Dallah Healthcare Company

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 AND
INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

To the shareholders of
Dallah Healthcare Company
(a Saudi Joint Stock Company)
Riyadh – the Kingdom of Saudi Arabia
Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Dallah Healthcare Company (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Auditors and Accountants.

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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

<table>
<tr><th colspan="2">Acquisition of subsidiaries</th></tr>
<tr><th>Key audit matter</th><th>How the key audit matter was addressed in our audit</th></tr>
<tr><td>During the year 2020, the Group acquired 58.6% of Care Shield Holding Company and 81.8% of Makkah Medical Centre Company, which previously owned 7.5% resulting in a total ownership 89.4%. The acquisition process was carried out using book values due to the completion of the acquisitions towards the year-end and the purchase price allocation studies were not yet completed.

Acquisitions require a number of important matters, including, determining the date of acquisition , determining the factors that indicate the group’s ability to control the subsidiary, determining the fair value of the consideration transferred, measuring and recording goodwill, measuring and recording the amounts should be recoded for Non-controlling interestsThe acquisition process included determination of a number of significant matters including, the date of starting the control, the factors that indicate the ability to control the subsidiaries, determining the fair value of the transferred consideration, the measurement and recognition of the goodwill and the recognition of the non-controlling interest.

We considered this as a key audit matter due to the material effect on the financial statements, the judgments and estimates that used when applying the accounting for acquisition.</td><td>Our procedures included the following:

• Obtaining the management's assessment for determining the date of control over the acquired subsidiaries and matching the date with the related contracts.
• Auditing the appropriate evidence supporting the existence of the ability to control the acquired subsidiaries, like documents of ownership transfer of shares and transfer of consideration.
• Auditing the basis of measuring transferred consideration at fair value at the date of acquisition and reviewing the supporting documents.
• Recalculating the goodwill and the non-controlling interest
• Assessment for the adequacy of the group's disclosures in line with relevant International Financial Reporting Standards.</td></tr>
<tr><td colspan="2">For more details, refer to notes (3-3 / 4-3 / 10).</td></tr>
</table>

<table>
<tr><th colspan="2">Impairment of construction work-in-progress and intangible assets with indefinite useful lives</th></tr>
<tr><th>Key audit matter</th><th>How the key audit matter was addressed in our audit</th></tr>
<tr><td>As on December 31, 2020 the carrying value of assets under construction amounted SAR 94 million (2019: SAR 365.7 million), and the intangible assets with an indefinite life, except for goodwill as of December 31, 2020 amounted SAR 16.2 million (2019: SAR 16.2 million).

At each reporting date, the Group assesses whether there is any indication that the asset under construction item is impaired, and if any indication exists, the recoverable amount is estimated.

The group also tested the impairment regardless of whether there are indications of impairment for intangible assets with indefinite useful lives. The recoverable value, which represents the fair value minus cost to sell or value in use, whichever is higher.

We considered this a key audit matter because of the judgments and estimates used by management in determining the recoverable amount, which includes assumptions regarding the expected economic conditions, especially growth in the markets in which the group operates are mainly assumptions about Group's major competitors on assumptions of expected income and gross profit margin, and discount rate used in the value in use model.</td><td>Our procedures included the following:
• Evaluate management methodology used in impairment study.
• Review mathematical accuracy of the model used in measuring impairment.
• Evaluate the reasonableness of the key assumptions and compare it with the group data and its current operations.
• Comparing expectations used in the model with the Group historical experience.
• Assessment for the adequacy of the group's disclosures in line with relevant International Financial Reporting Standards. Assessment for the adequacy of the group's disclosures in line with relevant International Financial Reporting Standards.</td></tr>
<tr><td colspan="2">For more details, refer to notes (3-5 / 3-6 / 3-8 / 5/6).</td></tr>
</table>

<table>
<tr><th colspan="2">Revenues from contract with customers</th></tr>
<tr><th>Key audit matter</th><th>How the key audit matter was addressed in our audit</th></tr>
<tr><td>The Group recognized revenues of SAR 1,318 million for the year ended 31 December 2020 (2019: SAR 1,252 million).

Revenue represents in clinical services revenue, retail of pharmacy and cosmetics goods.

We considered this as a key audit matter due to judgement involved in estimating the performance obligation and the assistant of variable considerations, represent mainly insurance Companies’ rejection rates. and that the timing and amount of revenue recognized in a financial period can have a material effect on the Group’s financial performance.</td><td>Our procedures included the following:
• Testing design and effectiveness of the Group's internal control controls over the revenue cycle.
• Evaluating the method of variable considerations calculation related to medical rejections for a sample of insurance companies.
• Evaluating discounts for major customers, by recalculating the granted discounts in accordance with the contractual terms.
• Performs an analytical review of revenue based on sales trends and profit margins.
• Assessment for the adequacy of the group's disclosures in line with relevant International Financial Reporting Standards.</td></tr>
<tr><td colspan="2">For more details, see notes numbers (3-16 / 4-2 / 24).</td></tr>
</table>

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

<u>Responsibilities of management and Those Charged with Governance for the consolidated financial statements</u>

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by Saudi Organization for Auditors and Accountants and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance, in particular the Audit Committee for the Group is responsible for overseeing the Group's financial reporting process.

<u>Auditor's responsibilities for the audit of the consolidated financial statements</u>

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

As part of an audit in accordance with ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the management and with charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

For Dr. Mohamed Al-Amri & Co.

M. A. Al-Amri

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

Riyadh, on: 11 Sha'ban 1442 H
Corresponding to: 24 March 2021 G

Dallah Healthcare Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	As of 31 December 2020 SR	As of 31 December 2019 SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2,417,079,224**	2,102,520,973
Intangible assets	6	**393,722,871**	18,719,692
Investment in associate	7	**157,011,659**	140,951,919
Financial instruments at fair value through other comprehensive income	8	**111,204**	3,584,585
Financial instruments at fair value through profit or	9	**38,319,354**	35,706,967
		3,006,244,312	2,301,484,136
Current assets			
Inventory	11	**165,692,843**	104,534,336
Prepayments and other debit balances	12	**81,799,628**	83,808,296
Due from related parties	13	**2,422,401**	6,595,090
Contract assets	24	**4,838,932**	1,961,722
Trade receivables	14	**595,623,747**	329,354,627
Cash and cash equivalents	15	**130,644,422**	88,326,259
		981,021,973	614,580,330
TOTAL ASSETS		**3,987,266,285**	2,916,064,466
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the company's shareholders			
Share capital	1	**900,000,000**	750,000,000
Statutory reserve - share premium		**61,142,305**	211,142,305
Statutory reserve – transferred from net profit		**36,821,728**	27,109,010
Retained earnings		**762,136,326**	724,696,633
Treasury Shares	1	**-**	(190,452,878)
Cumulative valuation effect of financial instruments at fair value through other		**(392,357)**	(367,096)
Shareholder Equity		**1,759,708,002**	1,522,127,974
Non-controlling interest	16	**90,030,147**	-
Shareholder Equity		**1,849,738,149**	1,522,127,974
Non-current liabilities			
Murabaha financing and loans	17	**1,197,890,340**	839,268,569
Lease liabilities	18	**5,593,191**	5,585,688
Retentions		**-**	468,244
Due to a related parties	13	**3,000,000**	-
Employees benefit liability	19	**203,532,666**	127,942,142
		1,410,016,197	973,264,643
Current liabilities			
Trade payables	20	**193,024,567**	110,878,833
Accrued expenses and other credit balances	21	**133,844,627**	67,408,495
Contract liabilities	24	**15,555,185**	17,212,922
Murabaha financing	17	**33,994,936**	69,647,000
Current portion of long term murabaha and loans	17	**282,908,990**	112,106,343
Lease liabilities	18	**9,245,751**	13,411,227
Short term Retentions		**29,120,476**	24,595,402
Due to related parties	13	**6,764,816**	766,464
Dividend payable	22	**5,000,000**	-
Zakat	23	**18,052,591**	4,645,163
		727,511,939	420,671,849
Total liabilities		**2,137,528,136**	1,393,936,492
Total equity and liabilities		**3,987,266,285**	2,916,064,466

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

Dallah Healthcare Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIL OR LOSS
For the year ended 31 December 2020

	Note	For the year ended 31 December	
		2020	**2019**
		SR	**SR**
Revenues	24	**1,318,253,995**	1,252,088,677
Cost of revenue		**(868,529,130)**	(804,241,290)
Gross profit		**449,724,865**	447,847,387
Selling and marketing expenses	25	**(25,522,478)**	(23,643,138)
General and administrative expenses	26	**(281,447,140)**	(261,957,995)
Expected credit loss provision	12.14	**(17,600,205)**	(7,855,546)
Operating income		**125,155,042**	154,390,708
Other income and expenses, net	27	**35,080,801**	26,444,726
Finance charges	17,18	**(25,403,102)**	(25,097,162)
Group share of loss of associates	7	**(21,287,080)**	(4,112,138)
Net profit before Zakat		**113,545,661**	151,626,134
Zakat	23	**(13,439,154)**	(4,710,182)
Net profit		**100,106,507**	146,915,952
Net profit attributable to:			
Shareholders of the company		**97,127,177**	146,915,952
Non-controlling interest	17	**2,979,330**	-
		100,106,507	146,915,952
Basic and diluted earnings per share attributable to the company's shareholders	29	**1.13**	1.68

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements.

