AYYAN INVESTMENT COMPANY
(FORMERLY: AL AHSA DEVELOPMENT COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2020

WITH INDEPENDENT AUDITOR'S REPORT

AYYAN INVESTMENT COMPANY
(FORMERLY: AL AHSA DEVELOPMENT COMPANY)
(A SAUDI JOINT STOCK COMPANY)

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

INDEPENDENT AUDITOR'S REPORT

The Shareholders
AYYAN Invesment Company
(Formerly: Al Ahsa Development Company)
(A Saudi Joint Stock Company)
Al Khobar, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of AYYAN Investment Company (Formerly: Al Ahsa Development Company), a Saudi Joint Stock Company (the "Company"), and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as 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 as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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. We have determined the matters described below to be the key audit matters to be communicated in our report:

INDEPENDENT AUDITOR'S REPORT - *Continued*

The Shareholders
AYYAN Invesment Company
(Formerly: Al Ahsa Development Company)
(A Saudi Joint Stock Company)
Al Khobar, Kindom of Saudi Arabia

Key Audit Matters – ***Continued***

Key Audit Matter	How our audit addressed the key audit matter
1- Impairment of Investment properties	
As of December 31, 2020, the Group has investment properties amounted to 124.2 million (2019: SR 124.4 million) which is carried at cost. Management conducts impairment review on an annual basis to assess whether there is any indication of potential impairment for the Group's Investment properties. If this review has resulted in an indication of impairment, an impairment study is performed for assessing the impairment value based on the recoverable amount as per related market indicators. Impairment of investment properties is valuated through valuation techniques which involve professional judgement, estimates and assumptions. The book value of investment properties is adjusted by any long term impairment. Based on the materiality of the investment properties and the uncertainty associated with the judgements related to the assessment of the impairment this matter has been considered as a key audit matter. Refer to the note 3.13 for the accounting policies and note 4(g) for the management estimates and judgements.	• We have obtained the valuation reports of the independent valuator who is accredited from Saudi Association of Valuators ("Taqeem"). • We performed audit procedures to test whether the basic information presented by the management to the valuator Company is appropriate and dependable. • We have verified the final valuation reports and assessed whether there was any impairment to be recorded to investment properties. • We have discussed the valuation reports with the management to assess the market data and assumptions used. • We have reviewed the valuation report and ensured that methods and assumptions used are consistent with last year. • Based on our assessment, we have ensured that the disclosure is appropriate in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT - *Continued*

The Shareholders
AYYAN Invesment Company
(Formerly: Al Ahsa Development Company)
(A Saudi Joint Stock Company)
Al Khobar, Kindom of Saudi Arabia

Key Audit Matters – ***Continued***

Key Audit Matter	How our audit addressed the key audit matter
2- Investments in equity instruments designated at fair value through other comprehensive income	
As of December 31, 2020, the Group has investments in equity instruments designated at fair value through other comprehensive income amounted to SR 151.7 million (2019: SR 222.5 million) These investments have been classified as investment at fair value through other comprehensive income based on the Group's business model and contractual cash flow specifications. This matter has been considered as a key audit matter based on the fact that IFRS 9 requires significant judgment for the business model testing and the contractual cash flow specifications. Refer to the note 3.17 for the accounting policy and note 4(e) for the management estimates and judgements.	• We have checked the appropriateness of the Group classification of the financial instruments as per the Group's business model and the related contractual cash flow. • We have obtained the valuation reports of the independent valuator who is accredited from Saudi Association of Valuators ("Taqeem") to measure the fair value of financial instruments. • We performed audit procedures to test completeness and accuracy of information presented by the management to the valuator. • We have discussed the valuation reports with the management to verify market data and assumptions used. • We have reviewed the valuation report and ensured that methods and assumptions used are consistent with last year. • We have reviewed the related disclosure in the financial statements to ensure the compliance with the requirements of IFRS 9 and IFRS 7.

INDEPENDENT AUDITOR'S REPORT - ***Continued***

The Shareholders
AYYAN Invesment Company
(Formerly: Al Ahsa Development Company)
(A Saudi Joint Stock Company)
Al Khobar, Kindom of Saudi Arabia

Key Audit Matters – ***Continued***

Key Audit Matter	How our audit addressed the key audit matter
3- Acquisition of Al Salam Medical Services Company	
As of March 15, 2020, the Group acquired 100% of the shares of Al Salam Medical Services Company ("ASMSC") in a share exchange transaction against issuance of new shares to the former owners of ASMSC. This transaction resulted in recognition of Bargain Purchase amounting to SR 14.58 million. The accounting for acquisition transaction is complex due to the significant judgements and estimates that are required to determine the value of consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed including identification and valuation of intangible assets. Due to the significant value and complexity of the acquisition and resultant Bargain Purchase arising on the acquisition, we considered this as a key audit matter. Refer to note 2.4 in the basis of preparation and note 5 to the consolidated financial statements.	• Reviewed the agreement entered into between ASMSC and the Company for share exchange arrangement. • Traced the share price from Tadawul as at acquisition date (March 15, 2020) and recomputed the total consideration for the acquisition. • Tested relevant processes and controls established by management to ensure appropriate recognition of acquisition transaction. • Obtained and reviewed the management working for purchase price allocation (PPA) to determine the fair value of assets acquired and liabilities assumed. • We tested certain key inputs used in the PPA model, to ensure accuracy of input data. • Evaluated the competence, capabilities and objectivity of expert engaged by the management. • Considered and evaluated the completeness of management's assessment of identifiable assets that meet the recognition criteria as part of the acquisition transaction. • Evaluated the adequacy of the disclosures included in the accompanying consolidated financial statements.

[Al-Bassam & Co.] C.R.1010385804 P.P. license 520/11/323 is a member firm of the PKF international limited which administers a family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms. • Email: info.sa@pkf.com • Website: www.pkfalbassam.com

INDEPENDENT AUDITOR'S REPORT - *Continued*

The Shareholders
AYYAN Invesment Company
(Formerly: Al Ahsa Development Company)
(A Saudi Joint Stock Company)
Al Khobar, Kindom of Saudi Arabia

Other Information included in the group's 2020 annual report
Management are responsible for the other information. The other information comprises the information included in the Company's annual report, other than the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 as 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.

[Al-Bassam & Co.] C.R.1010385804 P.P. license 520/11/323 is a member firm of the PKF international limited which administers a family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms. • Email: info.sa@pkf.com • Website: www.pkfalbassam.com

INDEPENDENT AUDITOR'S REPORT - *Continued*

The Shareholders
AYYAN Invesment Company
(Formerly: Al Ahsa Development Company)
(A Saudi Joint Stock Company)
Al khobar, Kindom of Saudi Arabia

Auditor's responsibilities for the audit of the Consolidated Financial Statements ***(Continued)***

- 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 exist 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 disclosure in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements
Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Companies' Regulations in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

Al-Bassam & Co
P.O. Box 4636
Al Khobar 31952
Kingdom of Saudi Arabia

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No.337
Al Khobar
March 7, 2021
23 Rajab 1442H

[Al-Bassam & Co.] C.R.1010385804 P.P. license 520/11/323 is a member firm of the PKF international limited which administers a family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms. • Email: info.sa@pkf.com • Website: www.pkfalbassam.com

AYYAN INVESTMENT COMPANY
(FORMERLY: AL AHSA DEVELOPMENT COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	2020 SR	2019 SR
ASSETS			
Non-current assets			
Property, plant and equipment	6	**809,878,792**	177,485,741
Intangible assets	7	**162,911**	104,540
Investments in equity instruments designated at fair value through other comprehensive income	8	**151,725,210**	222,503,460
Investment in an associate	9	**13,126,175**	12,851,170
Investment properties	10	**124,171,587**	124,355,262
Right-of-use assets	11	**4,402,052**	5,577,932
Goodwill	12	**2,094,678**	2,094,678
Total non-current assets		**1,105,561,405**	544,972,783
Current assets			
Inventory	13	**24,715,423**	23,798,596
Trade receivables, prepayments and other assets	14	**124,203,780**	91,711,581
Investment in equity instruments at fair value through profit or loss	16	**53,286,250**	-
Cash and cash equivalents	15	**3,453,564**	13,239,796
		205,659,017	128,749,973
Assets from discontinued operations		**-**	110,536
Total current assets		**205,659,017**	128,860,509
TOTAL ASSETS		**1,311,220,422**	673,833,292
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	**737,320,690**	490,000,000
Share discount	5	**(10,882,110)**	-
Statutory reserve	17	**7,356,704**	4,627,334
(Accumulated losses)/retained earnings		**(579,346)**	4,536,541
Reserve for acquisition of additional shares in a subsidiary	18	**(33,332,212)**	(33,332,212)
Fair value reserve		**44,218,474**	42,978,324
Reserve for re-measurement of employees' defined benefit obligations		**6,701,273**	8,115,552
Total equity attributable to shareholders		**750,803,473**	516,925,539
Non-controlling interest	36	**68,200,265**	65,239,660
TOTAL EQUITY		**819,003,738**	582,165,199
LIABILITIES			
Non-current liabilities			
Long term loan – non-current portion	19	**191,506,019**	10,000,000
Lease liabilities - non-current portion	11	**35,696,971**	4,352,601
Employees' defined benefits obligations	21	**32,267,795**	28,472,821
Total non-current liabilities		**259,470,785**	42,825,422
Current liabilities			
Long term loan – current portion	19	**31,122,315**	6,666,667
Due to banks	15	**5,705,488**	-
Short term loans	20	**129,675,174**	-
Trade payables, accrued expenses and other liabilities	22	**55,489,802**	33,448,011
Lease liabilities - current portion	11	**4,186,602**	1,085,501
Zakat provision	23	**6,566,518**	4,525,208
		232,745,899	45,725,387
Liabilities from discontinued operations		**-**	3,117,284
Total current liabilities		**232,745,899**	48,842,671
Total liabilities		**492,216,684**	91,668,093
TOTAL EQUITY AND LIABILITIES		**1,311,220,422**	673,833,292

