(939,796)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>97,014,258</u>	<u>40,188,836</u>
EARNINGS PER SHARE			
Basic and diluted earnings per share	34	73.3	822.5

These consolidated financial statements shown on pages 4 to 40 were approved by the Board of Directors on 16 Sha'ban 1442 H (corresponding to 29 March 2021) and signed on their behalf by:



Alaa Ameen
Chief Executive Officer



Murali Mohan
Chief Financial Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

AL TIBIAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	<i>Capital SR</i>	<i>Additional contribution to capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
As at 1 January 2019	500,000	179,310,546	250,000	48,477,678	228,538,224
Impact of correction of error – (note 36)	--	--	--	14,448,188	14,448,188
As at 1 January 2019 – restated	500,000	179,310,546	250,000	62,925,866	242,986,412
Profit for the year	--	--	--	41,128,632	41,128,632
Other comprehensive loss	--	--	--	(939,796)	(939,796)
Total comprehensive income for the year	--	--	--	40,188,836	40,188,836
Dividends - (Note 35)	--	--	--	(16,897,245)	(16,897,245)
As at 31 December 2019 - restated (note 36)	500,000	179,310,546	250,000	86,217,457	266,278,003
As at 1 January 2020	500,000	179,310,546	250,000	86,217,457	266,278,003
Profit for the year	--	--	--	95,790,404	95,790,404
Other comprehensive income	--	--	--	1,223,854	1,223,854
Total comprehensive income for the year	--	--	--	97,014,258	97,014,258
Transfer to statutory reserve	--	--	9,579,040	(9,579,040)	--
Increase in share capital - (note 22)	199,500,000	(179,310,546)	--	(20,189,454)	--
Dividends - (Note 35)	--	--	--	(30,850,000)	(30,850,000)
As at 31 December 2020	200,000,000	--	9,829,040	122,613,221	332,442,261

These consolidated financial statements shown on pages 4 to 40 were approved by the Board of Directors on 16 Sha'ban 1442 H (corresponding to 29 March 2021) and signed on their behalf by:


Alan Ameen
Chief Executive Officer


Murali Mohan
Chief Financial Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES

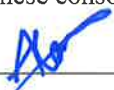
(A Limited Liability Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

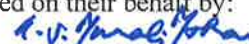
For the year ended 31 December 2020

	<i>Notes</i>	<i>2020</i> <u>SR</u>	<i>2019</i> <u>SR</u>
OPERATING ACTIVITIES			
Profit before zakat		119,790,404	56,728,632
<i>Adjustments for:</i>			
Provision for employee defined benefit liabilities	25	4,039,840	4,270,820
Depreciation of property and equipment	13	3,853,458	4,039,584
Depreciation of right of use assets	14	3,326,233	3,129,501
Charge for /(Reversal of) provision for obsolete and slow-moving inventories	17	2,573,915	(945,966)
Leases accretion of interest	14	880,554	926,106
Amortization of intangible assets	14	351,273	719,790
Gain on disposal of property and equipment	11	(438,579)	(427,840)
Share in profit of joint venture	16	(8,157,007)	(19,229,863)
Impairment loss on trade receivables and contract assets	18,19	2,950,000	19,164,526
		<u>129,170,091</u>	<u>68,375,290</u>
<i>Changes in operating assets and liabilities:</i>			
Inventories		(20,622,697)	(84,996,180)
Trade receivables		(24,811,120)	(294,134,623)
Contract assets		73,913,928	192,293,153
Prepayments and other current assets		(5,150,917)	(10,625,137)
Due from related parties		548,568	2,519,601
Due to a related party		25,873,549	1,157,284
Trade payable and notes payables		17,539,024	116,122,753
Accrued expenses and other current liabilities		25,607,983	7,100,606
Contract liabilities		19,470,802	(701,524)
Cash generated from / (used in) from operations		<u>241,539,211</u>	<u>(2,888,777)</u>
Employee defined benefit liabilities paid	25	(3,176,074)	(1,183,702)
Zakat paid	12	(15,600,000)	(18,000,000)
Net cash generated from / (used in) operating activities		<u>222,763,137</u>	<u>(22,072,479)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	13	(1,279,690)	(2,316,300)
Proceeds on disposal of property and equipment		683,321	881,567
Purchase of intangible assets	15	(153,371)	(11,300)
Dividend received from joint venture	16	7,329,122	10,512,203
Net cash from investing activities		<u>6,579,382</u>	<u>9,066,170</u>
FINANCING ACTIVITIES			
Proceeds from / (repayment of) short-term loans from Parent Company, net		(296,000,000)	45,500,000
Proceeds from long-term loans from Parent Company, net		100,000,000	--
Payment of lease liabilities		(3,603,041)	(5,156,775)
Dividends paid		(30,850,000)	(16,897,245)
Net cash (used in) / generated from financing activities		<u>(230,453,041)</u>	<u>23,445,980</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(1,110,522)</u>	<u>10,439,671</u>
Cash and cash equivalents at the beginning of the year		<u>14,220,793</u>	<u>3,781,122</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>13,110,271</u>	<u>14,220,793</u>
NON-CASH TRANSACTIONS:			
Remeasurement gain / (loss) of employee defined benefit liabilities	25	1,223,854	(939,796)
Addition in Right of use asset	14	1,219,979	18,409,172
Correction of error		--	1,929,036

These consolidated financial statements shown on pages 4 to 40 were approved by the Board of Directors on 16 Sha'ban 1442 H (corresponding to 29 March 2021) and signed on their behalf by:



Alaa Ameen
Chief Executive Officer



Murali Mohan
Chief Financial Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. ACTIVITIES

Al Tibiyah Al Arabiah Al Alamiya Holding Company (the “Company”) is a Limited Liability Company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010380429 dated 10 Sha’aban 1434H (corresponding to 19 June 2013).

The Company is engaged in the retail and wholesale trading of medical and surgical equipment and tools, artificial - handicapped systems, surgical operation’s accessories, hospital supplies, medical systems and programs, lab chemical analysis systems, measurement, testing and scientific measurement systems, maintenance of medical and analytical lab systems and equipment.

The registered office of the Company is located at the following address:

Qurtubah District
Business Gate, Building No. 9
P.O. Box 62961
Riyadh 11595
Kingdom of Saudi Arabia

The subsidiaries included in these consolidated financial statements are as follows:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Effective shareholding %</i>
Al Faisaliah Medical Systems Company	Kingdom of Saudi Arabia	100*
International Medical Supplies Company	Kingdom of Saudi Arabia	100*
International Healthcare Optimization Company	Kingdom of Saudi Arabia	100*
Health Care Technologies Company	Kingdom of Saudi Arabia	100*

*1% shareholding is held by second shareholder (an affiliate of the Parent Company).