		For the year ended 31 December	
		2020	**2019**
	Note	**SR**	**SR**
Net Profit		**100,106,507**	146,915,952
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change in financial instruments at fair value through other comprehensive income	8	**(25,261)**	(111,203)
Change in fair value of equity previously held in a business combination	8	**11,926,330**	-
Gains on sale of financial instruments at fair value through other comprehensive income	8	**-**	688,855
Actuarial re-measurement for employees benefit liability	19	**(5,482,156)**	(391,123)
The effect of the change in the actuarial valuation of the employee benefit obligation of the associate	7	**243,089**	(96,675)
Other comprehensive income		**6,662,002**	89,854
Attributable to:			
Shareholders of the company		**6,446,851**	89,854
Non-controlling interest		**215,151**	-
		6,662,002	89,854
Comprehensive income		**106,768,509**	147,005,806
Comprehensive income attributable to:			
Shareholders of the company		**103,574,028**	147,005,806
Non-controlling interest	16	**3,194,481**	-
		106,768,509	147,005,806

Dallah Healthcare Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

		Share capital	Statutory Reserve "Share premium"	Statutory reserve "Transferred from net income"	Retained Earnings	Treasury shares	Cumulative valuation effect of financial instruments at fair value through other comprehensive income	Total equity of shareholders of the parent company	Non-controlling property rights	Total equity
For the year ended 31	**Note**	**SR**	**SR**	**SR**	**SR**	**SR**	**SR**			**SR**
Balance as at 1 January 2020		**750,000,000**	**211,142,305**	**27,109,010**	**724,696,633**	**(190,452,878)**	**(367,096)**	**1,522,127,974**	**-**	**1,522,127,974**
Net profit		-	-	-	**97,127,177**	-	-	**97.127.177**	**2.979.330**	**100.106.507**
Other comprehensive income		-	-	-	**6,472,112**	-	**(25,261)**	**6.446.851**	**215,151**	**6,662,002**
comprehensive income		-	-	-	**103,599,289**		**(25,261)**	**103.574.028**	**3,194,481**	**106,768,509**
Bonus share issuing	1	**150,000,000**	**(150,000,000)**	-	-		-	-	-	-
Disposal of treasury shares	1,10-1	-	-	-	**38,435,122**	**190,452,878**	-	**228,888,000**	-	**228,888,000**
Dividends	28	-	-	-	**(94,882,000)**		-	**(94,882,000)**	-	**(94,882,000)**
Transferred to statutory reserve		-	-	**9,712,718**	**(9,712,718)**		-	-	-	-
Non-controlling interest on the date of acquisition of	16	-	-	-	-		-	-	**86,835,666**	**86,835,666**
Balance as at 31 December 2020		**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**
For the year ended 31										
Balance as at 1 January 2019 after adjustment		590,000,000	371,142,305	27,109,010	613,209,624	-	(255,893)	1,601,205,046	-	1,601,205,046
Net Profit		-	-	-	146,915,952	-	-	146,915,952	-	146,915,952
Other comprehensive income		-	-	-	201,057	-	(111,203)	89,854	-	89,854
comprehensive income for the		-	-	-	147,117,009	-	(111,203)	147,005,806	-	147,005,806
Bonus share issuing	1	160,000,000	(160,000,000)	-	-		-	-		-
Purchase of Treasury shares	1	-	-	-	-	(190,452,878)	-	(190,452,878)	-	(190,452,878)
Dividends	28	-	-	-	(35,630,000)	-	-	(35,630,000)	-	(35,630,000)
Balance as at 31 December 2019		750,000,000	211,142,305	27,109,010	724,696,633	(190,452,878)	(367,096)	1,522,127,974	-	1,522,127,974

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements.

Dallah Healthcare Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	For the year ended 31 December 2020 SR	2019 SR
OPERATING ACTIVITIES			
Net profit before zakat		**113,545,661**	151,626,134
Adjustments			
Depreciation of property, plant, and equipment	5	**94,908,597**	92,494,560
Amortization of intangible assets	6	**176,622**	171,120
Employees' benefits provision	19	**23,782,950**	22,132,918
Provision for inventory	11	**591,198**	(61,302)
Provision for Prepayments and other debit balances	12	**11,303,568**	1,881,233
Provision for expected credit loss	14	**6,296,637**	5,974,313
Loss on sale of property, plant, and equipment		**68,127**	85,416
Gain from revaluation of Equity instruments at fair value through profit or loss	9	**(16,385,018)**	(13,385,865)
Group share of loss of associates	7	**21,287,080**	4,112,138
Dividends from investments at fair value through profit or loss		**(2,136,000)**	-
Finance charges	17,18	**25,821,969**	25,097,162
Changes in			
Trade receivables		**(155,808,750)**	20,851,477
Contract assets with customers		**45,999,976**	481,202
Related parties		**(13,562,641)**	(1,740,679)
Prepayments and other debit balances		**14,964,452**	(8,985,381)
Inventory		**(18,964,881)**	(15,700,430)
Accounts payable		**35,888,900**	11,543,636
Contract liabilities with customers		**(1,657,737)**	11,983,121
Accrued expenses and other credit balances		**13,637,661**	(3,455,562)
Retentions		**4,056,830**	21,392,215
Cash flows generated from operation		**203,815,201**	326,497,426
Zakat paid	23	**(4,641,636)**	(7,334,124)
Employees' benefits paid	19	**(15,872,297)**	(12,036,494)
Net cash generated from operating activities		**183,301,268**	307,126,808
INVESTING ACTIVITIES			
Additions to property, plant, and equipment	5	**(129,373,189)**	(201,062,336)
Additions of intangible assets	6	**(280,000)**	-
Proceeds from sale of property, plant and equipment		**-**	28,761
Paid for the acquisition of subsidiaries		**(276,686,130)**	-
Dividends proceeds from disposal of investments at fair value through profit or loss		**2,136,000**	2,437,000
Additions to equity instruments at fair value through profit or	9	**(23,331,100)**	(22,321,102)
Net cash used in investing activities		**(427,534,419)**	(220,917,677)
FINANCING ACTIVITIES			
Change in murabaha and loans		**427,911,099**	896,611,999
Lease Payment	18	**(16,388,809)**	(18,506,179)
Purchase of treasury shares	1	**-**	(190,452,878)
Dividend paid	28	**(94,882,000)**	(123,870,400)
Dividends Paid – Subsidiary	22	**(5,000,000)**	
Finance cost paid		**(25,088,976)**	(24,040,375)
Net cash generated from (used in) financing activities		**286,551,314**	(44,242,007)
Net changes in cash and cash equivalents		**42,318,163**	41,967,124
Cash and cash equivalents at beginning of the year		**88,326,259**	46,359,135
Cash and cash equivalents at end of the year		**130,644,422**	88,326,259
Non-cash transactions			
Increasing capital by issuing bonus shares	1	**150,000,000**	160,000,000
Record asset and liability of financing leases	5	**12,747,015**	43,043,918
Disposal of treasury shares as part of the acquisition		**190,452,878**	-

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements.

1. OVERVIEW

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

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

Activity

The group is engaged in the operation, management and maintenance of health facilities and centers, wholesale and retail trade in medicines, machinery, medical and surgical devices and prosthetics, devices for the disabled, hospital equipment, manufacturing of medicines, pharmaceuticals, herbal and health products, cosmetics, detergents, disinfectants, and packaging in the Kingdom of Saudi Arabia.

Capital

The company's capital as on 2 Safar 1442 (corresponding to 31 December 2020) amounted to an amount of SAR 900 million consisting of 90 million shares with a nominal value of SAR 10 per share (31 December 2019: an amount of SAR 750 million consisting of 75 million shares with a nominal value of SAR 10 Per share).

On 25 Muharram 1442 (corresponding to 13 September 2020) the extraordinary general assembly approved the recommendation of the company's board of directors to increase the company's capital by granting free shares to the shareholders of the company, so that the capital became from SAR 750 million to SAR 900 million (75 million shares to 90 million share). As a result, the capital has been increased by transferring an amount of SAR 150 million from statutory reserve "issuance premium" to the capital. The articles of association are being modified accordingly.

On 21 Jumad Al-Thani 1440 AH (corresponding to February 26, 2019) the Extraordinary General Assembly approved the increase of the company's capital from SAR 590 million to SAR 750 million (59 million shares to 75 million shares) by granting bonus shares of one share for every 3.69 Share. As a result, the capital was increased by transferring an amount of SAR 160 million from statutory reserve "issuance premium" to the capital. On 25 April 2019 the company amended the articles of association accordingly.

All amounts are presented in Saudi Riyals unless otherwise indicated

Treasury shares

On 21 Jumad Al-Thani 1440 (corresponding to 26 February 2019), the Extraordinary General Assembly approved the company's purchase of up to 3,750,000 shares of its shares and keeping them as treasury shares, provided that the financing of the purchase is from the company's own resources, and the Board of Directors is authorized to complete the purchase process in phase one or several stages within a maximum period of twelve months from the date of the extraordinary general assembly's decision. The number of shares purchased reached 3,740,000 shares, with a value of SAR 190,452,878. Thus, the company has completed the purchase of treasury shares within the authorized number according to the approval of the extraordinary general assembly.

