

DALLAH HEALTHCARE COMPANY
A Saudi Joint Stock Company
**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and six-month periods ended 30 June 2021
together with the
INDEPENDENT AUDITOR'S REVIEW REPORT

DALLAH HEALTHCARE COMPANY
A Saudi Joint Stock Company
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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كي بي إم جي للاستشارات المهنية

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

Commercial Registration No 1010425494

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Dallah Healthcare Company (Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying 30 June 2021 condensed consolidated interim financial statements of **Dallah Healthcare Company** ("the Company") and its subsidiaries ("the Group") which comprise:

- the condensed consolidated interim statement of financial position as at 30 June 2021;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2021;
- the condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended 30 June 2021;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2021;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed consolidated interim financial statements of **Dallah Healthcare Company** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Dallah Healthcare Company (Saudi Joint Stock Company) (continued)

Other Matter

The condensed consolidated interim financial statements of the Group for the three-month and six-month period ended 30 June 2020, were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 18 August 2020.

The condensed consolidated interim financial statements of the Group for the three-month period ended 31 March 2021 were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 02 May 2021. The consolidated financial statements of the Group as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 24 March 2021.

KPMG Professional Services



Fahad Mubark Aldossari

License No. 469

Riyadh on: 02 Muharram 1443H
Corresponding to: 10 August 2021



DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2021
(All amounts in Saudi Riyals unless otherwise stated)

		30 June 2021	31 December 2020
	Notes	(Unaudited)	(Audited)
ASSETS			
Non-current assets:			
Property and equipment	5	2,394,757,112	2,394,818,740
Right of use assets	6	28,126,434	22,260,484
Intangible assets and goodwill	7	393,679,273	393,722,871
Investment in equity	8	136,817,435	157,011,659
Financial assets at fair value through other comprehensive income		121,158	111,204
Financial assets at fair value through profit or loss		38,319,354	38,319,354
Total non-current assets		2,991,820,766	3,006,244,312
Current assets:			
Inventories	10	201,068,460	165,692,843
Prepayments and other current assets		105,841,422	81,799,628
Due from related parties		3,140,100	2,422,401
Contract assets		15,933,921	4,838,932
Trade receivables	9	565,608,457	595,623,747
Cash and cash equivalents	11	191,002,423	130,644,422
Total current assets		1,082,594,783	981,021,973
TOTAL ASSETS		4,074,415,549	3,987,266,285
EQUITY AND LIABILITIES			
Equity:			
Share capital	1	900,000,000	900,000,000
Statutory reserve - share premium		61,142,305	61,142,305
Statutory reserve		36,821,728	36,821,728
Retained earnings		839,789,368	762,136,326
Fair value reserve		(382,403)	(392,357)
Equity attributable to owners of the Company		1,837,370,998	1,759,708,002
Non-controlling interest		94,863,011	90,030,147
Total Equity		1,932,234,009	1,849,738,149
LIABILITIES			
Non-current liabilities:			
Long-term murabaha financing	12	1,065,031,353	1,197,890,340
Long-term lease liabilities		14,939,867	5,593,191
Due to related parties – non-current		3,000,000	3,000,000
Employee benefits		215,509,837	203,532,666
Total non-current liabilities		1,298,481,057	1,410,016,197
Current liabilities:			
Trade payables		220,353,239	193,024,567
Accrued expenses and other current liabilities		145,400,113	133,318,442
Contract liabilities		32,400,508	15,555,185
Short-term murabaha financing	12	140,942,368	33,994,936
Current portion of long-term murabaha financing	12	248,039,486	282,908,990
Short-term lease liabilities		8,518,115	9,245,751
Short-term retentions		27,973,989	29,120,476
Due to related parties		2,556,966	6,764,816
Dividend payable		526,185	5,526,185
Provision for zakat		16,989,514	18,052,591
Total current liabilities		843,700,483	727,511,939
Total liabilities		2,142,181,540	2,137,528,136
Total equity and liabilities		4,074,415,549	3,987,266,285

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements.