The effective shareholding percentage are the same as at 31 December 2019.

The Group’s head office is located in Riyadh. The Group has following branches. The assets, liabilities and results of operations of the branches are included in these consolidated financial statements.

<u>Branch location</u>	<u>C.R Number</u>	<u>Date</u>
Jeddah	4030280314	13 Rabi Thani 1436H (corresponding to 2 February 2015)
Khobar	2051062515	17 Sha’aban 1437H (corresponding to 24 May 2016)
Jeddah	4030280313	13 Rabi Thani 1436H (corresponding to 2 February 2015)
Khobar	2051060081	22 Rabi Thani 1436H (corresponding to 11 February 2015)
Jeddah	4030280345	15 Rabi Thani 1436H (corresponding to 4 February 2015)
Khobar	2051060082	22 Rabi Thani 1436H (corresponding to 11 February 2015)
Jeddah	4030280342	15 Rabi Thani 1436H (corresponding to 4 February 2015)
Khobar	2051062516	17 Sha’aban 1437H (corresponding to 24 May 2016)

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SIGNIFICANT EVENT DURING THE YEAR

The novel Coronavirus (COVID19) which was declared a pandemic by the World Health Organisation (WHO) in March 2020, continues to evolve. It is currently difficult to predict the full extent and duration of the impact of this pandemic on the business and the economy in which the Group operates. The extent and duration of the impact of the pandemic remains uncertain and depends on future developments (such as the transmission rate of the virus), which cannot be accurately predicted at this point in time.

The Group has taken containment steps that, as at 31 December 2020, have limited the adverse impact of the virus on the financial results of the Group. The Group does not expect future, significant and adverse impact on the going concern, the Group will continue to reassess its position and the related impact on regular basis.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred as “IFRS as endorsed in KSA”).

The consolidated financial statements have been prepared on the historical cost basis except for the employee defined benefit liability, which has been actuarially valued as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The consolidated financial statements have been prepared using accrual basis of accounting and going concern concept.

The consolidated financial statements are presented in Saudi Riyals (“SR”), which is also the Group’s functional currency, and is rounded to nearest SR unless otherwise indicated.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (as listed in note 1 above) (collectively, the “Group”).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements.

A Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

B Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the level 2 of the fair value hierarchy in which is the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

C Revenue Recognition

The Group recognizes revenue from the sale of goods, both with and without installation, construction of civil works, the sale of warranties and the sale of maintenance contracts. Revenue is measured based on the consideration specified in a contract with a customer net of returns and allowances, trade discounts and volume rebates and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The specific recognition criteria described below must also be met before revenue is recognized.

(i) Sales of goods

Revenue from the sale of goods without installation is recognized when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery) and duly received and accepted by the customer. Revenue from the sale of goods with installation are recognized once the installation has been performed and inspected by the customer. A receivable is recognized by the Group when the performance obligation is satisfied in full and the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group also considers the effects of variable consideration, the existence of significant financing components, non cash consideration, and consideration payable to the customer (if any).

(ii) Revenue on civil works

The Group performs civil works under long-term contracts with customers. Such contracts are entered into before construction of the civil work begins. Revenue from civil works is recognized over time on a percentage of completion method i.e. based on the proportion of work completed to the estimated total scope of work mentioned in the contract. The Group considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

(iii) Sale of warranty

Sales-related warranties, associated with goods which cannot be purchased separately, serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Revenue is recognized over the period in which the service-type warranty is provided based on the time elapsed. The management consider that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

(iv) Revenue on maintenance contracts

Maintenance contracts with customers require that the Group maintains a specified piece of equipment at specific time intervals. Revenue is recognized accordingly when each such time period elapses and the service is rendered to the customer. The Group considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

Under the Group's standard contract terms, customers have a right of return. No refund liability has been raised given the historically low level of returns of goods. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent low levels of returns over previous years.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

D Trade receivables

Trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 3.3(O) for further details.

E Contract assets and contract liabilities

Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

F Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (K) Impairment of tangible and intangible assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

F Leases (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

G Employee benefits

Employee defined benefit liabilities

The employee defined benefit liability is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Group presents the first two components of defined benefit costs in profit or loss in relevant line items.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

H Zakat

Zakat is calculated and provided for by the Al Faisaliah Group Holding Company (the "Parent Company") and its effectively wholly-owned subsidiaries in accordance with Saudi Arabian fiscal regulations. Zakat is computed on the higher of the zakat base or adjusted net income. Zakat is calculated using rates that have been substantively enacted at the reporting date in the consolidated statement of profit or loss and other comprehensive income. Any difference in the estimate is recorded when the final assessment is approved, at which time the amount provided for is cleared.

I VAT

The Company is subject to a VAT on a monthly basis. It is paid and settled through the monthly statements submitted by the company to the GAZT.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

J Property and equipment

Property and equipment, except land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are stated at cost less impairment in value, if any.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

Following are the useful life used to calculate depreciation:

Leasehold improvements	7 years or the lease term whichever is shorter
Machinery and tools	3 to 10 years
Furniture and fixtures	5 years
Office equipment	6 to 7 years
Computer hardware	3 years
Motor vehicles	4 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

K Intangible assets

Intangible assets, other than goodwill, with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. The cost of intangible assets acquired in a business combination is their fair value at the effective date of the business combination. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The Group applies an annual rates of amortization ranging from 14.3% to 20% to its software. Distributor license fees are amortized over the period of the underlying legal agreement.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

L Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Assets that have indefinite useful life, for example land, are tested annually for impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

M Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on the weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

N Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of changes in values.

O Financial Instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

O Financial Instruments - initial recognition and subsequent measurement (continued)

i) Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value net of directly attributable transaction costs.

The Group's financial assets at amortised cost includes trade receivables, contract assets and amounts due from related parties.

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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined.

In order for a financial asset to be classified and measured at amortised cost, 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.

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.

Subsequent measurement

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

O Financial Instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)

Credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans from Parent Company, contract liabilities and amounts due to related parties which are subsequently measured at amortised cost.