In accordance with the resolution of the Extraordinary General Assembly held on 25 Muharram 1442 AH (corresponding to 13 September 2020) and the aforementioned, which includes the approval of granting bonus shares to the shareholders, and since the company owns 3,740,000 treasury shares, it obtained additional treasury shares of 748,000 shares as a share of the bonus shares to become the total Treasury shares are held by the company of 4,488,000 shares, amounting to SAR 190,452,878.

On 29 Rabi Al-Awwal 1442 (corresponding to 15 November 2020) the treasury shares were fully disqualified as part of a share swap to acquire the Care Shield Holding Company (refer to note 10-1).

The Branches

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

All amounts are presented in Saudi Riyals unless otherwise indicated

Subsidiaries

These consolidated financial statements include the company and its subsidiaries (referred to as the "group"). The following is an overview of the subsidiaries:

	Share in equity%				
Name of subsidiary	**As of 31 December 2020**	**As of 31 December 2019**	**Country of operation and commercial register**	**Capital**	**Principal activity**
Dallah Pharma LLC	100%	100%	Kingdom of Saudi Arabia commercial registration No.1010410613	4,0000,000	Pharmaceutical, herbal & cosmetic distribution & manufactory.
Afyaa Al-Nakheel for Supporting Services LLC	100%	100%	Kingdom of Saudi Arabia commercial registration No.1010404576	50,000	Provide manpower & Support services to hospitals and medical centres.
Dallah Namar Hospital Health LLC	100%	100%	Kingdom of Saudi Arabia commercial registration No.1010495218	5,0000,000	Operating, managing, equipping and developing hospitals and healthcare facilities, medical polyclinics, and compounds, owning lands.
Care Shield Holding Company (closed joint stock company) (1)	58.64%	-	Saudi Arabia Commercial Registry No. 1010379441	125,000,000	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
Makkah Medical Center Company (a closed joint stock company) (2)	89.36%	-	Saudi Arabia Commercial Registry No. 4031021286	152,000,000	Practicing the activity of public hospitals

1. As on 29 Rabi` Al-Awwal 1442 (corresponding to 15 November 2020) the Group completed the acquisition of Care Shield Holding Company as subsidiary by acquiring 58.64% of the Company's shares, and the agreed consideration was transferred (refer to note 10-1).

All amounts are presented in Saudi Riyals unless otherwise indicated

Care Shield Company consolidated financial statements include the Company and the following subsidiaries:

The company	Activity	Directly owned percentage	Indirectly owned percentage
Medical Services Projects Company	Establishing and developing private hospitals, medical centers, laboratories, medical services and diagnostic centers. The company's objective includes providing medical services and acquiring investment properties for its development	100%	-
Consulting clinic centre company	Licensed to provide medical services, organize, manage and operate medical centers and hospitals	100%	-
Modern Clinics Pharmacy Company Ltd.	Wholesale and retail trade in medicines and medical preparations.	99%	1%

2. On 07 Jumada I 1442 (corresponding to 22 December 2020), the Group completed the acquisition of Makkah Medical Center Company by purchasing shares equivalent to 78.59% at a value of SAR 161 million in addition to purchasing shares equivalent to 3.26% at a value of SAR 6.7 million. The Company had a previous held interest equivalent to 7.5% of the company's shares, to become the ownership of Dallah HealthCare Company, after the completion of the acquisition, of 89.36% of the shares of Makkah Medical Center Company. The agreed consideration has been transferred (refer to note 10-2).

2. BASIS OF PREPARATION

These consolidated financial statement of the Group have been prepared in accordance with International Financial Reporting Standard “IFRS” that is endorsed in the Kingdom of Saudi Arabia along with other pronouncement issued by Organization

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

- the employee benefit obligation which is measured in accordance with an actuarial valuation using projected credit unit method ;
- Financial instruments at fair value through profit of loss which is measured at fair value.
- Financial instruments at fair value through other comprehensive income which is measured at fair value.

3. Summary of significant accounting policies

3.1 New and amended standards and interpretations are effective

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

3.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

3.3 Basis of consolidation

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

Subsidiaries are companies controlled by the Group. Control of the company is achieved by an investor company only when the following three elements of the company are realized:

- An authority over the invested company means existing rights granted by the ability to direct activities of particular interest to the invested company

- Gain of variable returns or take right

- The ability of the company to use its authority over the investee company and influence its revenues

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

- Contractual arrangements with other voting rights holders in the investee company

- Rights arising from other contractual arrangements

- Special voting rights and any potential voting rights

The Company re-assesses whether it has control over the invested if the facts and circumstances indicate a change in one or more of the three prior control elements.

A subsidiary is consolidated when the exercise of control begins and is discontinued when the control of the subsidiary ceases. The assets, liabilities, income, and expenses of the subsidiary acquired during the period are included in the consolidated financial statements from the date control ceases until such control ceases.

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

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

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

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

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

3.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non- controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in consolidated statement of income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.5 Property, plant and equipment

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

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

Asset under construction is carried at cost less impairment losses, if any, and is not amortized until the assets in the business operation start.

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

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

	2020 Number of years
Buildings	10-55
Leasehold improvements	Shorter of estimated useful life (5) or lease year
Machinery and equipment	3-10
Medical equipment	4-10
Furniture and fixtures	5-10
Vehicles	4

3.6 Intangible assets

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

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

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

Intangible assets with definite useful lives

The period and method of amortization of intangible assets with finite lives are reviewed at the end of each financial period. Changes in the expected useful life or expected manner of amortization of the future economic benefits inherent in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization expense for intangible assets with finite lives is recognized in profit or loss and other comprehensive income is included in the expense category that is consistent with the intangible asset's function.

The Group applies the following annual amortization rates to its intangible assets:

	Number of years
Trade mark	5
Medical licenses	20
Programs	5
Rental rights	Contract life

Intangible assets with indefinite useful lives

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

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

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

3.7 Investment in associates

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

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

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

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

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

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

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

3.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as income immediately in the consolidated statement of income.

3.9 Financial instruments

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

Financial assets

Initial recognition
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
A) Debt instruments at amortised cost
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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

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

Impairment in value of financial assets

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

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

Financial liabilities at amortized cost

Bank borrowings is initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any other interest.

Derecognition of financial liabilities

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

3.10 Inventory

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

3.11 Cash and cash equivalents

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

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

3.12 Equity and reserves

Share Capital

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

Dividends

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

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

Statutory reserve

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

Treasury Shares

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

3.13 Employee Benefits

End of service Benefits

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

The costs of the identified benefits are classified as follows:

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

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

Short-term employee benefits

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

3.14 Murabaha financing costs

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

3.15 Zakat and VAT

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries since 31 December 2009. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or

- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.16 Revenues from Contracts with Customers"

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Based on IFRS 15, for advance from customer or accounts receivable, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

Rendering of clinical services

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

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

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

Sale of goods – Distribution

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

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

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

Rental revenues

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of income.

Others revenues

All other revenues are recognized on an accrual basis

3.17 Provisions and contingent liabilities

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

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

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

3.18 Lease

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

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 re-measurement 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.19 Segmental Reporting

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

3.20 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 the 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 the liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4. Use of significant judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

4.1 judgements

Determination of control

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. The Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

Determining the acquisition date

The acquirer shall identify the acquisition date, which is the date on which it obtains control of the

Acquire The date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquire, the closing date.

The group management has determined that the date of acquisition for the Makkah Medical Center Company is 22 December 2020, and for the purposes of consolidation, the company used the date of 31 December 2020 as a basis for that. The management also specified that the date of control for the Care Shield Holding Company is 15 November 2020. The management relied in determining these dates on the actual execution of the purchase deals, transferring the agreed compensation with the ability to control the acquired business.

Lease

Determining the lease term of contracts with renewal and termination options

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

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

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

Incremental borrowing rate for lease

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

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

4.2 Estimates

Revenues recognition
The application of IFRS 15 has required management to make the following judgements:

Satisfaction of performance obligations
The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

Determination of transaction prices
The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to insurance claims discount or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

Transfer of control in contracts with customers
In case where the Group determines that performance obligation is satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.
Expected medical rejections
The Group is based on the evaluation of medical objections on its previous experience with each individual customer. To anticipate these objections, the Group measures the extent to which customers accept the services and medical goods provided and uses assumptions based on the earliest medical objections and direct negotiations with clients as well as relying on data available in the market and in similar companies.