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the three-month and six-month periods ended 30 June 2021

(All amounts in Saudi Riyals unless otherwise stated)

	<i>Note</i>	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
		SR	SR	SR	SR
Revenue	13	490,825,798	247,560,227	985,494,822	562,165,325
Cost of revenue		(322,654,896)	(179,787,331)	(640,499,427)	(388,634,255)
Gross profit		168,170,902	67,772,896	344,995,395	173,531,070
Selling and marketing expenses		(7,504,143)	(4,993,552)	(16,857,736)	(11,600,136)
General and administrative expenses		(89,333,512)	(56,139,751)	(178,187,673)	(125,621,841)
Impairment (loss) / reversal on trade receivables and other current assets		(2,762,645)	1,332,188	(8,464,918)	(1,920,781)
Operating profit		68,570,602	7,971,781	141,485,068	34,388,312
Other income, net		5,204,483	3,815,818	10,735,865	7,240,882
Finance cost		(8,841,257)	(4,917,507)	(17,828,148)	(10,992,280)
Share of results from investment in associates	8	(8,656,108)	(698,982)	(19,514,224)	(3,288,600)
Profit before zakat		56,277,720	6,171,110	114,878,561	27,348,314
Zakat		(5,942,134)	822,202	(9,932,013)	(1,112,934)
Profit for the period		50,335,586	6,993,312	104,946,548	26,235,380
Profit attributable to:					
Owners of the Company		47,544,309	6,993,312	100,153,042	26,235,380
Non-controlling interests		2,791,277	--	4,793,506	--
		50,335,586	6,993,312	104,946,548	26,235,380
Earnings per share:					
Basic and diluted earnings per share	15	0.53	0.08	1.11	0.31

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements.

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and six-month periods ended 30 June 2021

(All amounts in Saudi Riyals unless otherwise stated)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Profit for the period	<u>50,335,586</u>	<u>6,993,312</u>	<u>104,946,548</u>	<u>26,235,380</u>
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss</i>				
Change in valuation of financial assets at fair value through other comprehensive income	(10,217)	--	9,954	(14,865)
Other comprehensive income / (loss) for the period	<u>(10,217)</u>	<u>--</u>	<u>9,954</u>	<u>(14,865)</u>
Total comprehensive income for the	<u>50,325,369</u>	<u>6,993,312</u>	<u>104,956,502</u>	<u>26,220,515</u>
Total comprehensive income attributable to:				
Owners of the company	47,534,092	6,993,312	100,162,996	26,220,515
Non-controlling interests	<u>2,791,277</u>	<u>--</u>	<u>4,793,506</u>	<u>--</u>
	<u>50,325,369</u>	<u>6,993,312</u>	<u>104,956,502</u>	<u>26,220,515</u>

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements.

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2021

(All amounts in Saudi Riyals unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve "Share premium"</u>	<u>Statutory reserve</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Fair value reserve</u>	<u>Total shareholders' equity</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
As at 1 January 2021	900,000,000	61,142,305	36,821,728	--	762,136,326	(392,357)	1,759,708,002	90,030,147	1,849,738,149
Profit for the period	--	--	--	--	100,153,042	--	100,153,042	4,793,506	104,946,548
Other comprehensive income for the period	--	--	--	--	--	9,954	9,954	--	9,954
Total comprehensive income for the period	--	--	--	--	100,153,042	9,954	100,162,996	4,793,506	104,956,502
Movement in non-controlling interest	--	--	--	--	--	--	--	39,358	39,358
Dividends	--	--	--	--	(22,500,000)	--	(22,500,000)	--	(22,500,000)
As at 30 June 2021	900,000,000	61,142,305	36,821,728	--	839,789,368	(382,403)	1,837,370,998	94,863,011	1,932,234,009
As at 1 January 2020	750,000,000	211,142,305	27,109,010	(190,452,878)	724,696,633	(367,096)	1,522,127,974	--	1,522,127,974
Profit for the period	--	--	--	--	26,235,380	--	26,235,380	--	26,235,380
Other comprehensive loss for the period	--	--	--	--	--	(14,865)	(14,865)	--	(14,865)
Total comprehensive income for the period	--	--	--	--	26,235,380	(14,865)	26,220,515	--	26,220,515
Dividends	--	--	--	--	(49,882,000)	--	(49,882,000)	--	(49,882,000)
As at 30 June 2020	750,000,000	211,142,305	27,109,010	(190,452,878)	701,050,013	(381,961)	1,498,466,489	--	1,498,466,489

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements.