Subsequent measurement

After initial recognition, all financial liabilities, including the short-term loans from Parent Company are measured at amortised cost. In case of long-term interest-bearing loans, EIR method will be applied.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

P Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

P Foreign currency translation (continued)

Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Q Dividend

The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the articles of association of the Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

R Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

S Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated statement of profit or loss and other comprehensive income in the period in which the investment is acquired.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

S Investment in joint venture (continued)

The requirements of IFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

T Trade payables and other liabilities

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. No interest charged on trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

U Expenses

Selling and marketing expenses are those arising from the Group's efforts underlying the marketing and selling functions. All other expenses, excluding cost of sales and finance cost, are classified as general and administrative expenses. Allocations of common expenses between cost of sales, selling and marketing, and general and administrative expenses, when required, are made on a consistent basis.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There are no new standards issued, however, the adoption of the following amendments to the existing standards had no significant impact on the consolidated financial statements of the Group:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

A number of new pronouncements are effective for annual years beginning on or after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- COVID -19 related rent concessions (Amendment to IFRS 16)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments to the definition of material is not expected to have a significant impact on the Group's financial statements.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of trade receivables and contract assets

An estimate of the provision for ECL is calculated in accordance with the accounting policy detailed in note 3.3 (O) to the consolidated financial statements.

At the reporting date, gross trade receivables were SR 964.1 million (2019: SR 940.1 million, 2018: SR 700.9 million) with SR 49.2 million (2019: SR 46.6 million, 2018: SR 80.1 million) being provided for. On the other hand, contract assets at the reporting date were SR 39.2 million (2019: SR 113.1 million, 2018: SR 305.4 million) with SR 2.6 million (2019: SR 2.6 million, 2018: SR 4.9 million) being provided for. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in profit or loss.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Employee defined benefit liabilities

Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs. These estimates have been disclosed in note 25 to the consolidated financial statements.

6 REVENUE

	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
Sale of equipment including turnkey projects	534,573,447	416,437,798
Sale of consumables including equipment	284,115,569	280,595,615
	<u>818,689,016</u>	<u>697,033,413</u>
 <i>Revenue by customer sector</i>		
Government sector	689,239,331	578,645,674
Private sector	129,449,685	118,387,739
	<u>818,689,016</u>	<u>697,033,413</u>

Sale of equipment including turnkey projects comprises of revenue from equipment sales, civil works, maintenance contracts and sale of warranties. The transaction price allocated to unsatisfied performance obligations as of 31 December 2020 is SR 288,301,322 (2019: 684,212,765).

Seasonal nature of operations

Due to the seasonal nature of the operations of the medical devices segment, higher revenues and operating profits are usually expected in the last quarter of the year than the first nine months. In the financial year ended 31 December 2020, 56% (2019: 37%) of revenues accumulated in the first nine months of the year, with 44% (2019: 63%) accumulating in the last three months.

7 COST OF REVENUE

	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
Material cost	597,253,540	508,229,780
Salaries and other employee related costs	17,767,670	15,621,142
Provision / reversal for slow-moving inventory	2,661,502	(945,913)
Travel expense	1,706,818	2,093,005
Others	919,586	691,227
	<u>620,309,116</u>	<u>525,689,241</u>

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

8 SELLING AND MARKETING EXPENSES

	2020	2019
	SR	SR
Salaries and other employee related costs	48,008,142	47,144,419
Depreciation and amortization	4,967,524	5,252,969
Travel	4,550,956	5,660,935
Communication and information technology	3,039,872	2,962,559
Marketing, advertising and promotion	1,391,821	2,479,807
Others	4,302,007	1,109,315
	66,260,322	64,610,004

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
	SR	SR
Salaries and other employee related costs	22,192,629	17,333,138
Legal and professional charges	3,000,309	1,085,009
Depreciation and amortization	2,486,789	2,565,909
Communication and information technology	2,220,657	2,307,787
Travelling and transportation expense	379,609	617,316
Utilities and rent expense	698,071	433,182
Others	576,917	1,518,109
	31,554,981	25,860,450

10 OTHER INCOME

	2020	2019
	SR	SR
Income from termination of an arrangement*	34,129,095	--
Royalty income	11,332,147	12,745,747
Other income	960,970	1,251,761
	46,422,212	13,997,508

*During August 2020, the Company entered into an agreement to terminate an arrangement with one of its suppliers who resolved to set up their own entity in the Kingdom of Saudi Arabia.

11 OTHER EXPENSES, NET

	2020	2019
	SR	SR
Bank charges	5,761,163	2,369,321
Provision for supplier balances and returns	2,244,995	--
Foreign exchange losses	1,360,124	702,789
Gain on sale of property and equipment	(438,579)	(427,840)
Provision for legal case*	--	7,000,000
Other expenses, net	1,425,949	2,945,841
	10,353,652	12,590,111

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

11 OTHER EXPENSES, NET (CONTINUED)

*During 2018, a legal case is filed against the Group for an allegation of non-payment of custom duties to the Saudi Customs amounting to SR 30 million. The management confirms that all due custom amounts were already paid by the Group to the Saudi Customs through its agent who might have not settled the amounts with Saudi Customs. The external legal counsel hired to represent the Group believes that the case is in favor of the Group. However, the Group management provided a provision for this case of SR 7 million and SR 13 million for the year ended 31 December 2019 and 2018, respectively and will reassess the adequacy of the provision regularly until the case is closed.

12 ZAKAT

12.1 Charge for the year

The Group is effectively a wholly owned subsidiary of the Parent Company. According to the Ministerial Resolution No. 1005 dated 28 Rabi Thani 1428H (Corresponding to 15 May 2007), the Parent Company submits zakat return based on its consolidated financial statements and consolidated zakat base and settles zakat liability accordingly. The Group's share of zakat for the year amounting to SR 24 million (2019: SR 15.6 million, 2018: SR 18 million) has been estimated based on the Group's standalone zakat base and is charged to its consolidated statement of profit or loss and other comprehensive income. This estimation is adjusted proportionately by the consolidation impact, as applicable.

12.2 Movement of provision for zakat

The movement of provision for zakat is as follows:

	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the year	15,600,000	18,000,000
Charge for the year	24,000,000	15,600,000
Paid to the Parent Company	(15,600,000)	(18,000,000)
At end of the year	<u>24,000,000</u>	<u>15,600,000</u>

12.3 Zakat status

The Group is effectively a wholly owned subsidiary of the Parent Company. The Parent Company accounts for and settles the zakat liability on the basis of its consolidated financial statements.