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

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

Provisions for slow-moving and obsolete inventory

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

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

Provision for expected credit losses

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

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

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

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash- inflows and the growth rate used for extrapolation purposes.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Employees' end-of-service benefits

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Useful lives of property and equipment

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

Dallah Healthcare Company
(A Saudi Joint Stock Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2020
All amounts are presented in Saudi riyals unless otherwise indicated

5. Property, plant and equipment

	Right to use of assets	Land	Buildings	Leasehold Improvements	Machinery and Equipment	Medical Equipment	Furniture and Fixtures	Vehicles	Construction Work in Progress	Total
Cost:										
As at 1 January 2019	-	530,002,199	1,118,907,443	72,823,833	158,680,503	475,615,861	33,585,146	9,019,063	213,191,455	2,611,825,503
Additions	43,043,918	-	327,800	2,156,825	2,670,700	39,098,703	2,428,650	-	154,544,962	244,271,558
Disposals		-	-	(231,470)	(570,000)	(6,992,280)	(157,237)	-	-	(7,950,987)
Transfer	-	-	12,982,967	2,017,292	(12,982,967)	-	-	-	(2,017,292)	-
As at 31 December 2019	43,043,918	530,002,199	1,132,218,210	76,766,480	147,798,236	507,722,284	35,856,559	9,019,063	365,719,125	2,848,146,074
Resulting from the acquisition of subsidiaries	**229,634**	**51,553,750**	**158,826,990**	**900,576**	**17,326,175**	**31,435,488**	**4,643,269**	**43,494**	**2,429,608**	**267,388,984**
Additions	**12,747,015**	**-**	**14,519,091**	**1,602,322**	**7,217,631**	**49,710,693**	**2,455,007**	**941,000**	**53,239,626**	**142,432,385**
Disposals	**(8,199,675)**	**-**	**(415,690)**	**-**	**(316,731)**	**(1,104,828)**	**(122,478)**	**-**	**-**	**(10,159,402)**
Transfer	**-**	**-**	**321,855,469**	**-**	**4,902,000**	**-**	**-**	**-**	**(326,757,469)**	**-**
As at 31 December 2020	**47,820,892**	**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**	**3,247,808,041**
Accumulated Depreciation:										
As at 1 January 2019	-	-	229,635,070	57,827,498	62,725,929	287,483,361	14,293,333	6,661,231	-	658,626,422
Charge for the year	16,443,732	-	18,733,474	6,458,775	6,259,703	41,167,385	2,643,110	788,381	-	92,494,560
Elimination on disposals	-	-	-	(146,598)	(38,000)	(5,171,438)	(139,845)	-	-	(5,495,881)
As at 31 December 2019	**16,443,732**	**-**	**248,368,544**	**64,139,675**	**68,947,632**	**323,479,308**	**16,796,598**	**7,449,612**	**-**	**745,625,101**
Charge for the year	**16,723,295**		**21,143,284**	**5,220,460**	**8,362,851**	**38,514,962**	**4,063,553**	**880,192**	**-**	**94,908,597**
Elimination on disposals	**(7,606,619)**	**-**	**(157,496)**	**-**	**(123,265)**	**(1,885,700)**	**(31,801)**	**-**	**-**	**(9,804,881)**
As at 31 December 2020	**25,560,408**	**-**	**269,354,332**	**69,360,135**	**77,187,218**	**360,108,570**	**20,828,350**	**8,329,804**	**-**	**830,728,817**
Net book value:										
As at 31 December 2020	**22,260,484**	**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**	**2,417,079,224**
As at 31 December 2019	26,600,186	530,002,199	883,849,666	12,626,805	78,850,604	184,242,976	19,059,961	1,569,451	365,719,125	2,102,520,973

The property and equipment resulting from the acquisitions were recorded at book value because the purchase price distribution study was not completed (note 10).

All amounts are presented in Saudi riyals unless otherwise indicated

The allocation of depreciation expense is as follows:

	2020	2019
Cost of Revenue	**90,717,795**	88,679,820
General and administrative expenses (note 26)	**4,190,802**	3,814,740
	94,908,597	92,494,560

Care Shield Holding Company

The above lands include a land for Kingdom Hospital (registered under asset of "Medical Projects Services Company" a subsidiary of "Care Shield Holding Company") and its value as at 31 December 2020 amounted to about SAR 46.7 million, and it includes a part of an area of 11856 square meters consisting of blocks 584 and 585, registered According to the legal title deed No. 761/4 dated 05/03/1403. with the name of His Royal Highness Prince Al-Waleed bin Talal, who confirmed in a letter dated Rabi` Al- Awwal 1442 (corresponding to 18 October 2020) that the land and all facilities on it are owned by Medical Services Projects Company, and the full price has been paid. The title deed is being transfer to the name of Medical Services Projects Company and the Company will continue to use the land until the transfer is complete. The land is under the control of the Company and the Company is entitled to use the land and the associated economic benefits.

Makkah Medical Center Company

The property , plant and equipment includes land, buildings, machines and equipment at Makkah Medical Centre Hospital "a subsidiary company", whose net book value amounted to 55.6 million riyals. These lands and buildings and their equipment are mortgaged as a guarantee for a loan from the Ministry of Finance (refer to note 17).

Asset under construction

The group has the Dallah Namar Hospital project with a maximum capacity of 400 beds and 200 clinics at a total cost of SAR (920) million. The first phase was commissioned on 22 Rajab 1439 H (corresponding to 8 April 2018), with a capacity of 150 beds and 100 clinics.

The group started construction work for the western expansion of Dallah Hospital in Al-Nakhil neighbourhood on the date of 5 Muharram 1439 H, (corresponding to 25 September 2017) with a capacity of 150 beds and 30 clinics. On 12 Safar 1442 H, (corresponding to 29 September 2020) the operation for the expansion began, and its total cost was SAR 351 million.

All amounts are presented in Saudi riyals unless otherwise indicated

6. Intangible assets

	Intangible assets with indefinite useful life			Intangible assets with definite useful lives		
	Goodwill	**Manufacturing licenses**	**Product licenses**	**Programs**	**Rental rights**	**Total**
Cost:						
As at 1 January 2019	5,091,000	10,648,000	11,505,000	-	3,422,270	30,666,270
As at 31 December 2019	**5,091,000**	**10,648,000**	**11,505,000**	**-**	**3,422,270**	**30,666,270**
When acquiring a subsidiary	**374,847,351**	**-**	**-**	**52,450**	**-**	**374,899,801**
Addition	**-**	**-**	**-**	**280,000**	**-**	**280,000**
As at 31 December 2020	**379,938,351**	**10,648,000**	**11,505,000**	**332,450**	**3,422,270**	**405,846,071**
Amortization and Impairment						
As at 1 January 2019	5,091,000	3,000,000	3,000,000	**-**	684,458	11,775,458
Amortization 2019	-	-	-	**-**	171,120	171,120
As at 31 December 2019	**5,091,000**	**3,000,000**	**3,000,000**	**-**	**855,578**	**11,946,578**
Amortization 2020	**-**	**-**	**-**	**5,502**	**171,120**	**176,622**
As at 31 December 2020	**5,091,000**	**3,000,000**	**3,000,000**	**5,502**	**1,026,698**	**12,123,200**
Net book value						
As at 31 December 2020	**374,847,351**	**7,648,000**	**8,505,000**	**326,948**	**2,395,572**	**393,722,871**
As at 31 December 2019	-	7,648,000	8,505,000	-	2,566,692	18,719,692

Goodwill
The above intangible assets include goodwill in the amount of 375 million riyals resulting from the acquisition of Care Shield Holding Company, as on 31 December 2020 G, 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 (refer to note 10).

Impairment in Intangible assets with indefinite useful life
An annual impairment test is performed to ensure that there is no impairment in its value in two different ways depending on the nature of the asset, as follows:

With regard to manufacturing licenses, replacement cost has been used in the impairment test.

With regard to drug licenses, the excess profits method was used, which is based on the distribution of expected future returns among the various assets that contributed to the realization (tangible assets and intangible assets) and this was done by estimating the future expectations of the performance of these products during the next five years through Three different scenarios “optimistic, pessimistic, realistic” and then deducting the contribution of other tangible assets from these profits, then deducting the remaining profits that can be returned to intangible assets at a discount rate equivalent to the weighted average cost of capital after adjusting it by discounting the small size, discounting liquidity, and deducting For company risks, the discount rate ranges between 14.8%, or 17.9%, depending on the scenario used.

With regard to goodwill, the goodwill results from the acquisition of the Care Shield Holding Company and the Makkah Medical Center Company. The acquisition took place at or near the end of the year, and accordingly no impairment test was performed.

The value in use calculation is significantly influenced by the assumptions about the rate of sales growth, inflation and cost of sales used in extrapolating the five-year post-budget cash flows, as well as the factors used in computing the terminal value.

Leasehold Rights

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

All amounts are presented in Saudi riyals unless otherwise indicated

7. Investment in associate

The investment consists of the following:

	Ownership interest (%)		Country of operation and incorporation	Principal activity	As at 31 December	
	As of 31 December **2020**	As of 31 December **2019**			**2020**	**2019**
Dr. Mohammed Rashed Al-Faqeeh Company	**31.21%**	31.21%	Kingdom of Saudi Arabia	Owning, operating and maintaining the hospital and health centers	**119,447,616**	140,951,919
Meraas Arabia Holding Company	**17%**	-	Kingdom of Saudi Arabia	Managing subsidiary companies and providing them with the necessary support	**37,564,043**	-
					157,011,659	140,951,919

Dr. Mohammed Rashid Al-Faqih Company

Dr. Mohammed Rashid Al-Faqih Company owns a hospital in eastern Riyadh under the name of Dr. Muhammad Al-Faqih Hospital.