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2021

(All amounts in Saudi Riyals unless otherwise stated)

	<i>Note</i>	For the six-month period ended 30 June	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before zakat		114,878,561	27,348,314
<i>Adjustments to reconcile profit before zakat to net cash generated from operating activities</i>			
Depreciation of property and equipment	5	46,348,443	45,751,810
Depreciation of right of use assets	6	8,570,073	
Amortization of intangible assets	7	113,598	85,560
Employee benefits charge		22,696,527	15,208,605
Impairment loss / (reversal) on trade receivables and contract assets		8,464,918	(456,696)
Provision for other current assets		--	2,377,477
Provision for obsolete and slow-moving inventory	10	2,538,274	154,665
Loss on sale of property and equipment		48,739	3,260
Share of results from investment in associates	8	19,514,224	3,288,600
Finance cost		17,828,148	10,992,280
<i>Changes in operating assets and liabilities:</i>			
Trade receivable		21,550,372	(23,388,905)
Contract assets		(11,094,989)	73,809
Related parties, net		(4,925,549)	(1,504,842)
Prepayments and other current assets		(24,041,794)	(31,758,003)
Inventories		(37,913,891)	(8,544,201)
Trade payables		27,328,672	(19,942,073)
Contract liabilities		16,845,323	4,881,761
Accrued expenses and other current liabilities		11,555,486	16,021,902
Retentions		(1,146,487)	301,657
Cash generated from operating activities		239,158,648	40,894,980
Zakat paid		(10,995,090)	--
Employee benefits paid		(10,719,356)	(3,396,879)
Net cash generated from operating activities		217,444,202	37,498,101
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property and equipment		(46,339,111)	(53,025,567)
Acquisition of intangible assets		(70,000)	--
Disposal of property and equipment		3,557	--
Acquisition of investments at fair value through other comprehensive income		--	(20,740,000)
Dividends received from an associate company		680,000	--
Net cash used in investing activities		(45,725,554)	(73,765,567)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from Murabaha financing	12	61,497,786	468,427,493
Repayment of Murabaha financing	12	(122,278,845)	(366,251,358)
Payment of lease liabilities		(6,223,408)	(5,836,873)
Dividends paid		(27,500,000)	(49,882,000)
Finance cost paid		(16,856,180)	(10,729,372)
Net cash (used in) / generated from financing activities		(111,360,647)	35,727,890
Net increase / (decrease) in cash and cash equivalents		60,358,001	(539,576)
Cash and cash equivalents at beginning of the period	11	130,644,422	88,326,259
Cash and cash equivalents at end of the period	11	191,002,423	87,786,683

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements.

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2021 (Unaudited)

All amounts are presented in Saudi Riyals unless otherwise stated

1. REPORTING ENTITY

Dallah Healthcare Company (the "Company") was a Limited Liability Company, registered in the Kingdom of Saudi Arabia under commercial registration number 1010128530 dated 13 Rabi Al-Akhar 1415H (corresponding to 18 September 1994).

The Company's Board of Directors declared Dallah Healthcare Company as a Saudi Closed Joint Stock Company on 14 Jumada Al-Awwal 1429H (corresponding to 20 May 2008). On 28 Dhul Qadah 1433H (corresponding to 14 October 2012), the Company obtained an approval to be transferred to a Public Joint Stock Company by issuing 14.2 million shares in an initial public offering with a nominal value of SR 142 million, as a result of the offering, a share premium of SR 371 million was included in the Company's statutory reserve (share premium). The Company became a listed Company in the Saudi Capital Market Authority on 04 Safar 1434H (corresponding to 17 December 2012). The Company changed its name from "Dallah Healthcare Holding Company" to "Dallah Healthcare Company" based on the approval of the Extraordinary General Assembly held on 16 Safar 1438H (corresponding to 16 November 2016) after completion of all legal formalities.

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

Share Capital

The authorized, issued and paid up share capital of the Company is SR 900 million divided into 90 million shares of SR 10 each (31 December 2020: SR 900 million).

On 25 Muharram 1442H corresponding to 13 September 2020, the Extraordinary General Assembly meeting approved to increase the Company's capital from SR 750 million to SR 900 million (75 million shares to 90 million shares). As a result, the capital was increased by transferring SR 150 million from statutory reserve (share premium) to the capital. The Company amended its Article of Association accordingly.