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

13 PROPERTY AND EQUIPMENT

	<i>Leasehold improvements SR</i>	<i>Machinery And tools SR</i>	<i>Furniture and fixtures SR</i>	<i>Office equipment SR</i>	<i>Computer hardware SR</i>	<i>Motor Vehicles SR</i>	<i>Total SR</i>
<i>Cost:</i>							
As at 1 January 2020	5,819,373	17,569,542	3,308,482	935,112	2,629,990	3,181,393	33,443,892
Additions	390,735	232,137	383,842	155,741	117,235	--	1,279,690
Disposal	--	(655,024)	--	--	--	--	(655,024)
As at 31 December 2020	<u>6,210,108</u>	<u>17,146,655</u>	<u>3,692,324</u>	<u>1,090,853</u>	<u>2,747,225</u>	<u>3,181,393</u>	<u>34,068,558</u>
<i>Accumulated Depreciation:</i>							
As at 1 January 2020	3,645,918	13,303,514	3,089,014	646,567	2,391,338	1,710,078	24,786,429
Charge for the year	699,733	2,301,213	95,106	75,497	145,135	536,774	3,853,458
Relating to disposals	--	(410,282)	--	--	--	--	(410,282)
As at 31 December 2020	<u>4,345,651</u>	<u>15,194,445</u>	<u>3,184,120</u>	<u>722,064</u>	<u>2,536,473</u>	<u>2,246,852</u>	<u>28,229,605</u>
<i>Net book value:</i>							
As at 31 December 2020	<u>1,864,457</u>	<u>1,952,210</u>	<u>508,204</u>	<u>368,789</u>	<u>210,752</u>	<u>934,541</u>	<u>5,838,953</u>

AL TIBIAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

13 PROPERTY AND EQUIPMENT (CONTINUED)

	<i>Leasehold improvements SR</i>	<i>Machinery And tools SR</i>	<i>Furniture and fixtures SR</i>	<i>Office equipment SR</i>	<i>Computer hardware SR</i>	<i>Motor Vehicles SR</i>	<i>Total SR</i>
<i>Cost:</i>							
As at 1 January 2019	5,366,438	17,149,835	3,182,536	779,920	2,429,878	3,603,205	32,511,812
Additions	452,935	1,158,274	125,946	155,192	202,703	221,250	2,316,300
Disposal	--	(738,567)	--	--	(2,591)	(643,062)	(1,384,220)
As at 31 December 2019	<u>5,819,373</u>	<u>17,569,542</u>	<u>3,308,482</u>	<u>935,112</u>	<u>2,629,990</u>	<u>3,181,393</u>	<u>33,443,892</u>
<i>Accumulated Depreciation:</i>							
As at 1 January 2019	3,082,568	11,045,910	2,901,421	545,174	2,294,366	1,807,900	21,677,339
Charge for the year	563,350	2,545,088	187,593	101,393	99,562	542,598	4,039,584
Relating to disposals	--	(287,484)	--	--	(2,590)	(640,420)	(930,494)
As at 31 December 2019	<u>3,645,918</u>	<u>13,303,514</u>	<u>3,089,014</u>	<u>646,567</u>	<u>2,391,338</u>	<u>1,710,078</u>	<u>24,786,429</u>
<i>Net book value:</i>							
As at 31 December 2019	<u>2,173,455</u>	<u>4,266,028</u>	<u>219,468</u>	<u>288,545</u>	<u>238,652</u>	<u>1,471,315</u>	<u>8,657,463</u>

AL TIBIAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

13 PROPERTY AND EQUIPMENT (CONTINUED)

	<i>Leasehold improvements SR</i>	<i>Machinery And tools SR</i>	<i>Furniture and fixtures SR</i>	<i>Office equipment SR</i>	<i>Computer hardware SR</i>	<i>Motor Vehicles SR</i>	<i>Total SR</i>
<i>Cost:</i>							
As at 1 January 2018	7,205,609	12,904,525	4,512,771	1,723,716	3,607,772	2,088,510	32,042,903
Additions	--	9,715,431	93,478	39,838	138,116	1,925,820	11,912,683
Retirement	(1,839,171)	(2,511,349)	(1,423,713)	(983,634)	(1,309,429)	(411,125)	(8,478,421)
Disposal	--	(2,958,772)	--	--	(6,581)	-	(2,965,353)
As at 31 December 2018	<u>5,366,438</u>	<u>17,149,835</u>	<u>3,182,536</u>	<u>779,920</u>	<u>2,429,878</u>	<u>3,603,205</u>	<u>32,511,812</u>
<i>Accumulated Depreciation:</i>							
As at 1 January 2018	4,383,981	11,853,328	3,905,318	1,151,052	3,567,512	1,912,717	26,773,918
Charge for the year	537,758	1,788,464	408,172	222,444	42,864	306,308	3,306,010
Relating to retirement	(1,839,171)	(2,497,010)	(1,412,069)	(828,322)	(1,309,429)	(411,125)	(8,297,126)
Relating to disposals	--	(98,872)	--	--	(6,581)	--	(105,453)
As at 31 December 2018	<u>3,082,568</u>	<u>11,045,910</u>	<u>2,901,421</u>	<u>545,174</u>	<u>2,294,366</u>	<u>1,807,900</u>	<u>21,677,339</u>
<i>Net book value:</i>							
As at 1 January 2019	<u>2,283,870</u>	<u>6,103,925</u>	<u>281,115</u>	<u>234,746</u>	<u>135,512</u>	<u>1,795,305</u>	<u>10,834,473</u>

AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS SUBSIDIARIES
(A Limited Liability Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

14 LEASES

The Group has lease contracts for building used in its operations. Information about assets for which the Group is a lessee is presented below:

	<i>Right of use</i> 2020 SR	<i>Right of use</i> 2019 SR
<i>Cost:</i>		
As at 1 January	18,409,172	--
Additions during the year	1,219,979	18,409,172
Deletions during the year	<u>(1,026,419)</u>	<u>--</u>
As at 31 December	<u>18,602,732</u>	<u>18,409,172</u>
 <i>Depreciation:</i>		
As at 1 January	3,129,501	--
Charge for the year	3,326,233	3,129,501
Deletion during the year	<u>(1,026,419)</u>	<u>--</u>
As at 31 December	<u>5,429,315</u>	<u>3,129,501</u>
 <i>Net book value:</i>		
As at 31 December	<u>13,173,417</u>	<u>15,279,671</u>

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 SR	2019 SR
As at 1 January	14,178,503	--
Additions during the year	1,219,979	18,409,172
Accretion of interest	880,554	926,106
Payments during the year	<u>(3,603,041)</u>	<u>(5,156,775)</u>
As at 31 December	<u>12,675,995</u>	<u>14,178,503</u>
Non-current portion	9,521,537	11,730,327
Current portion	3,154,458	2,448,176

Amounts recognized in statement of profit or loss and other comprehensive income:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	880,554	926,106
Expenses relating to short term leases	551,383	515,910