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

In light of the foregoing, an investment movement in associate companies can be summarized as follows:

	As at 31 December 2020	As at 31 December 2019
Opening balance	**140,951,919**	145,160,732
Share of loss from associate	**)21,759,811(**	(4,590,704)
Share of comprehensive income from associate	**255,508**	(96,675)
Adjustment	**-**	478,566
Closing balance	**119,447,616**	140,951,919

All amounts are presented in Saudi riyals unless otherwise indicated

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

	As at 31 December 2020	**As of 31 December 2019**
Current assets	**22,206,605**	38,914,022
Non-current assets	**815,652,911**	698,574,269
Current liabilities	**66,008,639**	42,397,229
Non-current liabilities	**432,960,723**	287,298,942
Profit or loss from continuing operation	**(69,720,638)**	(14,709,079)
Other comprehensive income	**818,673**	(275,824)
Comprehensive income	**(68,901,965)**	(14,984,902)
Equity	**338,890,154**	407,792,120

Meraas Arabia Holding Company

During the month of February 2020, Dallah Health Services Company purchased 17% of the equity of Meraas Al Arabia Holding Company, and the investment was recorded as a financial instrument at fair value through profit or loss.

As at 31 August 2020 Dallah Health Company achieved the significant influence over Meraas Al Arabia Holding Company, therefore the investment classified as an associate and the investment is recoded at fair value at that date amounting tp SAR 37,103,731.

As at 31 December 2020 the purchase price allocation study was not completed.

The group's share of profit of the associate for the period from the date of significant influence till 31 December 2020 amounted to SAR 472,731.

The summary if investment movement is as follows:

	As at 31 December 2020	**As at 31 December 2019**
Opening balance	**-**	-
Transfer from financial assets at fair value through profit or loss (note 9)	**37,103,731**	-
Share of loss from associate	**472,731**	-
Share of comprehensive income from associate	**(12,419)**	-
Closing balance	**37,564,043**	-

All amounts are presented in Saudi riyals unless otherwise indicated

The total amounts of some financial information of the associate can be summarized as follows:

	As at 31 December 2020	**As at 31 December 2019**
Assets	**26,259,368**	26,346,299
Non-current assets	**92,440,449**	83,772,616
Current liabilities	**19,153,242**	19,705,921
Non-current liabilities	**26,828,375**	21,046,589
Profit from continuing operations	**9,657,601**	5,227,681
Other comprehensive income	**(221,375)**	341,731
Comprehensive income	**9,436,226**	5,569,412
Property rights	**46,458,832**	43,020,106

In the opinion of management, there was no decrease in the carrying value of the investment in the associate as at the reporting date.

8. Financial instrument at fair value through other comprehensive income

	Country	**Ownership %**	**As at 31 December 2020**	**Ownership %**	**As at 31 December 2019**
Unquoted:					
Jordanian Pharmaceutical Manufacturing Company	Jordan	0,4٪	**111,204**	0,4٪	136,465
Makkah Medical Canter Company	Saudi Arabia		**-**	7,5٪	3,448,120
			111,204		3,584,585

Makkah Medical Center Company

The group owned 7.5% of Makkah Medical Center and it was recorded as an investment in equity instruments at fair value through other comprehensive income.

As on 07 Jumada Al-Awwal 1442 (corresponding to 22 December 2020), Dallah Health Services Company controlled Makkah Medical Center (refer to note 10-2) consequently, the previously held interest as an financial instrument at fair value through other comprehensive income was re-evaluated at fair value at the date of the acquisition, this has resulted in unrealized profits of SAR 11.93 million.

Al-Ahsa Medical Services Company

During the year 2019, the company sold its interest e in Al-Ahsa Medical Services Company, which was recoded in unquoted investments of 162,500 shares, against SAR 2,437,000, which resulted in a profit amounted SAR 688,855, which was included in other comprehensive income.

All amounts are presented in Saudi riyals unless otherwise indicated

9. Financial instruments at fair value through profit or loss

	As at 31 December	
	2020	**2019**
MEFIC Private Equity Opportunities Fund 3	**38,319,354**	35,706,967
	38,319,354	35,706,967

MEFIC Private Equity Opportunities Fund 3

As of 16 Jumada Al-Awwal 1442 (corresponding to 31 December 2020) the company owns 41.6% (31 December 2019: 41.6%) of the units of the MEFIC Private Equity Opportunities Fund 3, the goal of the fund is to achieve a high return on capital in the long term and to invest in the health sector.

During the third quarter of 2020, the company increased its investment in MEFIC Private Equity Opportunities Fund 3 by a value of 2,591,100 Saudi riyals, which represents the company's share of the increase in the number of fund units. The company's ownership percentage in the fund's units was not affected by this increase. The company obtained dividends of 1,116,000 Saudi riyals, which were invested to increase the capital of the fund.

The movement of financial assets at fair value through profit or loss is as follows:

	As at 31 December 2020	As at 31 December 2019
Opening balance	**35,706,967**	-
Additions	**2,591,100**	22,321,102
Valuation at fair value	**21,287**	13,385,865
Closing balance	**38,319,354**	35,706,967

Meraas Arabia Holding Company

During the year ended on Jumada Al-Awwal 16, 1442 (corresponding to December 31, 2020) Dallah Healthcare Company acquire 17% of the ownership in Meraas Al Arabia Holding Company amounted SAR 20,740,000. During the year Dallah Healthcare Company obtained significant influence over Meraas Arabia Holding Company, accordingly the investment evaluated at fair value at the date of obtaining significant influence, resulting a profits amounting to SAR 16,363,731 and the investment was classified as an associate (see note 7).

The Company obtained dividends from Meraas Arabia Holding Company, amounting to SAR 1,020,000 for the period before the transformation into an associate company.

The movement of financial assets at fair value through profit or loss is as follows:

	As at 31 December 2020	As at 31 December 2019
Opening balance	**-**	-
Additions	**20,740,000**	-
Revaluation at fair value	**16,363,731**	-
Transfer an investment to an associate (note 7)	**(37,103,731)**	
Ending balance	**-**	-

10. Business combination

10.1 Care Shield Holding Company

In light of the Memorandum of Understanding (MOU) between Dallah Healthcare Company and Kingdom Investment and Development Company related to the process of exchanging the shares owned by Kingdom Investment and Development Company in the Care Shield Holding Company Ltd. for shares in Dallah Health Services Company in addition to a cash consideration. On 22 Ramadan 1441 (corresponding to 15 May 2020) the company signed final sale and purchase agreements according to which the company acquires 58.64% of the shares of Care Shield Holding Company Ltd. that was previously owns by Kingdom Hospital and Consulting Clinics:

- An agreement with the Kingdom for Investment and Development Company to buy 6,820,320 shares in the Care Shield Holding Company Ltd. (representing 54.56% of the capital) for a value of SAR 300 million, in exchange for:

(1) Swap 4,488,000 shares, representing all of the treasury shares of Dallah Health care Company, (representing 4.2% of the capital) with a value of SAR 186 million, and

(2) For cash of SAR 114 million.

- An Agreements with two shareholders in the Care Shield Holding Company Ltd. to purchase 509,260 shares in the company (representing Percentage of 4.08% of the capital) with a cash equivalent of SAR 22 million.

On 29 Rabi Al-Awwal 1442 (corresponding to 15 November 2020) the above agreements were implemented and the settlement agreed upon between the two parties was transferred.

The management was not able to complete the purchase price allocation study for the acquisition that the Company carried out during the year. IFRS 3 requires that the purchase price allocation study be completed within a year. Accordingly, the company will, during the coming financial periods, complete the study of purchase price allocation and effect in the financial when the study is completed As permitted in IFRS 3, amendments will be made retrospectively.

The Group recognizes non-controlling interest in the Care Shield Holding Company, in proportion to its identifiable net assets.

All amounts are presented in Saudi riyals unless otherwise indicated

The assets and liabilities that were recognized as a result of the acquisition are as follows:

	Book value as the date of acquisition November 15, 2020
Non-current assets	
Property, plant and equipment	211,607,080
Intangible assets	52,449
	211,659,529
Current Assets	
Inventory	32,408,354
Prepaid expenses and other debit balances	22,353,538
Due from related parties	31,500
Assets contracts with clients	48,877,186
Trade receivables	70,801,691
Cash and cash equivalents	25,079,064
	199,551,333
Total Asset	411,210,862
Non-current liabilities	
Long-term murabaha	60,000,000
Employee benefits commitment	53,166,197
	113,166,197
Current Liabilities	
Trade payables	32,116,193
Due to related parties	20,482,832
Accrued expenses and other credit balances	39,569,668
Dividends payable	10,000,000
Zakat	3,600,883
	105,769,576
Total liabilities	218,935,773
Net fair value of identifiable assets	192,275,089
Total acquisition cost (deduct):	
Monetary compensation	136,926,809
The fair value of the treasury shares transferred at the date of acquisition	228,888,000
The fair value of non-controlling interests at the date of acquisition	79,524,977
	445,339,786
Goodwill	253,064,697

All amounts are presented in Saudi riyals unless otherwise indicated

10.2 Makkah Medical Center Company

On Dhul Qi'dah 9, 1441 AH, corresponding to June 30, 2020, the Company signed a final agreement to acquire shares in Makkah Medical Center Company, with a value of SAR 161 million, representing 78.59% of its shares. In addition to contracts with other owners to acquire shares of 3.26% amounted toSAR 6.7 million, on December 22, 2020, the Group obtained the control over Makkah Medical Center Company.