The consolidated financial statements were approved by the board of directors, on Rajab 21, 1442H corresponding to March 4, 2021 and were signed on its behalf by:

Ahmed Ibrahim	Raed Mohamed alnaeem	Abdulrahman Balghunaim
Finance Manager	**CEO**	**Chairman**

The accompanying notes form an integral part of these consolidated financial statements

AYYAN INVESTMENT COMPANY
(FORMERLY: AL AHSA DEVELOPMENT COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 SR	2019 SR
Revenues, net	26	**255,316,389**	245,504,829
Cost of revenues		**(187,451,036)**	(176,125,579)
Gross profit		**67,865,353**	69,379,250
General and administrative expenses	27	**(65,206,206)**	(74,389,904)
Selling and marketing expenses	28	**(929,852)**	(1,293,507)
Operating income/(loss)		**1,729,295**	(6,304,161)
Finance cost	31	**(2,570,845)**	(433,495)
Dividends income	29	**2,705,639**	6,125,634
Share of results from associate	9	**275,005**	(2,517,648)
Bargain purchase on acquisition of a subsidiary	5 (C)	**14,580,063**	-
Realized gain on disposal of equity instruments at fair value through profit or loss		**2,127,590**	-
Unrealized gain on equity instruments at fair value through profit or loss	16	**8,511,730**	-
Other income	30	**7,207,004**	8,030,756
Net income for the year from continuing operations		**34,565,481**	4,901,086
Gain on disposal of discontinued operations	37	**3,011,839**	-
Net income before zakat		**37,577,320**	4,901,086
Zakat	23	**(6,730,167)**	(4,174,794)
Net income for the year		**30,847,153**	726,292
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to the profit or loss			
Net movement in fair value of equity instruments designated at fair value through other comprehensive income	8	**(28,440,068)**	24,184,656
Re-measurement loss on employees' defined benefits obligations	21	**(2,007,126)**	(1,309,682)
Other comprehensive (loss)/income		**(30,447,194)**	22,874,974
Total comprehensive income for the year		**399,959**	23,601,266
Net income for the year attributable to:			
Shareholders		**27,293,701**	(1,283,443)
Non-controlling interest		**3,553,452**	2,009,735
Net income for the year		**30,847,153**	726,292
Total comprehensive income attributable to:			
Shareholders		**(2,560,646)**	22,068,410
Non-controlling interest		**2,960,605**	1,532,856
Total comprehensive income for the year		**399,959**	23,601,266
Earnings per share			
(Loss) / earnings per share of net income for the year	25	**0.40**	(0.03)
Earnings per share of total comprehensive (loss)/income for the year	25	**(0.04)**	0.45
Number of outstanding Shares		**68,664,022**	49,000,000

The consolidated financial statements were approved by the board of directors, on Rajab 21, 1442H corresponding to March 4, 2021 and were signed on its behalf by:

Ahmed Ibrahim	Raed Mohamed alnaeem	Abdulrahman Balghunaim
Finance Manager	**CEO**	**Chairman**

The accompanying notes form an integral part of these consolidated financial statements.

AYYAN INVESTMENT COMPANY
(FORMERLY: AL AHSA DEVELOPMENT COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Share Capital	Share discount	Statutory reserve	(Accumulated losses) / retained earnings	Reserve for acquisition of additional shares in a subsidiary	Fair value reserve	Reserve for re-measurement of employees' defined benefit obligations	Total equity attributable to shareholders of the Company	Non-controlling interest	Total equity
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Balance as at January 1, 2019	490,000,000	-	4,627,334	5,318,685	(442,483)	19,294,967	6,808,889	525,607,392	99,070,091	624,677,483
Gain on sale of investment in equity instruments at fair value through other comprehensive income	-	-	-	501,299	-	(501,299)	-	-	-	-
Net income for the year	-	-	-	(1,283,443)	-	-	-	(1,283,443)	2,009,735	726,292
Other comprehensive income /(loss)	-	-	-	-	-	24,184,656	(832,803)	23,351,853	(476,879)	22,874,974
Total comprehensive income for the year	-	-	-	(1,283,443)	-	24,184,656	(832,803)	22,068,410	1,532,856	23,601,266
Transaction with shareholders in their capacity as shareholders										
The effect of acquisition of additional shares in a subsidiary (Note 36)	-	-	-	-	(32,889,729)	-	2,139,466	(30,750,263)	(35,363,287)	(66,113,550)
Balance as at December 31, 2019	490,000,000	-	4,627,334	4,536,541	(33,332,212)	42,978,324	8,115,552	516,925,539	65,239,660	582,165,199
Balance as at January 1, 2020	490,000,000	-	4,627,334	4,536,541	(33,332,212)	42,978,324	8,115,552	516,925,539	65,239,660	582,165,199
Net income for the year	**-**	**-**	**-**	**27,293,701**	**-**	**-**	**-**	**27,293,701**	**3,553,452**	**30,847,153**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(28,440,068)**	**(1,414,279)**	**(29,854,347)**	**(592,847)**	**(30,447,194)**
Total comprehensive income for the year	**-**	**-**	**-**	**27,293,701**	**-**	**(28,440,068)**	**(1,414,279)**	**(2,560,646)**	**2,960,605**	**399,959**
Transfer to statutory reserve	**-**	**-**	**2,729,370**	**(2,729,370)**	**-**	**-**	**-**	**-**	**-**	**-**
Loss on sale of investment in equity instruments designated at fair value through other comprehensive income	**-**	**-**	**-**	**(29,680,218)**	**-**	**29,680,218**	**-**	**-**	**-**	**-**
Transaction with shareholders in their capacity as shareholders										
Additional share capital issued (Note 5)	**247,320,690**	**(10,882,110)**	**-**	**-**	**-**	**-**	**-**	**236,438,580**	**-**	**236,438,580**
Balance as at December 31, 2020	**737,320,690**	**(10,882,110)**	**7,356,704**	**(579,346)**	**(33,332,212)**	**44,218,474**	**6,701,273**	**750,803,473**	**68,200,265**	**819,003,738**

The consolidated financial statements were approved by the board of directors, on Rajab 21, 1442H corresponding to March 4, 2021 and were signed on its behalf by:

Ahmed Ibrahim	**Raed Mohamed alnaeem**	**Abdulrahman Balghunaim**
Finance Manager	**CEO**	**Chairman**

The accompanying notes form an integral part of these consolidated financial statements.

AYYAN INVESTMENT COMPANY
(FORMERLY: AL AHSA DEVELOPMENT COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2020

	2020	2019
OPERATING ACTIVITIES	**SR**	SR
Net profit for the year before zakat	**37,577,320**	4,901,086
Adjustments for:		
Depreciation on property, plant and equipment	**14,671,611**	13,813,909
Depreciation on investment properties	**183,675**	183,675
Amortisation of right of use asset	**1,175,880**	1,250,514
Loss from disposal of property, plant and equipment	**318,581**	792,119
Amortization of intangible assets	**104,540**	468,908
Finance cost	**2,570,845**	433,495
Share of results from associate	**(275,005)**	2,517,648
Dividends income	**(2,705,639)**	(6,125,634)
Provision for impairment of doubtful other receivables – reversal	**(1,727,791)**	(1,130,000)
Impairment of investment properties – reversal	**-**	(1,867,500)
Impairment recognized on trade receivables	**3,645,580**	14,664,611
Realised gain on disposal of equity instruments at fair value through profit or loss	**(2,127,590)**	-
Unrealised gain on equity instruments at fair value through profit or loss	**(8,511,730)**	-
Bargain purchase on acquisition of subsidiary (note 5)	**(14,580,063)**	-
Gain on discontinued operations	**(3,011,839)**	-
Defined benefits obligations for employees	**5,660,025**	5,200,460
	32,968,400	35,103,291
Changes in operating assets and liabilities:		
Trade receivables, prepayments and other current assets	**28,801,220**	(9,418,288)
Inventories	**(916,827)**	(2,801,075)
Trade payables, accrued expenses and other liabilities	**5,453,993**	714,202
Cash from operations	**66,306,786**	23,598,130
Defined benefits obligations for employees paid	**(4,113,615)**	(2,080,840)
Zakat paid	**(4,688,857)**	(5,835,841)
Net cash from operating activities	**57,504,314**	15,681,449
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(91,002,840)**	(17,077,901)
Proceeds from disposal of property, plant and equipment	**-**	54,539
Purchase of intangibles	**(162,911)**	-
Proceeds of financial instruments by fair value through other comprehensive income	**42,338,182**	10,501,299
Cash dividends received	**2,705,639**	6,125,634
Acquisition of extra shares in a subsidiary	**-**	(66,113,550)
Additions in investment in an associate	**-**	(15,000,000)
Cash recovery against fully impaired investment property	**-**	1,867,500
Proceeds of equity instruments at fair value through profit and loss	**11,727,233**	-
Purchase of equity instruments at fair value through profit and loss	**(54,374,163)**	-
Net cash used in investing activities	**(88,768,860)**	(79,642,479)
FINANCING ACTIVITIES		
Lease liabilities	**4,430,501**	(1,329,600)
Due to banks	**5,705,488**	(107,816)
Loans obtained during the year	**28,354,301**	26,205,672
Repayment of loans	**(17,649,043)**	(29,430,748)
Net cash from / (used in) financing activities	**20,841,247**	(4,662,492)
Net change in cash and cash equivalents	**(10,423,299)**	(68,623,522)
Cash acquired on acquisition of a subsidiary	**637,067**	-
Cash and cash equivalent as at 1 January	**13,239,796**	81,863,318
Cash and cash equivalents as at 31 December	**3,453,564**	13,239,796