The Company's registered office is located at the following address:
King Fahad Road
Riyadh
Kingdom of Saudi Arabia

2. BASIS OF ACCOUNTING

a) *Statement of compliance*

These condensed consolidated interim financial statements comprise the interim financial statements of the Company and its subsidiaries (together referred to as the 'Group').

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

The condensed consolidated interim financial statements do not include all of the information and disclosures required for full annual consolidated financial statements and should be read in conjunction with Group's annual consolidated financial statements as at and for the year ended 31 December 2020.

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2021 (Unaudited)

All amounts are presented in Saudi Riyals unless otherwise stated

2. BASIS OF ACCOUNTING (CONTINUED)**b) Basis of preparation**

These condensed consolidated interim financial statements have been prepared on a going concern basis under the historical cost convention method except for:

- the provision for employees' end of service benefits which are measured at present value using projected unit credit method;
- financial assets at fair value through profit or loss which are measured at fair value;
- financial assets at fair value other comprehensive income which are measured at fair value
- Lease liabilities

c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Arabian Riyals (SR) which is the Company's functional and presentation currency.

d) Basis of consolidation

The subsidiary companies (referred to as the "Subsidiaries") incorporated into these condensed consolidated interim financial statements are as follows:

Name of subsidiaries	Share in equity%		Country of operation and commercial register	Principal activity as per commercial registration	Capital (SR)
	As at 30 June 2021	As at 31 December 2020			
Dallah Pharma Company	100%	100%	Kingdom of Saudi Arabia, commercial registration No.1010410613	Pharmaceutical, herbal & cosmetic distribution & manufactory.	4,000,000
Afyaa Al-Nakheel for Supporting Services Company Limited	100%	100%	Kingdom of Saudi Arabia, commercial registration No.1010404576	Provide manpower & Support services to hospitals and medical centres.	50,000
Dallah Namar Hospital Health Company	100%	100%	Kingdom of Saudi Arabia, commercial registration No.1010495218	Operating, managing, equipping and developing hospitals and healthcare facilities, medical polyclinics.	5,000,000
Care Shield Holding Company (CJSC)*	58.64 %	58.64%	Kingdom of Saudi Arabia, commercial registration No.1010379441	Managing private hospitals, medical and diagnostic centers, and an analytical laboratory, providing medical services, purchasing lands to build buildings on, and investing these buildings by sale or rent for the benefit of the company.	125,000,000

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2021 (Unaudited)

All amounts are presented in Saudi Riyals unless otherwise stated

2. BASIS OF ACCOUNTING (CONTINUED)**d) Basis of consolidation (Continued)**

Name of subsidiary	Share in equity%		Country of operation and commercial register	Principal activity as per commercial registration	Capital (SR)
	As at 30 June 2021	As at 31 December 2020			
Makkah Medical Center Company (CJSC)	89.36%	89.36%	Kingdom of Saudi Arabia, commercial registration No. 4031021286	Practicing the activity of public hospitals	152,000,000

* On 29 Rabi Al-Awwal 1442H (corresponding to 15 November 2020) the Group completed the acquisition of Care Shield Holding Company as a subsidiary by acquiring 58.64% of the Company's shares, and the agreed consideration was transferred.

The Group's management is currently in the process of completing the purchase price allocation study for the acquired companies during the year ended 31 December 2020.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee;
- The ability to use its power over the investee to affect its returns.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Significant accounting policies enumerated in note 4 have been applied consistently through out the Group.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in interim condensed consolidated statement of profit or loss and other comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2021 (Unaudited)

All amounts are presented in Saudi Riyals unless otherwise stated

2. BASIS OF ACCOUNTING (CONTINUED)

d) *Basis of consolidation (Continued)*

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses and cash flows relating to transactions arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of these condensed consolidated interim financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

During the preparation of these condensed consolidated interim financial statements, there have been no changes in the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty from those which were applied to the annual audited consolidated financial statements of the Group for the year ended 31 December 2020.

The Group's financial risk management objectives and policies and the methods to determine the fair values are consistent with those disclosed in the most recent annual consolidated financial statements for the year ended 31 December 2020.

The Group follows the practice to conduct actuarial valuations annually at the year end.