Amounts recognized in statement of cash flows

	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	3,603,041	5,156,775

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

15 INTANGIBLE ASSETS

	<i>Distribution rights SR</i>	<i>Software SR</i>	<i>Brands SR</i>	<i>Total SR</i>
<i>Cost:</i>				
As at 1 January 2020	351,633	21,704,129	1,645,600	23,701,362
Additions	--	153,371	--	153,371
As at 31 December 2020	<u>351,633</u>	<u>21,857,500</u>	<u>1,645,600</u>	<u>23,854,733</u>
<i>Accumulated amortization:</i>				
As at 1 January 2020	351,633	21,231,549	1,645,600	23,228,782
Charge for the year	--	351,273	--	351,273
As at 31 December 2020	<u>351,633</u>	<u>21,582,822</u>	<u>1,645,600</u>	<u>23,580,055</u>
<i>Net book value:</i>				
At 31 December 2020	<u>--</u>	<u>274,678</u>	<u>--</u>	<u>274,678</u>
	<i>Distribution rights SR</i>	<i>Software SR</i>	<i>Brands SR</i>	<i>Total SR</i>
<i>Cost:</i>				
As at 1 January 2019	351,633	21,692,829	1,645,600	23,690,062
Additions	--	11,300	--	11,300
As at 31 December 2019	<u>351,633</u>	<u>21,704,129</u>	<u>1,645,600</u>	<u>23,701,362</u>
<i>Accumulated amortization:</i>				
As at 1 January 2019	245,313	20,618,079	1,645,600	22,508,992
Charge for the year	106,320	613,470	--	719,790
As at 31 December 2019	<u>351,633</u>	<u>21,231,549</u>	<u>1,645,600</u>	<u>23,228,782</u>
<i>Net book value:</i>				
At 31 December 2019	<u>--</u>	<u>472,580</u>	<u>--</u>	<u>472,580</u>
	<i>Distribution rights SR</i>	<i>Software SR</i>	<i>Brands SR</i>	<i>Total SR</i>
<i>Cost:</i>				
As at 1 January 2018	351,633	21,424,513	1,645,600	23,421,746
Additions	--	268,316	--	268,316
As at 31 December 2018	<u>351,633</u>	<u>21,692,829</u>	<u>1,645,600</u>	<u>23,690,062</u>
<i>Accumulated amortization:</i>				
As at 1 January 2018	128,102	19,798,160	1,645,600	21,571,862
Charge for the year	117,211	819,919	--	937,130
As at 31 December 2018	<u>245,313</u>	<u>20,618,079</u>	<u>1,645,600</u>	<u>22,508,992</u>
<i>Net book value:</i>				
As at 1 January 2019	<u>106,320</u>	<u>1,074,750</u>	<u>--</u>	<u>1,181,070</u>

**AL TIBIAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

16 INVESTMENT IN A JOINT VENTURE

The investment in a joint venture pertains to a 50% holding in Philips Healthcare Saudi Arabia Limited (the "Joint Venture"), which is incorporated in the Kingdom of Saudi Arabia.

The principal activities of the Joint Venture are importing, installing, repairing and leasing of medical devices and equipment, providing training services and technical support related to the medical devices and equipment, information technology and software. The Joint Venture is accounted for using the equity method in these consolidated financial statements.

Summarized below are the financial information in respect of the Group's share in the Joint Venture. The summarized financial information below represents amounts shown in the Joint Venture's financial statements prepared in accordance with IFRS for SMEs as endorsed in Kingdom of Saudi Arabia. The Group has assessed the impact of significant Gaps in IFRSs and IFRS for SMEs on the financial statements of the joint venture and related adjustment has been recorded accordingly.

	2020 SR	2019 SR	As at 1 January 2019
Current assets	483,122,063	572,449,679	460,054,060
Non-current assets	17,976,148	7,555,899	8,191,001
Current liabilities	(335,652,682)	(407,250,998)	(332,341,577)
Non-current liabilities	(76,233,416)	(90,173,510)	(66,685,544)
Net assets	89,212,113	82,581,070	69,217,940
Adjustments to net assets*	3,559,693	8,534,966	604,704
Adjusted net assets	92,771,806	91,116,036	69,822,644
Group's share in Joint Venture's net assets – 50% (2019: 50%)	46,385,903	45,558,018	34,911,322

*This includes amendments made to the net assets of the Joint Venture to arrive at the base amount used for the calculation of the Group's share in the Joint Venture. This also includes adjustment for gaps in IFRS and IFRS for SME.

Summary of the financial performance of the Joint Venture during the year ended 31 December are as follows:

	2020 SR	2019 SR	2018 SR
Revenue	331,759,832	384,061,945	
Amended profit for the year	16,314,014	38,459,726	
Group's share in Joint Venture's profit – 50% (2019: 50%)	8,157,007	19,229,863	
Dividends from Joint Venture during the year	7,329,122	10,512,203	
	2020 SR	2019 SR	2018 SR
As at 1 January	45,558,018	34,911,322	27,431,015
Impact of restatement – note 36	--	1,929,036	10,939,946
As at 1 January - restated	45,558,018	36,840,358	38,370,961
Share of profit of joint venture	8,157,007	19,229,863	7,944,896
Dividend received	(7,329,122)	(10,512,203)	(11,404,535)
Investment as at 31 Dec	46,385,903	45,558,018	34,911,322

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

17 INVENTORIES, NET

	2020 SR	2019 SR	As at 1 January 2019 SR
Goods held for sale and projects in progress	239,998,381	219,997,858	129,103,969
Goods in transit	1,136,529	1,447,817	7,930,642
Spare parts	614,526	725,004	671,615
	<u>241,749,436</u>	<u>222,170,679</u>	<u>137,706,226</u>
Less: allowance for obsolete and slow-moving inventories	<u>(17,988,130)</u>	<u>(16,458,155)</u>	<u>(17,935,848)</u>
	<u>223,761,306</u>	<u>205,712,524</u>	<u>119,770,378</u>
	2020 SR	2019 SR	2018 SR
As at 1 January	16,458,155	17,935,848	23,864,902
Charge / (reversal) during the year	2,573,915	(945,966)	2,500,000
Write off during the year	<u>(1,043,940)</u>	<u>(531,727)</u>	<u>(8,429,054)</u>
As at 31 December	<u>17,988,130</u>	<u>16,458,155</u>	<u>17,935,848</u>

During 2020, SR 583,317,192 (2019: SR 489,731,273, 2018: SR 254,728,067) was recognized as an expense for inventories carried at net realisable value. The amounts are recognised under cost of revenue in the consolidated statement of profit or loss and other comprehensive income. Amount written off during 2020 is SR 1,043,940 (2019: SR 531,727 2018: SR 8,429,054).