The management was not able to complete the purchase price allocation study for the acquisition that the Company carried out during the year. IFRS 3 requires that the purchase price allocation study be completed within a year. Accordingly, the company will, during the coming financial periods, complete the study of purchase price allocation and effect in the financial when the study is completed As permitted in IFRS 3, amendments will be made retrospectively.

	Book value as on the date of acquisition 15 November 2020
Non-current assets	
Property, plant and equipment	55,807,691
	55,807,691
Current Assets	
Inventory	10,376,470
Prepaid expenses and other debit balances	1,905,812
Trade receivables	45,955,316
Cash and cash equivalents	2,968,612
	61,206,210
Total Asset	117,013,901
Non-current liabilities	
Long-term murabaha	3,907,472
Long-term lease commitment	24,966
Due to a related non-current party	3,000,000
Employee benefits commitment	9,031,518
	15,963,956
Current Liabilities	
Trade payables	14,140,641
Accrued expenses and other credit balances	8,595,592
The current portion of long-term murabaha	1,953,783
Short-term lease commitment	137,625
Due to related parties	3,282,350
Other allocations	2,660,000
Zakat	1,570,473
	32,340,464
Total liabilities	48,304,420
Net fair value of identifiable assets	68,709,481
Total acquisition cost (to be deducted):	
Monetary compensation	167,806,997
The value of non-controlling equity at the date of acquisition	7,310,688
The fair value of the equity shares of the previously held subsidiary	15,374,450
	190,492,135
Good will	121,782,654

All amounts are presented in Saudi riyals unless otherwise indicated

11. Inventory

	As of 31 December 2020	As of 31 December 2019
Medicines	**106,033,948**	82,470,438
Raw materials	**12,152,202**	8,977,730
Medical consumables and cosmetics	**24,924,016**	5,601,306
Medical supplies	**15,554,269**	3,349,312
Others	**9,798,021**	5,195,922
	168,462,456	105,594,708
Less: Provision for slow moving items	**(2,769,613)**	(1,060,372)
	165,692,843	104,534,336

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

	For the year ended 31 December 2020	2020
1 January	**1,060,372**	1,615,337
Resulting from the acquisition of subsidiaries	**1,890,944**	-
Charge for the year	**591,198**	31,898
Reverse	**-**	(93,200)
Write-off	**(772,901)**	(493,663)
31 December	**2,769,613**	1,060,372

12. Prepayment and other debit balances

	As of 31 December 2020	As of 31 December 2019
Advances to suppliers	**57,212,891**	43,757,003
Prepayments	**23,192,263**	12,865,558
Employees' loans	**4,262,712**	6,803,339
LC and LG Margin	**2,584,713**	12,130,125
Human Resources development Fund	**594,588**	3,844,014
Others	**10,216,462**	12,536,567
	98,063,629	91,936,606
Less: The provision	**(16,264,001)**	(8,128,310)
	81,799,628	83,808,296

The summary for the movement of provision:

	For the year ended 31 December 2020	2019
1 January	**8,128,310**	6,247,077
Additions	**11,303,568**	1,881,233
Write-off bad debts	**(3,167,877)**	-
31 December	**16,264,001**	8,128,310

All amounts are presented in Saudi riyals unless otherwise indicated

13. Related parties

The group carries out, within the framework of its normal activity, business with other companies that fall within the framework of the relevant parties mentioned in the International Financial Reporting Standards. These operations are carried out in the normal course of business and are measured by the exchange amounts, which are the amounts agreed upon between the two parties.

Sales to, and purchases from, the relevant parties are made on terms similar to those made under fair dealing conditions.

Related parties to the group include key management personnel, subsidiaries, associates and others, as described below.

Advantages of key management

	For the year ended 31 December	
	2020	**2019**
	SR	SR
Salaries and bonuses for Group's executive directors	**9,252,116**	9,065,012
Board of directors' remuneration (Note 26)	**3,572,476**	3,211,905

Due from related parties

	Relation	Nature of transaction	Transactions for year ended 31 December 2020	Transactions for year ended 31 December 2019	Balance as of 31 December 2020	Balance as of 31 December 2019
Adaptive TechSoft	Owned partially by shareholder	Technical Support	**-**	1,849,863	**-**	5,096,706
Dallah Al-Barakah Holding	shareholder	Medical service	**335,883**	301,016	**301,195**	293,016
Dr Mohammed Al-Faqih Hospital	Associate company	Technical Support and Medicines sales	**882,071**	636,538	**1,440,685**	636,538
Al-Mashfa Medical	Owned by Relatives for board member	Medical services	**982,390**	922,121	**649,021**	568,830
Kingdom School	Relatives for board member	Engineering consulting	**-**	-	**31,500**	-
Dr. Khalid Al-Faqih	Relatives for board member	Consulting engineer	**585,484**	328,880	**-**	-
					2,422,401	6,595,090

All amounts are presented in Saudi riyals unless otherwise indicated

Due to related parties

			Transactions for year ended 31 December		Balance as of 31 December	
Current	**Relation**	**Nature of transaction**	**2020**	**2019**	**2020**	**2019**
Adaptive TechSoft	Owned partially by shareholder	Technical Support	**245,625**		**245,625**	-
Dareen Travel Agency	Owned partially by shareholder	Travel tickets	**2,230,852**	5,726,349	**476,281**	743,174
Eng. Tarek Alkasabi	Chairman	Consulting management	**668,382**	1,147,596	**-**	-
Dallah Trading	Owned by shareholder	Maintenance	**-**	169,614	**-**	-
Kingdom Holding Company	A former investor in a subsidiary	Finance charge	**4,152,225**	1,350,373	**2,737,270**	-
Al-Hikma Medical Specialist Company Ltd. (1)	A former investor and Owned by a shareholder in Subsidiary	Payments	**-**	-	**3,282,350**	-
Others	Others	Medical service	**-**	-	**23,290**	23,290
					6,764,816	766,464
Non-Current						
Al-Hikma Medical Specialist Company Ltd. (1)	A former investor and Owned by a shareholder in Subsidiary	Payments	-	-	**3,000,000**	-
					3,000,000	-

(1) The balance is the remainder of the amount owed by the Makkah Medical Center Company "a subsidiary" to a former investor in the company, and according to an agreement between the two parties, the amount is paid in 5 equal annual payments, and the payments are due at the end of each year from 2019 to 2023.

All amounts are presented in Saudi riyals unless otherwise indicated

14. Trade receivables

	As of 31 December 2020	As of 31 December 2019
Trade receivables	**657,857,522**	360,197,236
Less: Provision for expected credit losses	**(62,233,775)**	(30,842,609)
	595,623,747	329,354,627

The summary of movement for Provision for expected credit losses

	For year ended 31 December 2020	31 December 2019
Opening balance at 1 January	**30,842,609**	24,868,296
Resulting from the acquisition of subsidiaries	**33,524,567**	-
Charge	**11,283,825**	14,440,953
Reversal	**(4,987,188)**	(8,466,640)
Written off	**(8,430,038)**	-
Closing balance	**62,233,775**	30,842,609

Indicators of impairment in the value of all trade receivables have been reviewed. In the opinion of management, there has been no decrease in the carrying value of trade receivables other than those mentioned as the provision for expected credit losses.

15. Cash and cash equivalent

	As of 31 December 2020	As of 31 December 2019
Cash at banks	**129,551,484**	87,504,182
Cash on hand	**1,092,938**	822,077
	130,644,422	88,326,259

16. Non-controlling interest

The following is a statement of the movement in the non-controlling interests of the subsidiaries:

	Care Shield Holding Company	Makkah Medical Center Company	As of 31 December 2020
Opening balance	-	-	-
Non-controlling interest arising from the acquisition of subsidiaries	**79,524,977**	**7,310,689**	**86,835,666**
Share of net profit for the period	**2,979,330**	-	**2,979,330**
Share of other comprehensive income	**215,151**	-	**215,151**
Ending balance	**82,719,458**	**7,310,689**	**90,030,147**

The non-controlling interest resulting from the acquisitions appeared at book value due to the incomplete distribution of the purchase price (note 10).

17. Murabaha financing & loans

	As of 31 December 2020	As of 31 December 2019
Non-current		
Long -term murabaha finance & loans	**1,197,890,340**	839,268,569
Current		
Short-term Murabaha Finance	**33,994,936**	69,647,000
Current portion of long-term murabaha & loans	**282,908,990**	112,106,343
Total current murabaha and loans	**316,903,926**	181,753,343
Total murabaha and loans	**1,514,794,266**	1,021,021,912

The Group has bank murabaha agreements with a number of local banks. Murabaha contracts in Saudi riyals and carry financial charges in general on the basis of the prevailing market price. Murabaha contracts with the aim of financing the construction of new medical facilities and hospitals under construction with working capital financing. Murabaha contracts are secured by promissory notes.

Dallah Health care Company and its 100% owned subsidiaries as on 31 December 2020 have murabahah available for use at an amount of SAR 2,160 million (31 December 2019: SAR 1,618 million), which is used as of 31 December 2020, about SAR 1,426 million (31 December 2019: SAR 1,020 million), and secured by promissory notes as on 31 December 2020, with a total of SAR 2,208 million (2019: SAR 1,798 million).