Measurement of fair values

A number of the Group's accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

DALLAH HEALTHCARE COMPANY

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2021 (Unaudited)

All amounts are presented in Saudi Riyals unless otherwise stated

3. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)**Measurement of fair values (Continued)**

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in these condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards “IFRS” that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA which are consistent with those that were applied in the Group’s last annual consolidated financial statements for the year ended 31 December 2020.

The accounting policies and method of computation adopted for the preparation of these condensed consolidated interim financial statements are the same as those applied in the preparation of the Group’s last annual consolidated audited financial statements for the year ended 31 December 2020.

There are no new standards issued during the current period, however, a number of amendments to the standards are effective from 1 January 2021, which have been explained in the Group's last annual consolidated financial statements and that have no impact on the Group's interim condensed consolidated financial statements.

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5. PROPERTY, PLANT AND EQUIPMENTS

	Land	Buildings	Leasehold Improvements	Machinery and Equipment	Medical Equipment	Furniture and Fixtures	Vehicles	Construction Work in Progress	Total
<u>Cost:</u>									
At 1 January 2021	581,555,949	1,627,004,070	79,269,378	176,927,311	587,763,637	42,832,357	10,003,557	94,630,890	3,199,987,149
Additions	--	3,818,511	1,533,997	319,848	31,074,480	2,119,791	--	7,472,484	46,339,111
Disposals	--	--	--	(297,971)	(1,478,489)	(106,772)	--	--	(1,883,232)
As at 30 June 2021	581,555,949	1,630,822,581	80,803,375	176,949,188	617,359,628	44,845,376	10,003,557	102,103,374	3,244,443,028
<u>Accumulated Depreciation:</u>									
At 1 January 2021	--	269,354,332	69,360,135	77,187,218	360,108,570	20,828,350	8,329,804	--	805,168,409
Charge for the period	--	17,195,084	1,057,052	5,253,505	20,996,676	1,673,151	172,975	--	46,348,443
Elimination on disposals	--	--	--	(298,253)	(1,385,537)	(147,146)	--	--	(1,830,936)
As at 30 June 2021	--	286,549,416	70,417,187	82,142,470	379,719,709	22,354,355	8,502,779	--	849,685,916
Net book value:									
At 30 June 2021	581,555,949	1,344,273,165	10,386,188	94,806,718	237,639,919	22,491,021	1,500,778	102,103,374	2,394,757,112
At 31 December 2020	581,555,949	1,357,649,738	9,909,243	99,740,093	227,655,067	22,004,007	1,673,753	94,630,890	2,394,818,740

Care Shield Holding Company ("CSHC") – Land

The above land includes a land of Kingdom Hospital of SR 46.7 million (registered under "Medical Projects Services Company" a subsidiary of "Care Shield Holding Company"). It also includes a portion of the land of an area of 11,856 square meters consisting of blocks 584 and 585, under Legal Instrument No. 761/4 dated 03/05/1403H for which the title of land is registered in the name of His Royal Highness ("HRH") Prince Al-Waleed bin Talal. HRH Prince Alwaleed Bin Talal acknowledges in a letter dated 18 October 2020 that the land as well as all facilities on this land are owned by the Medical Services Projects Company and the value has been fully collected. The title deed is under the process of being transferred in the name of Medical Services Projects Company and Care Shield Holding Company will continue using the land until transfer process is completed. The land is within control of Care Shield Holding Company and Care Shield Holding Company has the right to use the land and its associated economic benefits. The legal transfer of title deed is in process.

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6. RIGHT OF USE ASSETS

	Right of use assets
<u>Cost:</u>	
At 1 January 2021	47,820,892
Additions	14,436,023
Disposals	(3,454,338)
As at 30 June 2021	<u>58,802,577</u>
<u>Accumulated Depreciation:</u>	
At 1 January 2021	25,560,408
Charge for the year	8,570,073
Elimination on disposals	(3,454,338)
As at 30 June 2021	<u>30,676,143</u>
Net book value:	
At 30 June 2021	<u>28,126,434</u>
At 31 December 2020	<u>22,260,484</u>

Right-of-use assets relates to leased properties that meet the definition of leased assets under the adoption of IFRS 16.

The Group leases buildings for workers' accommodation. The leases run for an average lease term of up to 3-4 years and Lease payments are fixed.