18 TRADE RECEIVABLES, NET

	2020 SR	2019 SR	As at 1 January 2019 SR
Gross amount of trade receivables	964,551,806	940,085,506	700,873,884
Less: impairment loss	<u>(49,249,963)</u>	<u>(46,644,783)</u>	<u>(80,054,907)</u>
Net trade receivables	<u>915,301,843</u>	<u>893,440,723</u>	<u>620,818,977</u>

The average credit period on sales of goods is 90 to 120 days. No interest is charged on outstanding trade receivables.

Set out below is the movement of the allowance for expected credit losses of trade receivables for the year ended 31 December:

	2020 SR	2019 SR	2018 SR
As at 1 January	46,644,783	80,054,907	88,751,528
Impairment / (reversals) during the year	2,950,000	21,512,877	(8,696,621)
Write off during the year	<u>(345,090)</u>	<u>(54,923,001)</u>	<u>--</u>
As at 31 December	<u>49,249,693</u>	<u>46,644,783</u>	<u>80,054,907</u>

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

19 CONTRACT ASSETS

Amounts relating to contract assets are balances due from customers under various projects that arise when the Group performs services which have not been invoiced to the customer by the reporting date. These amounts will be transferred to trade receivables when they are invoiced to the customer.

	2020 SR	2019 SR	As at 1 January 2019 SR
Gross contract assets	39,181,633	113,095,561	305,388,714
Less: Impairment loss	<u>(2,597,426)</u>	<u>(2,597,426)</u>	<u>(4,945,777)</u>
Net contract assets	<u>36,584,207</u>	<u>110,498,135</u>	<u>300,442,937</u>

Set out below is the movement of the allowance for expected credit losses of contract assets for the year ended 31 December.

	2020 SR	2019 SR	2018 SR
As at 1 January	2,597,426	4,945,777	5,335,570
Reversals during the year	<u>-</u>	<u>(2,348,351)</u>	<u>(389,793)</u>
As at 31 December	<u>2,597,426</u>	<u>2,597,426</u>	<u>4,945,777</u>

20 PREPAYMENTS AND OTHER CURRENT ASSETS

	2020 SR	2019 SR – restated note 36	As at 1 January 2019 SR – restated note 36
Advances to suppliers	44,441,710	36,099,384	28,701,011
Prepaid expenses	2,112,925	1,199,288	2,300,792
Other receivables	7,381,239	11,486,285	9,087,053
	<u>53,935,874</u>	<u>48,784,957</u>	<u>40,088,856</u>

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

21 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include its shareholder and their affiliated companies where the shareholder has control, joint control or significant influence. In the ordinary course of business, the Company enters into transactions with related parties, which are based on mutually agreed prices and contract terms approved by the management of the Company.

The following are the details of major related parties' transactions during the year and year end balances:

<i>Related party</i>	<i>Nature of transactions</i>	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Parent Company	Expenses paid on behalf of the Group	53,108,292	56,686,608
	Payment made by the Parent Company	53,280,082	55,529,324
	Payment made to Parent Company	-	1,143,410
	Expenses paid on behalf of Parent Company	-	937,709
	Repayment of loans and borrowings	540,000,000	245,500,000
	Receipts of loans and borrowings	344,000,000	291,000,000
	Receipts for utilization of banking facility	26,045,339	--
Modern Media Systems (Fellow subsidiary)	Payment	-	1,258,535
Philips Healthcare Saudi Arabia Limited (Joint venture)	Royalty income Dividend received	11,332,147 7,329,122	12,745,747 10,512,203

*Fellow subsidiary are subsidiaries of the Parent Company

Amounts due from and to related parties are as follows:

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>	<i>As at 1</i> <i>January</i> <i>2019</i> <i>SR</i>
<i>Amounts due from related parties:</i>			
Modern Media Systems (Fellow subsidiary)	-	-	1,258,535
Parent Company	867,729	1,416,297	2,677,364
	867,729	1,416,297	3,935,899
<i>Amounts due to a related party:</i>			
Parent Company	27,030,833	1,157,284	--
	27,030,833	1,157,284	-

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

21 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received. No amount has been expensed in the current year for bad or doubtful debts in respect of amounts owed by related parties. Compensation paid to key management personnel during the year, in the form of short-term benefits, was SR 11,264,937 (2019: SR 7,381,529).

22 CAPITAL

On 8 December 2020, shareholder of the Group resolved to increase the share capital of the Company from SR 500,000 to SR 200,000,000 through the transfer from additional equity contribution by 179,310,546 and retained earnings by SR 20,189,454.

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>	<i>As at 1</i> <i>January 2019</i> <i>SR</i>
20,000,000 shares of SR 10 each (2019 and 2018: 50,000 shares of SR 10 each)	<u>200,000,000</u>	<u>500,000</u>	<u>500,000</u>

23 ADDITIONAL EQUITY CONTRIBUTION

This represents the contribution from Parent Company to be maintained by the Group to meet the Group's business requirements. The balance has no maturity date and is free of commission. During the year, Group transferred this balance for increasing share capital of the Company.

24 STATUTORY RESERVE

In accordance with the Saudi Arabian Regulations for Companies and the Company's Articles of Association, 10% of the profit for the year (after zakat) is required to be transferred to statutory reserve. The Group may resolve to discontinue such transfers when the reserve total 30% of capital. During the year, Group increased share capital of the Company and transferred 10% of the profit for the year to statutory reserve in accordance with the Saudi Arabian Regulations for Companies and the Company's Articles of Association. The reserve is not available for distribution as dividends.

25 EMPLOYEE DEFINED BENEFIT LIABILITIES

The Group grants employee defined benefit liabilities ("benefit plan") to its employees taking into consideration the local labor law requirements in the Kingdom of Saudi Arabia. The benefit provided by this benefit plan is a lump sum based on the employees' final salaries and allowances and their cumulative years of service at the date of termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of the employee defined benefit liabilities is the present value of the defined benefit obligation at the reporting date. The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

25 EMPLOYEE DEFINED BENEFIT LIABILITIES(CONTINUED)

The movement of employee defined benefit liabilities for the year is as follows:

	2020 SR	2019 SR	2018 SR
At the beginning of the year – present value of defined benefit obligation	27,204,364	23,177,450	21,183,970
Current service cost	3,170,262	3,086,845	3,130,081
Interest cost	869,578	1,016,743	812,507
Past service cost	--	167,232	1,226,560
Paid during the year	(3,176,074)	(1,183,702)	(1,548,261)
Actuarial (gain) / loss during the year	(1,223,854)	939,796	(1,627,407)
At the end of the year – present value of defined benefit obligation	26,844,276	27,204,364	23,177,450

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2020 %	2019 %	2018 %
<i>Financial assumptions:</i>			
Net discount rate (per annum)	2.35	3.45	4.80
Rate of salary increases (per annum)	2.00	3.00	4.00
<i>Demographic assumptions:</i>			
Retirement age	60	60	60

All movements in the employee defined benefit liabilities are recognized in consolidated statement of profit or loss and other comprehensive income. The actuarial loss / (gain) is recorded in the other comprehensive income.