Supplement information related to non-cash transaction are disclosed in note 34.

The consolidated financial statements were approved by the board of directors, on Rajab 21, 1442H corresponding to March 4, 2021 and were signed on its behalf by:

Ahmed Ibrahim	**Raed Mohamed alnaeem**	**Abdulrahman Balghunaim**
Finance Manager	**CEO**	**Chairman**

The accompanying notes form an integral part of these consolidated financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

AYYAN Investment Company (formerly: Al-Ahsa Development Company) ("the Company") is a Saudi Joint Stock Company established as per Ministerial Decree No. 573 dated 14 Rabea II 1414H corresponding to October 1, 1993 and registered previously under Commercial Register No. 2252021816 dated 1 Jumada II 1414H corresponding to November 15, 1993. The Company has a branch registered under commercial registration number 2051064048 which is located in AL Khobar, Kingdom of Saudi Arabia.

In their Extra Ordinary General Assembly meeting dated June 25, 2020, the shareholders approved the following;

- To change the Company legal and commercial name to be “AYYAN Investment Company” and commercial registration number to be 2051064048.
- To change the Company’s registered address to be P.O. Box 77411, Al Khobar 31952, Kingdom of Saudi Arabia.
- To change the Branch commercial registration number to be 2252021816 and its registered location to be Al Ahsa, Kingdom of Saudi Arabia.

Legal formalities relating to updating the commercial registration and Company’s by-law have been completed during the year.

The authorized, issued and paid up share capital amounted to SR 737,320,690 divided into 73,732,069 shares with par value of SR 10 per share. (As at December 31, 2019: SR 490 million divided into 49 million shares with par value of SR 10 per share). The Company’s share capital has increased during the year ended December 31, 2020, as a result of acquisition of one of the subsidiaries (Note 5), consequently, the Company has issued 24,732,069 new shares to the former owners of the newly acquired subsidiary.

The main activity of the Company is general construction of non-residential buildings including schools, hospitals, hotels etc.

These consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As at December 31, 2020, the current liabilities of the Group exceeded its current assets by SR 27.1 million. The group is currently studying its liabilities and current assets in order to positively structure working capital.

1.1 Structure of the group

These consolidated financial statements include the financial statements of the Company and the following subsidiaries collectively referred to hereafter as “the Group”:

		Incorporation	Effective ownership	
Company	**Legal Form**	**Country**	**2020**	2019
A. Saudi-Japanese Textile Manufacturing Company	Limited Liability Company	Saudi Arabia	-	100%
B. Al-Ahsa Food Industries Company	Limited Liability Company	Saudi Arabia	100%	100%
C. Al-Ahsa Medical Services Company	Closed Joint Stock Company	Saudi Arabia	69.9%	69.9%
D. Al Salam Medical Services Company	Closed Joint Stock Company	Saudi Arabia	100%	-

The assets, liabilities and result of operations of the above subsidiaries of the company have been included in the accompanying consolidated financial statements.

A. Saudi-Japanese Textile Manufacturing Company (“SJTMC”)

Saudi-Japanese Textile Manufacturing Company is a Saudi limited liability company registered under Commercial Register No. 2257025539 dated 12 Rabee II 1419 H corresponding to August 6, 1998. On October 10, 2016 the Board of Directors approved the appointment of a liquidator to liquidate the Saudi-Japanese Textile Manufacturing Company. During the year, the Group has completed the legal formalities related to the liquidation of Saudi Japanese Textile Manufacturing Company (a Subsidiary) after the cancellation of all registrations and licenses. The disposal of the Subsidiary resulted in gains from discontinued operations amounting to SR 3 million.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES *(Continued)*

1.1 Structure of the group *(Continued)*

B. Al-Ahsa Food Industries Company ("AFIC")

Al-Ahsa Food Industries Company is a Saudi limited liability company registered under Commercial Register No. 2252023850 dated 7 Muharram 1416H corresponding to June 6, 1995. The principle activities of Al-Ahsa Food Industries Company are the production of dates and their derivatives and it is wholly owned by the Company. The subsidiary's accumulated losses exceeded its capital. Under the provisions of Article 181 of the Companies Law, the shareholders are required to resolve to continue in the business and provide support to the subsidiary or liquidate it. At their meeting on March 14, 2019, the Board of Directors resolved to continue to support the subsidiary and provide it with the necessary funding.

C. Al-Ahsa Medical Services Company ("AMSC")

Al-Ahsa Medical Services Company is a closed joint stock company under Commercial Register No. 2252025213 dated 29 Sha'ban 1420H corresponding to December 8, 1999. Al-Ahsa Medical Services Company is engaged in the establishment, management, operation and maintenance of hospitals. On May 1, 2019, The Company acquired additional 16.32% of the subsidiary's equity shares from the non-controlling interest, this resulted in an increase of the Company's ownership in the subsidiary from 53.61% to 69.9% (Note 36).

D. Al Salam Medical Services Company (ASMSC)

Al Salam Medical Services Company is a Saudi Closed Joint Stock Company Registered under commercial registration number 2051059611 dated 16 Safar 1436H corresponding to December 9, 2014. The principal activities of ASMSC include establishing, maintenance and operating hospitals, medical centers, government and private dispensaries. On March 15, 2020, the Group has acquired 100% share capital and voting interest in ASMSC and obtained control (Note 5).

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

2.2 Preparation of consolidated financial statements

The accompanying consolidated financial statements have been prepared on the historical cost convention except for the end of service benefits which are recognized at the present value of future obligation using the projected unit credit method and Investment in equity instruments at fair value through profit or loss and investments in equity instruments designated at fair value through other comprehensive income which are measured at fair value. The preparation of financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements. These areas that are significant to the financial statements are disclosed in note 4.

2.3 Operational and presentation currency

These consolidated financial statements are presented in Saudi Riyal ("SR") which is the Group's functional and presentation currency. All amounts have been rounded to the nearest Saudi Riyal, unless otherwise indicated.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries detailed in note 1. Control is achieved when the Group:

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

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

2. BASIS OF PREPARATION *(Continued)*

2.4 Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Consolidated and each component of other comprehensive income are attributed to the owners of the Group. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

2.4.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified Consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

2. BASIS OF PREPARATION *(Continued)*

2.5 New standards and amendments *(Continued)*

2.5.1 New amendments to standards issued and applied effective January 1, 2020

The Company has applied the following new and revised IFRSs and amendments that do not have material effect on the Company's financial statements.

New and revised IFRSs	Description	Effective for annual years beginning on or after
Amendment to IAS 1 and IAS 8	Definition of material	January 1, 2020
Amendment to IFRS 3	Definition of business	January 1, 2020
The Conceptual Framework for Financial Reporting	Amendments to references to References to Conceptual Framework in IFRS Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.	January 1, 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	January 1, 2020
IFRS 16	COVID-19-Related Rent Concessions	June 1, 2020

2.5.2 New standards, amendments and revised IFRS in issue but not yet effective

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Associate or Joint Venture	N/A

Management anticipates that these new standards interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue

Revenue is recognized at the fair value of the consideration received or receivables taking in the consideration the payment terms specified in the contract with the customer excluding any tax or fees. The Group recognize revenues from contracts based on five steps model as follows:

- Identify the contract with the customer i.e. agreement with the Group which create exercisable rights and obligations.
- Identifying the performance obligation such as promises to deliver goods or services.
- Determining the transaction price based on the expected consideration receivables against the satisfaction of the performance obligation (excluding any amounts received on behalf of third parties)
- Allocate the transaction price for each performance obligation based on estimated selling price for goods and service provided to the client.
- Recognize revenue when (or as) the performance obligation is satisfied such as delivery of the contracted goods or services to the client till the client obtain the control which can be at a point of time or over time.