The loan balance as of 31 December 2020 includes a loan for the Care Shield Holding Company, a "subsidiary company", amounting to SAR 82.2 million, including interest. The loan is due to Kingdom Holding Company. During the year 2020, an arbitration was conducted by a third party regarding the historical loan arrangements. The arbitrator recommended additional interest of SAR 1.4 million, which was recognized and recorded, in addition to the interest charged during the year of SAR 2.7 million.

The balance of the loans as of 31 December 2020 includes a loan with the Makkah Medical Centre Company, a "subsidiary company", amounting to about SAR 5.8 million, which the company obtained from the Ministry of Finance on 6 Rabi` Al-Akhir 1412 (corresponding to 13 October 1991) according to the contract concluded between the company and the Ministry of Finance for the purpose of constructing a hospital building and buildings. Staff accommodation, the total loan granted to the company amounted to SAR 42.59 million, from which the company received SAR 36.31 million, provided that the payment is made in 16 annual instalments. Rabi` Al-Akhir 1431 H (corresponding to 21 March 2011). The Ministry of Finance agreed to postpone the payment of the first instalment to 27 Dhu al-Hijjah 1423 (corresponding to March 1, 2003) and the company did not pay the instalments on the due date.

On 8 Jumada Al-Ula 1425 (corresponding to 26 June 2004) the approval of the Ministry of Finance was issued by letter No. 9/4/29502 on the following:

- Scheduling the remainder of the loan balance over 20 years starting from the year 1426 H (2006), so that the annual instalments for the first five years is SAR 1 million annually and the remaining amount over fifteen years in equal instalments of SAR 1.95 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 equipment, and furniture and furnishings.

The financing costs related to the capitalized murabaha during the year 2020 amounted to SAR 9.96 million (2019: SAR 11 million).

The financing costs related to the murabaha fixed in the consolidated profit or loss for the year 2020 amounted to SAR 24.7 million (2019: SAR 24.04 million).

All amounts are presented in Saudi riyals unless otherwise indicated

18. Lease Contracts

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

	For the year ended 31 December	
Lease Liability	**2020**	**2019**
Balance at start of period/year	**18,996,915**	-
Acquisition of subsidiary companies	**162,591**	-
Addition during the year	**12,584,231**	36,446,307
Finance charges	**732,993**	1,056,787
Adjustments	**(1,248,979)**	-
Paid	**(16,388,809)**	(18,506,179)
Balance at end of year	**14,838,942**	18,996,915
Divided into		
Long-term lease liability	**5,593,191**	5,585,688
Short-term lease liability	**9,245,751**	13,411,227
	14,838,942	18,996,915

The Group has recognized lease liability and interest expense using an incremental borrowing rate, which is the rate of return it expects to use in order to borrow the necessary financing for a similar term of the leases, with the same collateral.

Leases do not contain any covenants, but the leased assets may not be used as security for borrowing purposes.

19. Employee benefits

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

	As of 31 December	
	2020	**2019**
Balance at 1 January	**127,942,142**	117,454,595
Resulting from the acquisition of subsidiaries	**62,197,715**	-
Included in Consolidated profit or loss		
Current service cost	**19,323,861**	17,050,471
Finance cost	**4,459,089**	5,082,447
Included in Consolidated OCI		
Actuarial valuation	**5,482,156**	391,123
Paid	**(15,872,297)**	(12,036,494)
Balance at the end of the year	**203,532,666**	127,942,142

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

	As of 31 December	
	2020	**2019**
Discount rate	From 2.4% to 4%	3.86%
Future salary growth	From 1% to 2.6%	2.8%

All amounts are presented in Saudi riyals unless otherwise indicated

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

	As of 31 December 2020		As of 31 December 2019	
	Liability amount SR	Change Rate	Liability amount SR	Change Rate
Discount factor				
+0.5%	**193,643,055**	(5%)	119,501,225	(6.6 %)
-0.5%	**214,355,684**	5.3%	134,288,016	5 %
Future salary growth				
+0.5%	**214,332,631**	5.3%	131,753,976	3 %
-0.5%	**193,533,257**	(5%)	117,354,549	(8.3 %)

20. Trade payables

	As of 31 December	
	2020	**2019**
Medicine suppliers	**92,631,686**	69,889,841
Medical equipment suppliers	**56,510,727**	23,952,139
General and administrative suppliers	**20,452,022**	11,889,024
Catering suppliers	**3,151,733**	1,716,182
Spare parts suppliers	**2,599,313**	1,606,926
Others	**17,679,086**	1,824,721
	193,024,567	110,878,833

21. Accrued expenses and other credit balances

	As of 31 December	
	2020	**2019**
Vacations and Accrued Tickets	**35,165,451**	24,290,380
Employees Accruals	**20,363,462**	2,560,043
Employees' Benefits	**15,454,928**	8,137,783
Value Added Tax	**12,397,883**	1,133,005
Accrued finance charges	**12,384,103**	3,145,649
GOSI Accruals	**2,385,203**	1,574,225
Accrued Revenues	**1,289,879**	7,680,314
Customs accrual	**2,660,000**	-
Other Accrued Expenses	**31,743,718**	18,887,096
	133,844,627	67,408,495

22. Dividends payable

On 23 Rabi Al-Awwal 1442 (corresponding to 9 November 2020) the General Assembly of the subsidiary Company, Care Shield Holding Company, decided to distribute dividends in the amount of SAR 10 million for the year ending on 31 December 2019 dividends of SAR 5 million were paid on 24 December 2020 and the rest of the amount was paid on 19 January 2021.

All amounts are presented in Saudi riyals unless otherwise indicated

23. Zakat

The following table shows the balance of zakat provision as at the reporting date

	As of 31 December	
	2020	**2019**
Dallah Healthcare Company and its 100% owned subsidiaries	**12,542,594**	4,645,163
Subsidiaries owned less than 100%	**5,509,997**	-
	18,052,591	4,645,163

Dallah Healthcare Company

	As of 31 December	
	2020	**2020**
Zakat base		
Shareholders' equity	**1,656,501,070**	1,287,137,661
Provisions	**146,776,519**	141,527,077
Loans used in financing non-current assets	**1,203,102,894**	845,322,501
Adjusted net income	**143,934,889**	185,806,532
	3,150,315,372	2,459,793,771
Less: Property, plant and equipment, net	**(2,146,828,921)**	(2,077,309,964)
Investments	**(732,904,503)**	(180,541,738)
Intangible assets	**(18,548,572)**	(18,719,692)
Zakat base	**252,033,376**	183,222,377
Zakat	**6,422,830**	4,645,163

	As of 31 December	
Adjusted net income	**2020**	**2019**
Net profit before tax	**105,575,625**	151,626,134
Adjustments	**38,359,264**	34,180,398
Adjusted net income	**143,934,889**	185,806,532

Dallah Healthcare Company submits tax returns on time.

The company obtained zakat assessments for the years from 2014 until 2018, with differences of SAR 19.7 million, and the objection and appeal are underway and the company did not receive zakat assessments. The company's management and its zakat advisor believe that the company's position is strong and the company has a great opportunity to accept the objections submitted..

Makkah Medical Centre Company

The financial statements and the zakat declaration for the year ended 31 December 2019 were submitted to the General Authority for Zakat& the company did not receive zakat assessments.

All amounts are presented in Saudi riyals unless otherwise indicated

Care Shield Holding Company

The company submitted its zakat declaration for the years from 2013 until 2019, and the company has not received the final assessments for these years yet. The subsidiaries filed their zakat returns for all years up to 31 December 2019. It was agreed that the Zakat assessment for the subsidiary companies will be concluded with the General Authority for Zakat and Income until the year ending on 31 December 2016 for Medical Projects Services Limited. During the year 2019 G, the General Authority for Zakat and Income issued additional zakat assessments to the company for the years from 2010 to 2016, in the amount of SAR 0.42 million.

24. Contracts with customers

	For the year ended 31 December	
	2020	**2019**
Revenues classification		
Revenue from services	**965,031,960**	942,118,502
Revenue from sale of medicines	**353,222,035**	309,970,175
	1,318,253,995	1,252,088,677
Timing of Revenue recognition		
Over time	**501,943,671**	452,347,919
At a point in time	**816,310,324**	799,740,758
	1,318,253,995	1,252,088,677

Contracts Balances	As of December 31	
	2020	**2019**
Trade receivables (Note 14)	**595,623,747**	329,354,627
Contract assets	**4,838,932**	1,961,722
Contract liabilities	**15,555,185**	17,212,922

Contract assets

Contract assets relate to unbilled revenue. The balance of this account varies and depends on the number of continuous services not billed at the end of the year. There is no provision for expected credit losses on contract assets due to near maturity dates.

The contract liability

Contract obligations are mainly represented in deducting transaction volume to clients, which is based on their contractual terms.