The sensitivity analysis presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	2020 SR	2019 SR	2018 SR
Increase in discount rate of 1%	(1,205,379)	(2,249,364)	(2,116,450)
Decrease in discount rate of 1%	3,442,621	3,238,636	2,501,550
Increase in rate of salary of 1%	3,425,621	3,222,636	2,497,550
Decrease in rate of salary of 1%	(1,232,379)	(2,282,364)	(2,150,450)

26 CONTRACT LIABILITIES

	2020 SR	2019 SR	As at 1 January 2019 SR
Advances from customers	81,047,336	61,869,050	68,723,882
Unearned warranty revenue	34,670,427	34,377,911	28,224,603
	115,717,763	96,246,961	96,948,485
Non-current portion	30,517,468	30,468,802	23,631,311
Current portion	85,200,295	65,778,159	73,317,174

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

27 LOANS AND BORROWINGS

	2020 SR	2019 SR	As at 1 January 2019 SR
Loan from parent Company	225,000,000	521,000,000	475,500,000
Long term loan from parent Company*	<u>100,000,000</u>	<u>--</u>	<u>--</u>
	<u>325,000,000</u>	<u>521,000,000</u>	<u>475,500,000</u>

The Group has obtained unsecured short-term loans from parent Company to finance its working capital requirements and accrues special commission at agreed commercial rates with no fixed terms of repayment. These loans will be renewed by the Parent Company, if required. Interest charges on the loans and borrowings from Parent Company during 2020 is SR 20,883,151 (2019: SR 25,412,088).

*During the year, Group obtained long term loan of SR 100,000,000 (2019: nil, 1 January 2019: nil) from parent Company. The interest on the loan is payable on quarterly basis with first installment payable on 28 April 2022 and last installment on 31 October 2025.

28 TRADE AND NOTES PAYABLES

	2020 SR	2019 SR	As at 1 January 2019 SR
Trade payable	263,444,483	270,339,001	154,216,248
Notes payable*	<u>24,433,542</u>	<u>--</u>	<u>--</u>
	<u>287,878,025</u>	<u>270,339,001</u>	<u>154,216,248</u>

No interest is charged on trade payables. The Group has financial risk management policies disclosed in note 31 to the consolidated financial statements in place to ensure that all payables are paid within the credit timeframe.

*During the year the Group has used available short-term borrowing facility to finance its purchases. The principal is payable on its maturity; however, related charges were paid on the initiation of arrangement.

29 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020 SR	2019 SR	As at 1 January 2019 SR
Accrued expenses	140,611,876	115,518,671	108,692,609
Accrued salaries and related expenses	15,919,188	13,846,306	12,786,474
Other payables	<u>1,113,964</u>	<u>2,672,068</u>	<u>3,457,356</u>
	<u>157,645,028</u>	<u>132,037,045</u>	<u>124,936,439</u>

30 COMMITMENTS AND CONTINGENCIES

The Group has issued letters of guarantee through its banks amounting to SR 250 million (2019: SR 229 million, 2018: SR 250 million) in the ordinary course of business.

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

31 RISK MANAGEMENT

31.1 Capital Management

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of equity and debt comprising capital, statutory reserve, additional contribution to capital, retained earnings and short-term loans from the Parent Company and other financial institutions.

31.2 Market Risk

The Group was exposed to market risk, in the form of foreign currency risk and interest rate risk as described below.

A Foreign currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals during the year. As at the consolidated statement of financial position date, the Group does not have significant foreign currency exposure.

B Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing liabilities. The Group does not hedge its exposure to movements in interest rates.

With all other variables held constant, the Group's profit before zakat is affected by a +/- 0.05% change on floating rate borrowings for the year ended 31 December 2020 by increase or decrease of SR 1,877,394 (2019: increase or decrease of SR 2,605,000, 2018: increase or decrease of SR 2,377,500).

31.3 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 90 to 120 days of the date of sale. Accounts payable are normally settled within 90 days of the date of purchase. The non-current contract liabilities consists of deferred warranty revenue expected to be amortised after 1 year subsequent to yearend. All other financial liabilities are to mature within 1 year subsequent to date of consolidated statement of financial position.

31.4 Credit Risk

Credit is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivable balances.

The Group sells its products to a large number of Government and quasi-government customers which account for the majority of receivable balance at the end of the year. The Group performs credit-vetting procedures which are reviewed and updated on an ongoing basis before granting credit to its customers. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

31 RISK MANAGEMENT (CONTINUED)

31.4 Credit Risk (continued)

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade receivable and contract assets on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. As at 31 December 2020, trade receivables consist of a large number of customers, however, Ministry of Health accounts for 37% (2019: 49%) of the Group's trade receivables balance.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults updated and changes in the forward-looking estimates are analysed. 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. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group's credit exposure is limited to its trade receivables and contract assets which is presented below and in notes 18 and 19, respectively. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	<i>Contract assets and trade receivables – years past due</i>					Total SR
	<i>Not past due</i>	<i>Less than 1</i>			<i>More than 3</i>	
		<i>year</i>	<i>1 – 2 years</i>	<i>2 – 3 years</i>		
31 December 2020	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross carrying amount	358,830,841	338,134,394	92,792,814	62,984,001	150,991,389	1,003,733,439
Lifetime ECL	(4,789,663)	(8,282,945)	(5,545,691)	(13,009,374)	(20,219,715)	(51,847,388)
Net carrying amount	<u>354,041,178</u>	<u>329,851,449</u>	<u>87,247,123</u>	<u>49,974,627</u>	<u>130,771,674</u>	<u>951,886,051</u>

	<i>Contract assets and trade receivables – years past due</i>					Total SR
	<i>Not past due</i>	<i>Less than 1</i>			<i>More than 3</i>	
		<i>year</i>	<i>1 – 2 years</i>	<i>2 – 3 years</i>		
31 December 2019	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross carrying amount	493,479,073	238,393,722	87,697,416	37,237,135	196,373,721	1,053,181,067
Lifetime ECL	(3,541,529)	(5,387,921)	(2,474,786)	(1,114,205)	(36,723,768)	(49,242,209)
Net carrying amount	<u>489,937,544</u>	<u>233,005,801</u>	<u>85,222,630</u>	<u>36,122,930</u>	<u>159,649,953</u>	<u>1,003,938,858</u>