(a) Sale of goods

The sale of goods is recognized when the goods are delivered or shipped, in accordance with agreed contractual terms, when the control of the goods is transferred to the buyer and the Group has no continuing management relationship to the extent normally associated with ownership or effective control over the goods sold.

(b) Rendering of services

Revenue from services are recognized on the satisfaction of the related performance obligations and is classified as revenues from the main operating activities. Certain services are subject to variable considerations such as discounts and rejections. The Group calculate discounts and rejections based on its best estimates and depending on its experience and knowledge about the past and current events.

(c) Income from operating leases

Income from operating leases is recognized on straight line basis over the life of the lease contract. Un-earned revenues represent amounts received from the customers in advance and recognized as liabilities to be amortized on a straight line basis when earned.

(d) Term deposit income

Income from term deposit for commission-related financial assets is recognized using the effective commission rate.

(e) Dividends

Dividends income is recognized when the Group has the right to receive these dividends. This is usually the case when the shareholders of the investee companies, resolve to distribute dividends.

(f) Other

Other income is recognized on an accrual basis.

3.2 Expenses

Distribution expenses principally comprise of costs incurred in the distribution and delivery of the Group's products.

Marketing expenses principally comprise of costs incurred in marketing and advertising the Group's products and services. All expenses, other than cost of sales, distribution and marketing expenses, are classified as administrative expenses.

Administrative expenses include indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles. Allocations between distribution, marketing and administrative expenses and cost of revenue, when required, are made on a consistent basis.

3.3 Earnings per share

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year. The Group does not have any factors that may result in a reduction in the basic earnings per share. Accordingly, the basic earnings per share is equal to the diluted earnings per share.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Foreign currency transactions

Presentation currency

The accompanying consolidated financial statements are presented in Saudi Riyals which is the functional currency and presentation currency of the parent company. Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entity operates (the functional currency). All of the Group's subsidiaries operate mainly in the Kingdom of Saudi Arabia.

Transaction and balances

Transactions denominated in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences on monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income in the period in which they arise.

3.5 Employees defined benefit obligations

Liabilities for defined benefit obligations of employees are determined using the projected credit unit method, with an actuarial valuation performed at the end of each financial year. The re-measurement, consisting of actuarial gains or losses, is recognized directly in the consolidated statement of financial position with the addition or reversal of the carrying amount in other comprehensive income in the year in which they occur. Re-measurement recognized in other comprehensive income is recognized immediately in retained earnings and will not be reclassified to consolidated profit or loss in subsequent periods. Changes in the present value of the benefit obligation arising from the plan's adjustments or reductions are recognized directly in profit or loss as an interest expense. Interest cost is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are classified as follows:

- Service cost (including the cost of the current service or the cost of the previous service, plus gains and losses from reductions and adjustments).
- Interest expense
- re-measurement

The Group recognizes the first two items of the defined benefit costs on the consolidated statement of profit or loss under "administrative expenses", while the third component of the "re-measurement" is charged to comprehensive income and is recognized in the consolidated statement of changes in equity. A termination benefit obligation is recognized when the Group cannot withdraw the offer of termination benefits or when the Group recognizes any related restructuring costs, whichever is earlier.

Short-term employee benefits

Employees' accrued liabilities for wages, salaries, annual leaves and sick leaves, which are expected to be repaid within 12 months after the end of the period and are recognized in the period in which the related service is provided, are recognized in the amount expected to be paid for the benefits expected to be paid for that service and disclosed in current liabilities.

3.6 Zakat

The Group is subject to the regulations of the General Authority of Zakat and Income Tax ("GAZT") in the kingdom of Saudi Arabia. Zakat is calculated on accrual basis. Zakat is calculated on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3.7 Segmental reporting

The sector represents a unit that can be identified in the group that sells or provides goods and services (the sectors by activity) or those that sell or deliver goods and services within a specific economic environment (the sectors by geographical area). Each sector has its own risk and benefits from the risks and benefits of other sectors. The Group's segments are divided into industrial, service (medical) and investment sectors. Although the Industry Department does not meet the quantitative requirements that qualify it to be a segmental reporting, management is required to disclose it separately as it monitors the sector as a potential sector to grow economically and is expected to contribute significantly to the Group's future revenues.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Property, plant & equipment

Property, plant and equipment are stated at their cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Property and equipment (except freehold land and building under construction) are depreciated over its useful lives using the straight line method.

The estimated useful life of the principal classes of assets are as follows:

	Year
Buildings and leasehold improvements	5 – 33 years
Furniture, fixtures and office equipment	3 – 10 years
Vehicles	4 years
Machinery	10 years
Computer	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The capital work in progress is the cumulative costs incurred by the Group for the construction of additional buildings. Costs incurred on capital work in progress are recorded and transferred to property, plant and equipment upon completion of construction. Finance costs are capitalized from loans relating to the construction of qualifying assets within the period of time required to complete and prepare them for the intended purpose.

Capitalization of costs

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the reporting year in which they are incurred. Maintenance and normal repairs which do not extend the estimated economic useful life of an asset or production output are charged to the consolidated statement of profit or loss and other comprehensive income as and when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Property, plant & equipment *(Continued)*

Capital work-in-progress

Assets in the course of construction or development are capitalized in the capital work-in-progress ("CWIP") account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing period. Capital work-in-progress is not depreciated or amortized.

3.9 Intangible assets

Intangible assets with finite lives acquired separately are recorded at cost less accumulated amortization and the total impairment loss. Amortization is recognized using the straight-line method over its estimated useful lives. The estimated useful lives and the amortization method are reviewed at the end of each reporting period and any changes in estimates are accounted for on a future basis. Intangible assets with indefinite useful lives that are acquired separately are stated at cost less accumulated impairment losses.

An intangible asset is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Gains or losses on de-recognition 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 consolidated profit or loss on de-recognition of the asset.

The Group's significant intangible assets, their useful lives and the methods used to determine the cost of intangible assets acquired during the business combination are as follows:

	Productive life
Computer program	4 years
Contractual relations	5 years

3.10 Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Inventory

Inventories are valued at the lower of cost and net realizable value. Cost of inventories is determined on a weighted average basis and includes costs of purchase of inventory, production or conversion costs and other costs incurred to bringing the inventories to their present location and condition. In the case of manufactured goods and work in progress, the cost includes an appropriate share of indirect production costs based on normal operating capacity.

Net realizable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Investment properties

Initial recognition of investment properties is carried at cost including transaction costs. Investment properties are subsequently measured at cost less accumulated depreciation and any impairment losses. Investment properties in land held for capital appreciation and not for sale in the short term are in the normal course of business, land held for future indefinite use and buildings that are used for leasing. Depreciation of buildings is calculated over a period of 33 years using the straight line method and the depreciation of the land is not accounted for.

The fair values of investment properties that reflect the prevailing market conditions are disclosed at the reporting date. The fair value is determined on the basis of an annual valuation by an independent valuer.

The carrying values of investment properties are reviewed to ensure that there is no impairment in value when events or changes in circumstances indicate that the carrying amount is not recoverable. Where there are indications that the carrying amount of the investment property exceeds its estimated recoverable amount, that difference is recognized as an impairment loss on the consolidated statement of profit or loss and other comprehensive income. Recoverable amount is the higher of fair value less costs to sell or value in use.

Investment properties are derecognised when they are permanently excluded from use or no future economic benefits are expected upon disposal. The difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated profit or loss for the period in which the asset is derecognised.

3.14 Investment in an associate

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition.

The Group’s share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes separately in the statement of profit or loss.

Accounting policies of associates are required to be changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred.

3.16 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis as follows:

(a) Right of use asset

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

(b) Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the additional borrowing rate, which represents the price that the tenant will pay to borrow the money needed to obtain an asset of similar value in a similar economic environment on similar terms and conditions.

Payments relating to short term leases and rentals of low value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease period of 12 months or less.

The lease terms are renegotiated on an individual basis and have a wide range of terms and conditions. The lease agreements do not impose any obligations, but the leased assets may not be used as security for borrowing purposes.

3.17 Financial instruments

3-17-1 Financial assets

The group Classify its financial assets based on the entity's business model for managing the financial assets and the contractual terms of the cash flows as follows:

- Financial assets at amortized cost
- Equity instruments at fair value through other comprehensive income.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

3-17-1-1 Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. The Group de-recognizes a financial asset at amortized cost when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any gain or loss on de-recognition is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Financial instruments *(Continued)*

3-17-1-2 Equity instruments at fair value through other comprehensive income

Equity instruments at fair value through other comprehensive income are those instruments for which the Group has irrevocably elected to present subsequent changes in its fair value in Other Comprehensive Income. This election is made on an instrument-by-instrument basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Change in the fair value of such instruments are recognized in OCI and are never reclassified to profit or loss.

The Group de-recognizes the equity instruments at fair value through other comprehensive income when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any gain or loss on de-recognition is recognized as an equity transaction and are never reclassified to profit or loss.