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7. INTANGIBLE ASSETS AND GOODWILL

	Intangible assets with indefinite useful life			Intangible assets with definite useful lives		
	Goodwill	Manufacturing licenses	Product licenses	Programs	Rental Rights	Total
<u>Cost:</u>						
At 1 January 2021	379,938,351	10,648,000	11,505,000	332,450	3,422,270	405,846,071
Additions	--	--	--	70,000	--	70,000
As at 30 June 2021	379,938,351	10,648,000	11,505,000	402,450	3,422,270	405,916,071
<u>Amortization and Impairment:</u>						
At 1 January 2021	5,091,000	3,000,000	3,000,000	5,502	1,026,698	12,123,200
Charge for the period	--	--	--	28,038	85,560	113,598
As at 30 June 2021	5,091,000	3,000,000	3,000,000	33,540	1,112,258	12,236,798
Net book value:						
At 30 June 2021	374,847,351	7,648,000	8,505,000	368,910	2,310,012	393,679,273
At 31 December 2020	374,847,351	7,648,000	8,505,000	326,948	2,395,572	393,722,871

Goodwill:

The above intangible assets include goodwill in the amount of SAR 374.8 million resulting from the acquisition of Care Shield Holding Company and Makkah Medical Center Company. The recorded goodwill was calculated according to the book values of the assets and liabilities of the companies acquired on the date of the acquisition due to the incomplete study of the allocation of the purchase price.

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8. INVESTMENT IN EQUITY

Investment in equity comprises as follows:

	Ownership interest in equity as at 30 June 2021	Ownership interest in equity as at 31 December 2020	Country of operation and incorporation	30 June 2021	31 December 2020
Dr. Mohammed Rashid Al- Faqeeh Company	31.21%	31.21%	Kingdom of Saudi Arabia	98,986,284	119,447,616
Meraas Arabia Medical Holding Company**	17%	17%	Kingdom of Saudi Arabia	37,831,151	37,564,043
				136,817,435	157,011,659

** The total holding percentage including indirect ownership of Dallah Healthcare Company in Meraas Arabia Medical Holding Company is 35%.

i) Dr. Mohammed Rashid Al-Faqih Company

The principal activity of Dr. Mohammed Rashed Al-Faqeeh Company is to own, operate and maintain the hospital and health centers. Dr. Mohammed Rashid Al-Faqih Company owns a hospital in eastern Riyadh City under the name of Dr. Muhammad Al-Faqih Hospital.

On 13 Muharram 1442H (corresponding to 1 September 2020), the operation of the first phase of the hospital began. The hospital has a capacity of 308 beds. The management expects a negative impact during the first two years as a result of the start-up costs and the positive impact of the operation process will begin in 2022.

The movement in equity-accounted investment is as follows:

	30 June 2021	31 December 2020
Balance at the beginning of the period / year	119,447,616	140,951,919
Group's share of loss	(20,461,332)	(21,759,811)
Group's share of other comprehensive income	--	255,508
Balance at the end of the period / year	98,986,284	119,447,616

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

	30 June 2021	31 December 2020
Current assets	29,323,487	22,206,605
Non-current assets	793,802,209	815,652,911
Current liabilities	91,224,039	66,008,639
Non-current liabilities	459,964,830	432,960,723
Loss from continuing operations	(65,560,181)	(69,720,638)
Other comprehensive income	--	818,673
Total comprehensive income	(65,560,181)	(68,901,965)
Equity	271,936,827	338,890,154

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8. INVESTMENT IN EQUITY (CONTINUED)**ii) MERAS Arabia Medical Holding Company**

In the month of February 2020, Dallah Healthcare Company purchased 17% of the ownership investment of MERAS Arabia Medical Holding Company, and recorded investment at fair value through profit and loss.

On 31 August 2020, Dallah Healthcare Company achieved the significant influence over Meras Al Arabia Holding Company, therefore the investment was classified as an investment associate and recorded investment at fair value at that date amounting to SR 37,103,731. As at 30 June 2021 the purchase price allocation study is still in process.