	<i>Contract assets and trade receivables – years past due</i>					Total SR
	<i>Not past due</i>	<i>Less than 1</i>			<i>More than 3</i>	
		<i>year</i>	<i>1 – 2 years</i>	<i>2 – 3 years</i>		
As at 1 January 2019	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross carrying amount	407,824,441	268,390,687	47,355,341	80,483,466	202,208,663	1,006,262,598
Lifetime ECL	(5,189,716)	(4,183,668)	(1,072,488)	(3,531,595)	(71,023,217)	(85,000,684)
Net carrying amount	<u>402,634,725</u>	<u>264,207,019</u>	<u>46,282,853</u>	<u>76,951,871</u>	<u>131,185,446</u>	<u>921,261,914</u>

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Group's financial instruments including investment in joint venture, trade receivables, contract assets, amounts due from related parties, cash and cash equivalents, short-term loans from the Parent Company, trade payables, accrued expenses and other current liabilities, contract liabilities, and amounts due to a related party approximate their carrying values due to the relatively short-term maturity of these financial instruments. The carrying amounts of these financial instruments are the reasonable approximation of their fair value. These are categorized within Level 2 of the fair value hierarchy.

During the current and prior year, there were no transfers between into/out of Level 2 of the fair value hierarchy.

33 SEGMENT REPORTING

The Group's principal business activities involve sale of a broad line of health care products. Selected financial information categorised by these business segments, is as follows:

Medical Devices Sales of a broad line of branded Medical Devices
Medical Supplies Sales of a broad line of branded Medical Consumables

	<i>Medical Equipment SR</i>	<i>Medical Supplies SR</i>	<i>Other Activities SR</i>	<i>Total SR</i>
<u>31 December 2020</u>				
Revenue from external Customers	534,573,447	284,115,569	-	818,689,016
Depreciation and Amortisation	3,668,307	1,836,106	2,026,551	7,530,964
Profit for the period	62,339,226	33,451,178	-	95,790,404
Total Assets	917,271,423	375,595,558	16,367,200	1,309,234,181
Total Liabilities	718,460,821	238,774,475	19,556,624	976,791,920
<u>31 December 2019</u>				
Revenue from external Customers	416,437,798	280,595,615	-	697,033,413
Depreciation and Amortisation	3,807,342	2,019,907	2,061,626	7,888,875
Profit for the period	23,425,953	17,702,679	-	41,128,632
Total Assets	963,463,990	356,142,557	24,434,614	1,344,041,161
Total Liabilities	809,905,041	239,837,785	28,020,332	1,077,763,158

34 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit / (loss) for the period by the weighted average number of outstanding shares during the period. There were no potentially dilutive shares or options in the period, therefore no difference between the basic and the diluted earnings per share. Basic and diluted earnings (losses) per share are calculated as follows:

	<u>2020 SR</u>	<u>2019 SR</u>
Profit for the year	95,790,404	41,128,632
Weighted average number of outstanding shares during the period (Share)	1,307,000	50,000
Basic and diluted earnings per share	<u>73.3</u>	<u>822.5</u>

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

34 EARNINGS PER SHARE (CONTINUED)

	<i>2020</i>	<i>2019</i>
No of shares as at 1 January	50,000	50,000
Shares issued during the year*	19,950,000	--
No of shares as at 31 December	20,000,000	50,000
Weighted average number of shares	1,307,123	50,000

*On 8 December 2020, Company resolved to increase the share capital of the Company by issuing 19,950,000 new shares.

35 DIVIDENDS

On 20 Rajab 1441 H (corresponding to 15 March 2020) the shareholders approved dividends of SR 30.9 million (2019: 16.8 million) for the year ended 31 December 2019 which was paid during 2020.

36 PRIOR PERIOD RESTATEMENT

During the year ended 31 December 2020, the Group 's management identified an accounting error relating to prior periods.

In prior years, the statutory financial statements of the joint venture were finalized subsequent to the issuance of the annual consolidated financial statements. The Group's management equity accounted the results of the joint venture using the latest available management financial information of the joint venture. Further to the availability of the latest statutory financial statements of the joint venture, it is noted that there is a material difference between the investment in a joint venture balance in the Group's annual consolidated financial statements and the Group's share of total equity in the joint venture's statutory financial statements.

As a result, the above difference has been corrected in these consolidated financial statements by restating the investment in a joint venture balance and opening balances of prior period's retained earnings.

The impact on each consolidated financial statements line item are as follows:

Statement of financial position

As at 1st January 2019

	Balances previously reported	Effect of restatement	Restated balance
Investment in a joint venture	23,971,376	10,939,946	34,911,322
Retained earnings	48,477,678	14,448,188	62,925,866
Prepayments and other current assets	36,580,614	3,508,242	40,088,856

**AL TIBIYAH AL ARABIAH AL ALAMIYA HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Limited Liability Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

36 PRIOR PERIOD RESTATEMENT (CONTINUED)

As at 31 December 2019

	Balances previously reported	Effect of restatement	Restated balance
Investment in a joint venture	32,689,036	12,868,982	45,558,018
Retained earnings	71,769,269	14,448,188	86,217,457
Prepayments and other current assets	47,205,751	1,579,206	48,784,957

37 COMPARATIVE FIGURES

Extract of statement of consolidated financial position

As at 1st January 2019

	<u>Balances previously reported</u>	<u>Reclassification</u>	<u>Balance after reclassification</u>
Amounts due from a related party - (note 37.1)	1,464,237	2,471,662	3,935,899
Cash and bank balance - (note 37.1)	6,252,784	(2,471,662)	3,781,122

As at 31 December 2019

	<u>Balances previously reported as at 31 December 2019</u>	<u>Reclassification</u>	<u>Balance after reclassification as at 31 December 2019</u>
Amounts due from a related party - (note 37.1)	--	1,416,297	1,416,297
Cash and bank balance - (note 37.1)	15,637,090	(1,416,297)	14,220,793

37.1 The Group has a bank account which is in the name of the parent Company. This has been reclassified to due from related party balance.

38 EVENTS SUBSEQUENT TO THE REPORTING DATE

No events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure thereto.

39 CONSOLIDATED FINANCIAL STATEMENTS APPROVAL

The consolidated financial statements were approved on 16 Sha'ban 1442H (corresponding to 29 March 2021).