3-17-1-3 Investment in equity instruments at fair value through profit or loss

The group classifies the following financial assets at fair value through profit or loss (FVTPL):

- debt investments that do not qualify for measurement at either amortised cost or fair value though other comprehensive income (FVTOCI)
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through other comprehensive income.

These assets are subsequently measured at fair value. Change in the fair value of such instruments and dividends are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

The Group de-recognizes the equity instruments at fair value through profit or loss when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any gain or loss on de-recognition is charged to profit or loss.

3-17-2 Financial Liabilities

Financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities of the Group comprise of bank borrowings and trade and other payables.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3-17-3 Impairment of financial assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets, carried at amortized cost.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, receivables have been groupd based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

3-17-4 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Government grant

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them. Government grants are recorded in the period during which they are received and are included as a deduction from the relevant fixed asset.

3.19 Discontinued operations

Discontented operations represent a component of the Group that either has been disposed of or is classified as held for sale and:

a) represents a separate major line of business or geographical area of operations,
b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
c) is a subsidiary acquired exclusively with a view to re-sale.

Discontinued operations are presented in the consolidated statement of profit or loss and other comprehensive income, which includes post-tax gains or losses for discontinued operations plus gains and losses recognized after taxes during the re-measurement of the fair value of the assets or disposal groups, which represents discontinued operations less cost of sale.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Following are the critical judgement and key assumptions:

(a) Impairment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

(b) Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management estimates the useful lives of its property and equipment and intangible assets for the purpose of calculating depreciation and amortization. These estimates are determined after considering the expected usage of the asset or physical wear and tear for useful lives. Useful lives and residual values are reviewed by the management on an annual basis. Any change in the depreciation is accounted for prospectively.

(c) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) 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 participants in the principal market 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 to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(e) Fair value of investments in equity instruments designated at fair value through other comprehensive income

The fair value of investments in equity instruments that are not quoted in active markets is determined by using known valuation techniques such as discounted cash flows and recent transaction prices. Fair value is determined at a given time on the basis of market conditions and available information about the investee companies. These estimates are subjective in nature, involve uncertainties and require a high degree of diligence, and therefore cannot be determined with extreme precision. Future events (such as continued operating profit and financial strength) are uncertain and it is possible, based on current information, that the results for the next fiscal year will differ from earlier assumptions, requiring future adjustments to the carrying amount of investments. In cases where discounted cash flow models are used to estimate fair values, future cash flows are estimated by the management in accordance with the information available with the representatives of the investee and according to the latest available audited or unaudited financial statements.

(f) Goodwill impairment

An impairment test is performed on cash-generating units by comparing the carrying amount of the cash-generating units and their recoverable amount. The recoverable amount of the cash-generating unit is the higher of its fair value less costs to sell or its value in use. The valuation process used to determine fair value and value in use includes the use of methods such as the discounted cash flow method that uses assumptions to estimate cash flows. The recoverable amount depends largely on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

(g) Investment properties impairment

The Group reviews the carrying amount of investment properties to determine whether there is any indication that the asset is impaired. Where necessary, management uses estimates and judgments to determine whether there is any indication of impairment in value of investment properties. The carrying values of investment properties are reviewed to ensure that there is no impairment in value when events or changes in circumstances indicate that the carrying amount is not recoverable. Where there are indications that the carrying amount of the investment properties exceeds its estimated recoverable amount, that difference is recognized as an impairment loss on the consolidated statement of profit or loss and other comprehensive income. Recoverable amount is the higher of fair value less costs to sell or value in use.

(h) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and unexpected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(i) Employee end of service benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using various assumptions that may differ from actual developments in future. The assumptions used include the discount rate, future salary increases, mortality rates and future pension increases. Changes in these assumptions will impact the carrying amount of the pension obligation. The Group determines the appropriate discount rate at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the expected term of the related pension obligation.

(j) Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete or subject to technological changes, an estimate is made of their net realizable value. Factors considered in determination of markdowns include current and anticipated demand, customer preferences and age of inventories as well as seasonal trends. For individually significant amounts this estimation is performed on an individual basis. Items which are not individually significant, but which are old or obsolete, are assessed collectively and a markdown provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

(k) Rejections and discounts

The Group calculate discounts and rejections based on its best estimates and depending on its experience and knowledge about the past and current events.

5. ACQUISITION TRANSACTIONS

As disclosed in note 1 to these consolidated financial statements, on March 15, 2020, the Group has completed the acquisition transaction of 100% of shares and voting interest in Al Salam Medical Services Company (ASMSC) against issuance of new shares to the former owners of ASMSC which resulted in the increase in the share capital of AYYAN Investment Company by SR 247 million and obtained control of ASMSC.

A. Consideration transferred

Fair value of consideration transferred at the business combination date is as follows:

	Amount SR
Issued shares (24,732,069 shares @ SR 9.56 per share)	236,438,580

The fair value of the ordinary shares issued was based on the listed share closing price of the Company at March 15, 2020 of SR 9.56 per share. Differences between the market value and par value of the new issued shares amounted to SR 10.9 million has been reported as a part of the equity component under share discount.

B. Identifiable assets acquired and liabilities assumed

The following table summarizes the allocation of the purchase price based on the fair value of the assets acquired and liabilities assumed on the business combination date:

	Fair Value SR
Property and equipment	545,228,359
Cash and cash equivalents	637,067
Prepayments and other debit balances	63,211,208
Borrowings	(314,881,358)
Lease liabilities	(26,486,880)
Employees' end of service benefits	(305,526)
Accrued liabilities and other credit balances	(16,384,227)
Net assets acquired	**251,018,643**

5. ACQUISITION TRANSACTIONS *(Continued)*

B. Identifiable assets acquired and liabilities assumed *(Continued)*

In determining the fair value for the acquired assets and liabilities, net asset valuation (NAV) method under cost approach was used considering the acquired Company is yet to commence operations. The estimation of fair values requires significant judgement to mark every asset and liability of the acquired Company to current market values. The valuation techniques used for measuring the fair value of material assets and liabilities acquired were as follows:

Assets Acquired	Valuation technique and fair value of material component
Land	The fair value of land and buildings have been determined by engaging three certified real estate valuers. Land has been valued using the market approach throughout conducting a site survey for the land location and comparing prices of similar land.
Buildings	Buildings have been valued using replacement cost approach being under construction.
Borrowings	Fair value is determined by discounting the future cash outflows at current applicable market rate.
Current assets and current liabilities	Due to short term maturity of these assets and liabilities, their fair values closely approximate their carrying values, therefore, their fair values are deemed to be their respective carrying values.

Following are the significant assumptions used in determining fair values of assets and liabilities:

Significant assumption	Approach used in determining values
Replacement cost	Buildings replacement cost has been determined using the estimated construction cost per-meter for similar types of buildings that is used for the same valuated buildings
Current interest rate	Management used the current interest rate to reflect the fair value of the borrowings at acquisition date.

C. Bargain purchase

	Amount SR
Consideration transferred (Note – 5 (A))	236,438,580
Fair value of identifiable net assets (Note – 5 (B))	(251,018,643)
Bargain purchase	**(14,580,063)**

The acquisition transaction has resulted in SR 14.6 million of bargain purchase. Bargain purchase represents excess of fair value of the acquired assets and liabilities over the consideration transferred. The bargain purchase recognized in this transaction largely related to the acquired land, building and borrowings.

D. Acquisition transaction costs

Transaction costs in connection with acquisition transaction amounted to SR 62,500. (2019: 1,385,299). These are included in general and administrative expenses and in operating cash flows in the consolidated statement of cash flows. These costs primarily comprise of legal fees.

E. Revenue and profit contribution

Although the acquisition transaction was legally completed on March 15, 2020, for the purpose of consolidation, Al Salam Medical Services Company (ASMSC) financial information was consolidated with effect from March 31, 2020. Management considers that the impact of the transactions from March 15, 2020 to March 31, 2020 not material to the consolidated financial statements. Accordingly, ASMSC has contributed revenue of Nil and net loss of SR 3.7 million during the current year. If the acquisition had occurred on January 1, 2020, management estimates that ASMSC would have contributed revenues of Nil and net loss of SR 4.9 million to the group. Therefore, the net income for the year of the Group amounting to SR 30.8 million would have been SR 29.6 million.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and improvements	Machines	Vehicles	Furniture & office equipment	Computers	Capital work-in-progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost								
At January 1, 2020	20,980,000	164,111,007	134,067,796	5,467,386	20,501,460	9,075,751	19,529,982	373,733,382
Acquired (Note 5)	**115,718,750**	**-**	**-**	**488,700**	**3,833,490**	**-**	**425,291,341**	**545,332,281**
Transfers (Note 6.1)	**-**	**10,881,117**	**2,595,541**	**-**	**-**	**-**	**(13,476,658)**	**-**
Additions	**-**	**742,371**	**8,031,097**	**171,646**	**696,748**	**359,915**	**92,153,107**	**102,154,884**
Disposals	**-**	**-**	**(1,098,489)**	**(61,300)**	**(262,429)**	**(66,761)**	**-**	**(1,488,979)**
At December 31, 2020	**136,698,750**	**175,734,495**	**143,595,945**	**6,066,432**	**24,769,269**	**9,368,905**	**523,497,772**	**1,019,731,568**
Accumulated Depreciation								
At January 1, 2020	-	78,665,708	91,138,060	5,007,005	13,219,924	8,216,944	-	196,247,641
Acquired (Note 5)	**-**	**-**	**-**	**8,948**	**94,974**	**-**	**-**	**103,922**
Charge for the year (Note 6.3)	**-**	**5,096,833**	**7,360,356**	**257,107**	**1,573,705**	**383,610**	**-**	**14,671,611**
Disposals	**-**	**-**	**(891,672)**	**(61,300)**	**(154,842)**	**(62,584)**	**-**	**(1,170,398)**
At December 31, 2020	**-**	**83,762,541**	**97,606,744**	**5,211,760**	**14,733,761**	**8,537,970**	**-**	**209,852,776**
Net book value								
At December 31, 2020	**136,698,750**	**91,971,954**	**45,989,201**	**854,672**	**10,035,508**	**830,935**	**523,497,772**	**809,878,792**
At December 31, 2019	20,980,000	85,445,299	42,929,736	460,381	7,281,536	858,807	19,529,982	177,485,741