The movement in equity-accounted investment is as follows:

	30 June 2021	31 December 2020
Balance at the beginning of the period / year	37,564,043	--
Transferred from financial assets at fair value through profit or loss	--	37,103,731
Group's share of profit	947,108	472,731
Group share of result from other comprehensive income	--	(12,419)
Dividends received	(680,000)	--
Balance at the end of the period / year	37,831,151	37,564,043

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

	30 June 2021	31 December 2020
Current assets	98,122,142	26,259,368
Non-current assets	106,016,782	92,440,449
Current liabilities	92,437,634	19,153,242
Non-current liabilities	48,644,473	26,828,375
Profit or loss from continuing operation	5,571,225	9,657,601
Other comprehensive income	--	(221,375)
Total comprehensive income	5,571,225	9,436,226
Equity	63,056,817	46,458,832

9. TRADE RECEIVABLES

	30 June 2021	31 December 2020
Trade receivables	633,621,977	657,857,522
Impairment loss allowance (note 9.1)	(68,013,520)	(62,233,775)
	565,608,457	595,623,747

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9. TRADE RECEIVABLES (CONTINUED)

- 9.1 Movement in the allowance for impairment in respect of trade receivables during the period / year was as follows:

	30 June 2021	31 December 2020
Balance at the beginning of the period / year	62,233,775	30,842,609
Acquisition of subsidiaries	--	33,524,567
Charge for the period/ year	8,869,355	11,283,825
Reversal during the period/ year	(404,437)	(4,987,188)
Written-off during the period/ year	(2,685,173)	(8,430,038)
Balance at the end of the period / year	68,013,520	62,233,775

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

10. INVENTORIES

	30 June 2021	31 December 2020
Medical supplies and pharmaceutical items	206,325,502	168,462,456
Provision for obsolete and slow-moving	(5,257,042)	(2,769,613)
	201,068,460	165,692,843

Movement in the provision of obsolete and slow-moving inventory during the period / year was as follows:

	30 June 2021	31 December 2020
Balance at beginning of the period / year	2,769,613	1,060,372
Resulting from the acquisition of subsidiaries	--	1,890,944
Charge for the period/ year	2,538,274	591,198
Written-off during the period/ year	(50,845)	(772,901)
Balance at the end of the period / year	5,257,042	2,769,613

11. CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Cash at banks – current accounts (<i>note 11.1</i>)	188,987,518	129,551,484
Cash in hand	2,014,905	1,092,938
	191,002,423	130,644,422

- 11.1 This represents cash held in current accounts with banks operating in the Kingdom of Saudi Arabia.

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12. MURABAHA FINANCING AND LOANS

	30 June 2021	31 December 2020
Non-current:		
Long -term murabaha finance and loans	1,065,031,353	1,197,890,340
Current:		
Short-term murabaha finance	140,942,368	33,994,936
Current portion of long-term murabaha finance and loan	248,039,486	282,908,990
Total current murabaha finance	388,981,854	316,903,926
Total murabaha financing and loans	1,454,013,207	1,514,794,266

- i) The Group has Murabaha finance contracts with local banks. Murabaha contracts are denominated in Saudi Riyals and bear financial charges based on prevailing market price. Murabaha contracts are obtained to finance the construction of new medical facilities and hospitals under construction. Murabaha contracts are secured by promissory bonds.

Dallah Healthcare Company and its 100% owned subsidiaries as at 30 June 2021, have Murabaha available for use at an amount of SR 2,072 million (31 December 2020: SR 2,160 million), out of which an amount of SR 1,368.7 million was utilized as at 30 June 2021 (31 December 2020: SR 1,426 million), and secured by promissory notes as at 30 June 2021, with a total of SR 2.208 million (31 December 2020: SR 2,208 million).

- ii) The loan balance as at 30 June 2021, includes a loan for the Care Shield Holding Company, a "subsidiary company", amounting to SAR 79.5 million, (31 December 2020: SR 82.2 million), the loan is due to Kingdom Holding Company.

The balance of the loans as of 30 June 2021 includes a loan with the Makkah Medical Centre Company, a "subsidiary company", amounting to about SR 5.8 million, which the company obtained from the Ministry of Finance (31 December 2020: SR 5.9 million), the loan is secured by a mortgage over the hospital's land, buildings on which it is built, medical and non-medical equipment and furniture and furnishings.

The capitalized financing costs related to the Murabaha during the six months ended on 30 June 2021 amounted to SR Nil (30 June 2020: SR 5.1 million).