25. Selling and marketing expenses

	For the year ended 31 December	
	2020	**2019**
Advertising and promotions	**11,154,536**	16,061,092
Salaries, wages and benefits	**7,599,589**	4,697,800
Marketing incentives	**2,736,932**	662,500
Others	**4,031,421**	2,221,746
	25,522,478	23,643,138

All amounts are presented in Saudi riyals unless otherwise indicated

26. General and administrative expenses

	For the year ended 31 December	
	2020	**2019**
Salaries, wages and benefits	**202,874,815**	196,793,255
Material	**17,203,219**	15,270,912
Professional fees	**16,774,645**	4,452,158
Maintenance and services	**6,501,855**	7,078,459
Utilities	**6,574,356**	5,695,971
Board of Directors and related committees' remunerations (note 13)	**3,572,476**	3,211,905
Depreciation (Note 5)	**4,190,802**	3,814,740
Insurance	**2,910,306**	2,674,957
Permissions and licenses	**2,318,771**	2,284,541
Stationery	**2,218,564**	1,806,929
Rentals	**1,234,999**	-
Training and development	**600,679**	1,516,322
Provision for slow moving items (Note 11)	**591,198**	(61,302)
Other	**13,880,455**	17,419,148
	281,447,140	261,957,995

27. Other income and losses

	For the year ended 31 December	
	2020	**2019**
Gain on valuation of financial instrument profit and loss (Note 9)	**16,385,018**	13,385,865
Rentals	**4,545,510**	4,122,197
Scientific support	**3,660,000**	3,777,451
Food	**3,274,883**	3,245,227
Dividend receivable (Note 9)	**2,136,000**	-
Infants' milk Subsidy	**759,772**	419,265
Loss on sale of property plant and equipment	**(68,127)**	(85,416)
Other	**4,387,745**	1,580,137
	35,080,801	26,444,726

28. Meetings, and significant decisions

On 10 Sha'ban 1442 AH, (corresponding to 23 March 2021), 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.

On 29 Rabi` Thani 1442 (corresponding to 14 December 2020) 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 first half of the fiscal year 2020 in the amount of SR 45,000,000 at SR 0.5 per share. Profits were distributed in the fourth quarter of 2020.

On 2 Rajab 1441 (corresponding to 26 February 2020) and in accordance with the mandate of the Ordinary General Assembly of the Board of Directors to distribute interim dividends, the Company's Board of Directors decided to distribute cash dividends to shareholders for the second half of the fiscal year 2019, amounting to SR 52.500,000 at SR 0.5 per share. Profits were distributed in the second quarter of 2020 in the amount of SAR 49.882,000 after deducting treasury shares.

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On 11 Nov 2019, corresponding 11 Rabi` AlAwal 1441 H, the Board of Directors decided to distribute cash dividends to the shareholders of the company for the first half of the fiscal year 2019 amounting to SR 37,500,000 at SR 0.5 per share. Dividends payed during the fourth quarter of 2019. in the amount of SR 35,630,000 after deducting the share of the treasury shares.

29. Basic and diluted earnings per share from profits

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

	As of 31 December 2020	**As of 31 December 2019**
Net profit attributable to the shareholders of the company	**97,127,177**	146,915,952
Weighted average of outstanding shares	**86,077,611**	87,584,673
Basic and diluted earnings per share	**1.13**	1.68

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.

30. Contingencies and commitments

Capital commitments

As of 31 December 2020 the Group has capital commitments mainly related to the construction contracts for the expansion of Dallah Al-Nakheel Hospital, and the construction of Dallah Namar Hospital, amounting to SR 24.6 million (31 December 2019: SR 117.5 million).

Contingent liabilities

As of 31 December 2020, the Group has potential liabilities in the form of bank guarantees amounting to SR 42.4 million issued on behalf of the Group in the ordinary course of business (31 December 2019: SAR 37.4 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 SAR 17.5 million, expiring on 29 October 2021.

There are documentary credits issued by the group amounting to SAR 58.2 million as on December 31, 2020 (December 31, 2019: SAR 35.9 million).

There are some legal issues, in the normal course of business, that are currently being settled, but the final outcome of these cases is not certain. Management does not expect that the results of these cases will be material to the group's consolidated financial statements.

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

31.1 Classification of financial liabilities

Financial assets	**As at 31 December**	
Financial assets at amortized cost	**2020**	**2019**
Due from related parties	**2,422,401**	6,595,090
Contract Assets with customers	**4,838,932**	1,961,722
Trade receivables	**595,623,747**	329,354,627
Employees' loans	**4,262,712**	6,803,339
LC and LG margin	**2,584,713**	12,130,125
Cash and cash equivalents	**130,644,422**	88,326,259
Financial assets at fair value		
Equity instruments at fair value through other comprehensive income	**111,204**	3,584,585
Equity instruments at fair value through Profit and loss	**38,319,354**	35,706,967
Financial liabilities		
Financial liabilities at amortized cost		
Long Term Murabaha Financing	**1,197,890,340**	839,268,569
Long term lease liability	**5,593,191**	5,585,688
Long term Retentions	**-**	468,244
Trade payables	**193,024,567**	110,878,833
Contract liabilities with customers	**15,555,185**	17,212,922
Short Term Murabaha Financing	**33,994,936**	69,647,000
Current portion of long term Murabaha financing	**282,908,990**	112,106,343
Short term lease liability	**9,245,751**	13,411,227
Short term Retentions	**29,120,476**	24,595,402
Due to non-current related parties	**3,000,000**	-
Due to Related Parties –current portion	**6,764,816**	766,464
Dividend payable	**5,000,000**	-
Accrued expenses and other credit balances	**87,043,026**	47,388,394

31.2 Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

All assets and liabilities measured at fair value or disclosed in the financial statements are classified in the hierarchy of fair value levels. The following is an explanation:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable

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

	As of 31 December 2020		
	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through Other comprehensive income	**111,204**	**-**	**-**
Financial assets at fair value through profit or loss	**-**	**-**	**38,319,354**
	As of 31 December 2019		
	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through Other comprehensive income	136,465	-	3,448,120
Financial assets at fair value through profit or loss	-	-	35,706,967

31.3 Risk Management

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

(A) Foreign currency risk

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

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(B) Credit risk

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

The carrying amount of financial assets represents the maximum exposure to credit risk,

Trade receivables, contracts assets and due from related parties

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

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

	As at 31 December 2020	As at 31 December 2019
Trade receivables		
Not more than six months	**458,289,873**	196,684,425
Over six months but less than one year	**84,595,550**	50,449,926
More than one year	**52,738,324**	82,220,276
	595,623,747	329,354,627
Contract assets		
Not more than six months	**4,838,932**	1,961,722
Due from related parties		
Not more than six months	**1,486,619**	1,239,861
Over six months but less than one year	**39,523**	973,320
More than one year	**896,259**	4,381,909
	2,422,401	6,595,090

Cash and cash equivalents

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

(C) Liquidity risk,

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

All amounts are presented in Saudi riyals unless otherwise indicated

Maturity Table for financial liabilities

As of 31 December 2020	During a year	From 1 to 5 years	More than 5 years	Total
Murabaha "includes interest "	**341,567,873**	**1,076,072,684**	**202,217,039**	**1,619,857,596**
lease liability	**9,245,751**	**5,593,191**	**-**	**14,838,942**
Term Retentions	**29,120,476**	**-**	**-**	**29,120,476**
Trade payables	**193,024,567**	**-**	**-**	**193,024,567**
Due to related parties	**6,764,816**	**3,000,000**	**-**	**9,764,816**
	579,723,483	**1,084,665,875**	**202,217,039**	**1,866,606,397**

Maturity Table for financial liabilities

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

(D) Interest risk

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

	Increase (decrease) in Interest rate	Total Murabaha liability	Expected impact on comprehensive income
As at 31 December 2020	**± 1%**	**1,514,794,266**	**±15,147,943**
As at 31 December 2019	± 1%	1,021,021,912	±10,210,219

32. 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.

33. The Impact of Coronavirus (Covid 19) on the Consolidated Financial Statements

At the beginning of the year 2020 AD, the presence of the Corona virus (Covid 19) was confirmed. Since then, the virus has spread throughout the world including Saudi Arabia and has greatly affected business and commercial activities due to the suspension of activities deemed unnecessary, including restrictions on the movement of the general public. The healthcare sector has been designated as an essential or essential sector by the government and as a result, the KSA government has not imposed restrictions on the company's operations or its supply chain.

The group has witnessed a decrease in patient visits since March 2020 when the partial curfew was applied, however, Dallah Hospitals operates in all its departments in accordance with the developments and preventive measures taken by the competent authorities.

The Group's management has re-measured some of the estimates and judgments on which they are based in the process of preparing the accompanying condensed consolidated financial statements, which can be explained as follows:

Decline in the value of long-term assets

The Group has re-estimated the expected cash flows and discount rates used in determining the recoverable value of the long-term assets and management has judged that there is no impairment in the value of these assets. The management study included the following assets:

- Intangible assets
- Property , plant and equipment, including the right of use assets
- Investment in an associate company

Provision for expected credit losses

The group reconsidered the possibility of bankruptcy or default for the majority of customers, and the management saw that the majority of the company's clients are from large companies in the Kingdom and from companies that have good financial solvency, in addition to the existence of debts with government agencies and therefore the management estimated that there are no current indicators to amend the expected credit loss model used.

Management continues to monitor the situation closely with a focus on supply chain sustainability, availability of sufficient cash balances to finance operational requirements, and availability of required drugs and consumables. Management and those charged with governance will continue to monitor the situation, and once there is more clarity about the impact, the group will inform stakeholders in accordance with regulatory requirements.

34. Approval of the consolidated financial statements

The consolidated financial statements have been approved by the board of directors on 09 Sha'ban 1442 H corresponding to 22 March 2021.