6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land	Buildings and improvements	Machines	Vehicles	Furniture & office equipment	Computers	Capital work-in-progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost								
At January 1, 2019	20,980,000	157,377,745	129,454,243	5,474,746	19,801,602	8,811,289	17,828,299	359,727,924
Transfers (Note 6.1)	-	3,812,134	2,736,183	-	-	-	(6,548,317)	-
Additions (Note 6.2)	-	2,921,128	4,317,744	212,200	994,229	382,600	8,250,000	17,077,901
Disposals	-	-	(2,440,374)	(219,560)	(294,371)	(118,138)	-	(3,072,443)
At December 31, 2019	20,980,000	164,111,007	134,067,796	5,467,386	20,501,460	9,075,751	19,529,982	373,733,382
Accumulated Depreciation								
At January 1, 2019	-	73,765,236	86,127,156	4,798,903	12,018,381	7,949,841	-	184,659,517
Charge for the year (Note 6.3)	**-**	**4,900,472**	**6,703,950**	**421,898**	**1,406,418**	**381,171**	**-**	**13,813,909**
Disposals	**-**	**-**	**(1,693,046)**	**(213,796)**	**(204,875)**	**(114,068)**	**-**	**(2,225,785)**
At December 31, 2019	**-**	**78,665,708**	**91,138,060**	**5,007,005**	**13,219,924**	**8,216,944**	**-**	**196,247,641**
Net book value								
At December 31, 2019	20,980,000	85,445,299	42,929,736	460,381	7,281,536	858,807	19,529,982	177,485,741

6.1 Capital work in process represents mainly the cost of constructing additional buildings for AMSC and cost of construction of Hospital for ASMSC.

6.2 Additions to capital work in progress includes advances to contractor for capital expenditure amounting to SR 34.3 million, interest capitalized during the year amounting to SR 14.67 million (2019: SR 14.88 million) and employee cost capitalized during the year amounting to SR 5.7 million (2019: SR 3.4 million).

6.3 Depreciation allocation

	December 31, 2020	December 31, 2019
	SR	SR
Cost of revenues	**11,666,856**	11,028,455
General and administrative expenses (Note 27)	**2,934,249**	2,700,387
Selling and marketing expenses (Note 28)	**70,506**	85,067
	14,671,611	13,813,909

6.4 The total expected cost to complete the ASMSC project as at December 31, 2020 is SR 108.4 million.

7. INTANGIBLE ASSETS

Intangible assets comprise of 2 items; (1) the cost of the medical services program used by AMSC and (2) intangible assets resulting from the investment valuation of AMSC at fair value at the time of control through acquisition. The movement of intangible assets during the year is as follows:

	2020	2019
	SR	SR
Cost		
Balance at January 1	**4,034,450**	4,034,450
Additions	**162,911**	-
Balance at December 31	**4,197,361**	4,034,450
Accumulated amortization		
Balance at 1 January	**3,929,910**	3,461,002
Charged during the year (Note 7.1)	**104,540**	468,908
Balance at December 31	**4,034,450**	3,929,910
Net book value	**162,911**	104,540

7.1 Amortization charged during the year is allocated to the consolidated statement of profit or loss and comprehensive income as follows:

	2020	2019
	SR	SR
Cost of revenues	**87,039**	438,377
General and administrative expenses (Note 27)	**17,501**	30,531
	104,540	468,908

8. EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	SR	SR
A) Quoted in the Saudi stock market	**-**	61,095,460
B) Unquoted in the Saudi stock market	**151,725,210**	161,408,000
	151,725,210	222,503,460

A) Quoted in the Saudi stock market

	Fair Market Value	
	2020	2019
	SR	SR
Takween Advanced Industries	**-**	12,594,280
Saudi Ground Services Company	**-**	48,501,180
	-	61,095,460

During the year ended December 31, 2020, the Group sold its investments quoted in the saudi stock market for a consideration of SR 42.3 million, which represents also the fair market value at the disposal date, resulting in transfer of fair value loss, recognised till date of disposal, of SR 29.7 million from fair value reserve to retained earnings.

8. EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

B) Unquoted in the Saudi stock market

	Ownership %			
	2020	2019	**2020**	2019
			SR	SR
Industrialization and Energy Services Co. TAQA	**1.36**	1.36	**110,370,548**	113,077,000
Taleem Investment Co. Ltd	**12.78**	12.78	**20,513,677**	21,300,000
Arab Paper Manufacturing Co. (Warq)	**4.74**	4.74	**18,306,831**	21,671,000
National Aviation Ground Support Company	**5**	5	**1,496,783**	4,680,000
Al Ahsa Tourism & Leisure Co.	**0.42**	0.42	**1,037,371**	680,000
Arab Company for Industrial Fibers (Ibn Rushd)	**7.57**	7.57	**-**	-
			151,725,210	161,408,000

The above investments were valued by an independent valuation expert who issued his report after evaluating all investments. The independent valuation expert issued his report on the value of these investments as at December 31, 2020. The earnings based method, using the earnings multiples of similar companies in GCC and other countries, was used to assess the fair value of investments except for Taleem for which free cash flows method is used. The valuation techniques used in current year are consistent with those used in last year for investment valuation.

C) Movement in equity instruments designated at fair value through other comprehensive income is as follows:

	2020	2019
	SR	SR
Balance at January 1	**222,503,460**	208,820,103
Disposals	**(42,338,182)**	(10,501,299)
Change in fair value	**(28,440,068)**	24,184,656
Balance at December 31	**151,725,210**	222,503,460

The hierarchy for determining the fair value of financial instruments, valuation techniques used and key inputs for valuation is disclosed in Note 31.

9. INVESTMENT IN AN ASSOCIATE

In March 2019, the Group acquired 25% of Twareat Medical Care Company at a total cost of SR 15.4 million, which is initially recognized at cost including consideration paid and direct incidental expenses. The above cost includes an option to acquire more shares in Twareat Medical Care Company which has been valued by the independent valuer accredited by the Saudi Association of Independent Valuers (Taqeem) who issued his report showing the fair value of identifiable assets amounting to SR 11.1 million and goodwill amounting to SR 4.3 million which is included in the carrying value of the investment. Furthermore, the call option for purchase of additional shares of the investment has been valued at zero at the acquisition date as well as the date of these consolidated financial statements. Twareat Medical Services Company is a limited liability company registered in the Kingdom of Saudi Arabia. The main activity of the company is the provision of administrative services, medical support services, human health activities and social work.

	2020	2019
	SR	SR
Balamce at January 1, / cost of investment	**12,851,170**	15,368,818
Share of result from associate *	**275,005**	(2,517,648)
Balance at December 31	**13,126,175**	12,851,170

***** Share of result from associate comprised of amortization of purchase price allocation (PPA) of the identifiable assets and share of result from associate.