The financing costs related to the murabaha fixed in the condensed consolidated interim statement of profit or loss during the six months ended 30 June 2021 amounted to SR 17.4 million (during the six months ended 30 June 2020: SR 10.7 million).

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13. REVENUE

	For the six-month period ended 30 June	
	2021	2020
Revenues classification		
Revenue from services	753,240,973	394,790,002
Revenue from sale of medicine	232,253,849	167,375,323
	<u>985,494,822</u>	<u>562,165,325</u>
Timing of Revenue recognition		
Over time	375,233,535	222,882,451
At point in time	610,261,287	339,282,874
	<u>985,494,822</u>	<u>562,165,325</u>

Revenue recorded during the period is net of rejections.

14. DIVIDEND

On 10 Sha'ban 1442H, (corresponding to 23 March 2021), and in accordance with the mandate of the Ordinary General Assembly of the Board of Directors to distribute interim dividends, the Board of Directors of the company decided to distribute cash dividends to shareholders for the second half of the fiscal year 2020, in the amount SR 22,500,000 at SR 0.25 per share. The dividends have been paid on 11 April 2021.

The General assembly meeting of Care Shield Holding Company held on 09 November 2020 declared dividend amounting to SR 10,000,000 for the year ended 31 December 2019. Dividends amounting to SR 5 million was paid on 24 December 2020 and balance of SR 5 million was paid on 19 January 2021.

15. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the profit for the period attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share is same as the basic earnings per share as the Group does not have any dilutive equity instruments and as a result diluted EPS is equal to the basic EPS for the three-month and six-month periods ended 30 June 2021 and 30 June 2020.

	For the Three-month period ended		For the Six-month period Ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Net profit for the period, attributable to owners of the Company	47,544,309	6,993,312	100,153,042	26,235,380
Weighted average number of ordinary shares	90,000,000	85,512,000	90,000,000	85,512,000
Basic and diluted earnings per share	0.53	0.08	1.11	0.31

The number of shares outstanding is 90 million shares, and for the purposes of calculating earnings per share, the weighted average number of shares has been adjusted retrospectively to reflect the effect of the bonus shares issued by the company and the treasury shares that were excluded during the year 2020.

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16. CONTINGENCIES AND COMMITMENTS

Capital commitments

As at 30 June 2021, the Group had capital commitments that mainly relate to the construction contracts of the expansion of Dallah Hospital Al-Nakheel and the construction of Dallah Namar Hospital amounting to SR 68.5 million (31 December 2020: SR 24.6 million).

Contingent liabilities

- i) As at 30 June 2021, the Group has potential liabilities in the form of bank guarantees amounting to SR 78.7 million issued on behalf of the Group in the ordinary course of business (31 December 2020: SR 42.4 million). The bank guarantees include a bank guarantee issued during the year 2018 to a third party on behalf of Dr. Muhammad Al-Faqih Company "an associate company" amounting to SR 17.5 million, expiring on 29 October 2021.
- ii) There are Letter of credits issued by the Group amounting to SR 63.5 million as on 30 June 2021 (31 December 2020: SR 58.2 million).
- iii) There are few legal cases filed by the patients amounting to SR 0.8 million, in the normal course of business, that are currently being settled, but the final outcome of these cases is not certain. Based on the status of these lawsuits as of 30 June 2021, the Group's management believes that sufficient provisions have been recorded.

17. SEGMENTAL INFORMATION

The Group's operations principally consist of one main operating segment, which is hospital services. Accordingly, presenting different segmental information is not considered necessary. Furthermore, the vast majority of the Group's operations are conducted in the Kingdom of Saudi Arabia. However, considering the dynamic environment, management continues to assess its operations and reporting segments.

18. IMPACT OF COVID-19

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

Recently, number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Group continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures.

The Group continues to monitor the impact of the pandemic on the Group's activities. The Group did not find any new important indicators that should be monitored that could lead to changing the assumptions and estimates that were disclosed in the Group's last consolidated financial statements as on 31 December 2020.

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19. SUBSEQUENT EVENTS

No material events occurred subsequent to the reporting date, which could materially affect the condensed consolidated interim financial statements, and the related disclosures for the three-month and six-month periods ended 30 June 2021.

20. DATE OF AUTHORIZATION

These condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on 01 Muharram 1443H (Corresponding to 09 August 2021).