9. INVESTMENT IN AN ASSOCIATE *(Continued)*

The financial information of the associate represents the values presented in the financial statements of the associate and not the group's share of those values. It has also been presented after fair value adjustments and is as follows:

	2020	2019
	SR	SR
Current assets	**34,903,315**	23,000,281
Non-current assets	**26,139,337**	33,854,951
Current liabilities	**17,832,046**	23,660,854
Non-current liabilities	**9,135,198**	2,313,146
Revenue	**81,702,430**	52,900,940
Net profit/(loss) before zakat for the year	**8,098,516**	(9,945,847)
Total comprehensive loss	**7,661,463**	(10,070,590)

10. INVESTMENT PROPERTIES

Investment properties represents land and leased buildings as follows:

	Land	**Leased building**	**Total**
	SR	**SR**	**SR**
Cost			
Cost at January 1, 2020	**147,591,540**	**6,070,596**	**153,662,136**
Less: impairment of investment properties at January 1	**(26,252,660)**	**-**	**(26,252,660)**
Balance at December 31, 2020	**121,338,880**	**6,070,596**	**127,409,476**
Accumulated depreciation			
Balance at January 1, 2020	**-**	**3,054,214**	**3,054,214**
Charged during the year	**-**	**183,675**	**183,675**
Balance at December 31, 2020	**-**	**3,237,889**	**3,237,889**
Net book value			
At December 31, 2020	**121,338,880**	**2,832,707**	**124,171,587**
At December 31, 2019	121,338,880	3,016,382	124,355,262

	Land	Leased building	Total
	SR	SR	SR
Cost			
Cost at January 1, 2019	149,459,040	6,070,596	155,529,636
Recoveries against cost of fully impaired investment properties	(1,867,500)	-	(1,867,500)
Less: impairment of investment properties	(26,252,660)	-	(26,252,660)
Balance at December 31, 2019	121,338,880	6,070,596	127,409,476
Accumulated depreciation			
Balance at January 1, 2019	-	2,870,539	2,870,539
Charged during the year	-	183,675	183,675
Balance at December 31, 2019	-	3,054,214	3,054,214
Net book value			
As at December 31, 2019	121,338,880	3,016,382	124,355,262

The fair value of investment properties amounted to SR 132.6 million as of December 31, 2020 (2019: SR 132.5 million) and was determined based on the evaluation by an independent certified real estate valuer. The fair value of the properties has been determined based on the prevailing market prices for similar investment properties. Rental income recognized from the lease of investment properties by Al Ahsa Medical Services Company (AMSC) as of December 31, 2020 amounts to SR 2.4 million (2019: SR 2.6 million) (Note 30).

10. INVESTMENT PROPERTIES *(Continued)*

Movement in impairment of investment properties is as follows:

	2020	2019
	SR	SR
Balance at January 1	**26,252,660**	28,120,160
Reversal	**-**	(1,867,500)
Balance at December 31	**26,252,660**	26,252,660

The minimum lease receivables under non-cancellable operating lease agreement as of December 31, are as follows;

	2020	2019
	SR	SR
Operating lease receivables	**2,275,000**	2,525,000

11. RIGHT OF USE ASSET AND LEASE LIABILITIES

The right of use asset consists of leased land and building.

			Total	
	Land	**Building**	**2020**	2019
	SR	**SR**	**SR**	SR
Cost				
Balance at January 1	**1,632,913**	**5,195,533**	**6,828,446**	6,828,446
Additions	**-**	**-**	**-**	-
Balance at December 31	**1,632,913**	**5,195,533**	**6,828,446**	6,828,446
Accumulated depreciation				
Balance at January 1	**60,478**	**1,190,036**	**1,250,514**	-
Charge for the year	**60,478**	**1,115,402**	**1,175,880**	1,250,514
Balance at December 31	**120,956**	**2,305,438**	**2,426,394**	1,250,514
Net book value	**1,511,957**	**2,890,095**	**4,402,052**	5,577,932

Lease liabilities are as follows:

	2020	2019
	SR	SR
At January 1	**5,438,102**	6,442,023
Acquired during the year	**26,486,880**	-
Additions during the year	**7,858,646**	-
Restructuring effect	**1,107,763**	-
Paid during the year	**(3,428,145)**	(1,329,600)
Finance cost	**2,420,327**	325,679
Total balance at the year end	**39,883,573**	5,438,102
Less: current portion	**(4,186,602)**	(1,085,501)
Non-current portion	**35,696,971**	4,352,601

.

11. RIGHT OF USE ASSET AND LEASE LIABILITIES *(Continued)*

As at December 31, 2020, The minimum lease payments of lease liabilities are as follows:

	2020	2019
	SR	SR
Lease payments		
Within one year	**7,068,646**	1,289,524
Year two to five	**29,873,366**	3,399,622
Year five and above	**15,410,928**	2,100,000
Gross minimum lease payments	**52,352,940**	6,789,146
Less: Finance charges	**(12,469,367)**	(1,351,044)
Present value of net minimum lease payments	**39,883,573**	5,438,102

During the year, as a result of acquisition of ASMSC, the Group has assumed lease liabilities amounting to SR 26.5 million, as of the date of acquisition. During 2019, ASMSC entered into a leasing agreement to finance the medical equipment for a total amount of SR 75.9 million. During the current year, the repayment schedule for lease of equipment has been restructured by extending the original lease term that should have been ended in November 2026 to be ended in December 2027 and restructuring the monthly repayments as per original agreement amounting to SR 0.44 million starting from 1 October 2020 to be quarterly repayments amounting to SR 0.69 million till June 2021 after that installment is SR 0.44 million till the end of the lease contract. This restructuring has resulted in increase in lease liability by SR 1.1 million. Additionally, the Company has received additional installment of SR 7.86 million in cash from the leasing Company against purchase of medical equipment. The remaining related assets of the contract amounting to SR 41.7 million are expected to be received in future periods. Lease liability is secured by promissory note from the Company which had been jointly guaranteed by related parties.

12. GOODWILL

Goodwill resulted from the Group's control at the time of acquisition over the Al-Ahsa Medical Services Company, after completing the purchase of additional interest in the company during the year 2015, in which control was achieved. According to the requirements of the International Financial Reporting Standards, the Group's management are required to annually measures the impairment of goodwill mentioned above. The Group's management carried out impairment assessment for the year ended December 31, 2020. The recoverable amount has been determined on the basis of the value in use. The two main assumptions used in the measurement are the discount rate and expected future cash flows from the business, which are as follows:

- Discount rate used to discount future cash flows is 11%
- Profit before zakat, interest, depreciation and amortization is expected to grow at 7% over the next 5 years

As per the above rates, recoverable amount, determined based on value in use model, is more than the book value, therefore there are no impairment losses for goodwill to be recorded for the year ended December 31, 2020.

Sensitivity to changes in assumptions used
With regard to assessing the value in use of the cash-generating units, the management believes that there is no potential change in any of the underlying assumptions that could cause the carrying value of goodwill to decrease substantially from its recoverable amount.

13. INVENTORIES

	2020	2019
	SR	SR
Medical consumables	**10,171,128**	10,236,802
Medicines	**6,456,473**	6,309,768
Dates and others	**7,477,570**	6,377,017
Medical supplies and spare parts	**715,047**	979,804
	24,820,218	23,903,391
Allowance for slow moving inventories	**(104,795)**	(104,795)
	24,715,423	23,798,596

There were no movement in the provision for slow moving inventory during the year ended December 31 2020, 2019.

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	2020	2019
	SR	SR
Trade receivables	**128,092,931**	93,839,148
Due from a related party (Note 24)	**214,991**	660,858
Prepayments and other receivables	**14,124,467**	13,522,395
	142,432,389	108,022,401
Less: provision for impairment of receivables	**(18,228,609)**	(16,310,820)
	124,203,780	91,711,581

The movement in the provision for impairment of receivables during the year ended December 31 is as follows:

	2020	2019
	SR	SR
Balance at January 1	**16,310,820**	2,776,209
charge for the year	**3,645,580**	14,664,611
Reversal	**(1,727,791)**	(1,130,000)
Balance at December 31	**18,228,609**	16,310,820

Aging of trade receivables

	2020	2019
	SR	SR
Within 3 month	**66,469,103**	72,214,405
from 3 to 6 months	**7,134,135**	4,177,120
Over 6 months	**54,489,693**	17,447,623
	128,092,931	93,839,148

During the year, based on a receivables reconciliation with one of the major customers to one of the Group's subsidiaries AMSC, differences were noted in the outstanding balance for which management has create a provision for impairment of receivables according to the applicable policy as per the requirements of IFRS 9, financial instruments using the expected credit loss model (ECL). Management is currently in a discussion with the customer to clarify the nature and causes of the identified differences and try to reconcile it.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits and highly liquid investments that mature within three months or less. As of December 31, 2020 and 2019. Cash and cash equivalents in full included cash and bank balances and short term bank deposits. Amounts due to bank is classified under the current liabilities.

	2020	2019
	SR	SR
Cash with banks - current account	**3,351,961**	13,046,099
Cash on hand	**101,603**	193,697
	3,453,564	13,239,796

Due to banks relates to uncleared cheques which are cleared subsequent to yearend.

	2020	2019
	SR	SR
Due to banks	**5,705,488**	-

16. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year, the Company made investment in portfolio of equity instruments to be held for trading and are measured at fair value through profit or loss. The movement on investment in equity instruments at fair value through profit or loss is as follows:

	2020	2019
	SR	SR
Additions	**54,374,163**	-
Disposal	**(9,599,643)**	-
Gain on fair value measurement, net	**8,511,730**	-
Closing balance	**53,286,250**	-

17. STATUTORY RESERVE

As per the requirements of the Companies' regulations and Company's bylaw, the company creates a statutory reserve of 10% of net annual income until this reserve reaches 30% of the capital. This reserve is not available for distribution.

18. RESERVE FOR ACQUISITION FOR ADDITIONAL SHARES IN A SUBSIDIARY

This reserve represents the difference between the consideration paid to acquire additional shares in Al-Ahsa Medical Services Company, a subsidiary, and the fair value of those additional shares with no change in control.

19. LONG TERM LOANS

	2020	2019
	SR	SR
Loan from commercial bank (Note 19.1)	**162,492,995**	-
Loan from commercial bank (Note 19.2)	**15,391,450**	16,666,667
Loan from Ministry of Finance (Note 19.3)	**44,743,889**	-
	222,628,334	16,666,667

19.1 During the year, the Group acquired a subsidiary, ASMSC. ASMSC had signed loan facility agreement amounted to SR 296 million which comprise of long term loan, guarantee and short term loan, to partially finance the construction of hospital. This loan is repayable within 9 years (including 48 months as grace period after first draw down) and 60 months' repayment instalments, with minimum of 90 days for each transaction. The interest rate on this loan is SIBOR + 3%. First principal installment is due in June 2021. As per the agreement loan from commercial banks are secured by order note signed by Company and guarantors, corporate guarantees from Ayyan Investment Company and Al Othman Holding Company supported by partners/board resolutions, receivable security agreement, mortgage of title deed, Pledge over Al Ahsa Hospital (related party) shares, undertaking letter from Ayyan Investment Company and Al Othman Holding Company to inject funds and joint and several guarantees from related parties. The facilities agreement contains certain financial and non-financial covenants.

19.2 In 2019, the company, obtained a Tawarrouq facility from a local bank amounted to SR 30 million out of which the company has withdrawn SR 20 million from long term facility to finance its capital work in progress and SR 4 million from short term facility to finance working capital. As per the agreement, the facility is guaranteed by personal guarantees from one of the major shareholders of Company, assignment of proceeds from one of the customers and provision of real estate mortgage as of the date of financial statements. The outstanding balance is repayable over 8 quarterly installments ending November 2022. This loan carries financing charges at SIBOR + 2%. As per facility agreement, the company has to maintain certain covenants with respect to obtaining new facilities from other banks. The finance cost related to this facility amounted to SR 0.74 million out of which, 0.57 million has been capitalized in capital work in progress during the year and SR 0.17 million has been charged to profit or loss.

19.3 During year 2018, ASMSC obtained an interest free loan facility amounting to SR 56 million from the Ministry of Finance, to finance the construction, furnishing and fitting of the Hospital Project. This loan is repayable in 20 annual installments with first installment due after five years from the date of the contract, which is discounted on average market prevailing interest rates for similar nature loans, to have a present value of SR 31.69 million. During the year 2019, the Company obtained an additional interest free loan facility amounting to SR 15.9 million from the Ministry of Finance, with same terms of loan as for first loan, having net present value of SR 9.2 million. The difference between loan received and its present value amounting to SR 31.1 million was recorded as governmental grant as a reduction to property and equipment. The loan is secured by a pledge on the land of the project, the construction and maintenance of the building for the Ministry of Finance.

19. LOANS *(Continued)*

Maturity Profile

	2020	2019
	SR	SR
Within 1 year	**31,122,315**	6,666,667
From 2 to 5 years	**148,676,787**	10,000,000
Over 5 years	**42,829,232**	-
	222,628,334	16,666,667

Loans balances are presented in the consolidated financial statements as follows:

	2020	2019
	SR	SR
Current portion	**31,122,315**	6,666,667
Non-current portion	**191,506,019**	10,000,000
	222,628,334	16,666,667

20. SHORT TERM LOANS

Short term borrowings facilities available with banks amounts to SR 135.17 million, out of which the amount un-availed at the year-end was SR 5.47 million.

21. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
	SR	SR
Balance at January 1	**28,472,821**	24,043,519
Acquired (Note 5)	**305,526**	-
Charge for the year	**5,595,937**	5,200,460
Actuarial loss on the obligation	**2,007,126**	1,309,682
Advances given to employees	**(1,591,217)**	-
Paid during the year	**(2,522,398)**	(2,080,840)
Balance at December 31	**32,267,795**	28,472,821

Expenses recognized during the year in consolidated statement of profit or loss and other comprehensive income are as follows:

	2020	2019
	SR	SR
Current service cost	**4,822,959**	4,146,792
Interest cost	**837,066**	1,053,668
	5,660,025	5,200,460

The principal assumptions used in determining obligations for the Company's plans are shown below:

	2020	2019
Discount rate	**1.70% - 2.25%**	2.80% - 3.15%
Long term salary increase rate	**1.70% - 2.25%**	2.80% - 3.15%
Rates of employee turnover	**Moderate**	Moderate

Sensitivity Analysis

	2020	2019
	SR	SR
Discount rate +0.5%	**31,154,609**	27,510,347
Discount rate -0.5%	**33,455,442**	29,499,297
Long term salary increases +0.5%	**33,448,152**	29,108,943
Long term salary increases -0.5%	**31,150,495**	27,868,480

21. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS *(Continued)*

Maturity Profile

	2020	2019
	SR	SR
Year 1	**3,441,160**	2,740,175
Year 2	**6,578,128**	4,599,231
Year 3	**3,754,309**	4,083,770
Year 4	**4,641,581**	3,452,194
Year 5	**4,571,115**	4,285,698
Year 6 - 10	**21,345,054**	21,695,866

22. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER LIABILITIES

	2020	2019
	SR	SR
Trade payables	**37,926,279**	21,857,872
Vacations and air tickets payable	**8,915,415**	7,271,450
VAT accrual	**2,894,354**	612,579
Due to a related party (Note 24)	**332,287**	125,838
Advance rent	**511,667**	599,091
Others	**4,909,800**	2,981,181
	55,489,802	33,448,011

23. ZAKAT

	December 31, 2020	December 31, 2019
	SR	SR
Balance at January 1	**4,525,208**	6,186,255
Expense for the year – Current year	**6,730,167**	3,887,482
– Prior year	**-**	287,312
Paid during the year	**(4,688,857)**	(5,835,841)
Balance at December 31	**6,566,518**	4,525,208

Status of zakat assessments

The Group files its consolidated zakat return for Ayyan Investment Compan and Al Ahsa Food Industries Company. The Group has filed its zakat return up to the year 2019 and obtained related receipts and certificates valid till April 30, 2021. The Group has received the final zakat assessments up to the year 2018 from General Authority of Zakat and Tax (GAZT). Zakat assessment for the year 2019 is still under GAZT review.

Al-Ahsa Medical Services Company (AMSC)

The company submitted its zakat returns for the years until December 31, 2019 and obtained a valid zakat certificate until April 30, 2021. The Company received the zakat assessments up to the year 2017 from the General Authority of Zakat and Income Tax. Assessment for the years 2018 & 2019 is still under study by the General Authority of Zakat and Income Tax.

Al Salam Medical Services Company (ASMSC)

ASMSC has submitted its zakat returns for the years until December 31, 2019 to GAZT and obtained a valid zakat certificate until April 30, 2021. The company received the final assessment until 2017 from the GAZT. The assessment for the year 2018 and 2019 is still under study by the GAZT.

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The significant transactions with related parties represents mainly transactions with associate and Board of Directors and their related entities. All transactions are carried out based on agreed provisions and are approved by the board of directors.

Name of related party	Relationship
Al Othman Agricultural Production and Processing Co.	Affiliate
Takween Advanced Industries	Affiliate
Rashed Saad Al Rashed Company	Affiliate
Mohammed Al Othman Construction	Affiliate
Al Othman Wood Industries	Affiliate
Al Othman Travel	Affiliate
System of Strategic Business Solutions SSBS	Affiliate

Transactions with related parties comprise of the following:

Nature of transaction	**December 31, 2020**	December 31, 2019
	SR	SR
BOD remunerations and meeting expenses	**1,171,000**	1,878,292
Key management personnel salaries and benefits	**1,798,827**	1,703,347
Services provided to the Company	**6,335,638**	417,499
Purchases from affiliates	**(248,250)**	(263,222)
Revenue earned from affiliates	**126,385**	289,704
Purchase of IT software and equipment	**759,268**	-

Balance due from related parties' as at December 31 is as follows;

	2020	2019
	SR	SR
Al Othman Agricultural Production and Processing Co.	**183,504**	141,728
Takween Advanced Industries	**28,511**	47,295
Manafe'a Al Salam For Healthcare Benefits	**2,640**	-
Rashed Saad Al Rashed Company	**336**	336
Al Salam Medical Services	**-**	471,499
	214,991	660,858

Balance due to related parties' as at December 31 is as follows;

	2020	2019
	SR	SR
Al Othman Wood Industries	**288,355**	-
Al Othman Agricultural Production and Processing Co.	**43,932**	125,838
	332,287	125,838

25. EARNINGS PER SHARE

Earnings per share for the year is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year. The share of profit is as follows:

	2020	2019
	SR	SR
Net income/(loss) for the year attributable to the shareholders of the Group	**27,293,701**	(1,283,443)
Weighted average number of shares	**68,664,022**	49,000,000
Earnings/(loss) per share of net income for the year	**0.40**	(0.03)

25. EARNINGS PER SHARE *(Continued)*

	2020	2019
	SR	SR
Total comprehensive (loss)/income attributable to the shareholders of the Group	**(2,560,646)**	22,068,410
Weighted average number of shares	**68,664,022**	49,000,000
(Loss)/earnings per share of total comprehensive income for the year	**(0.04)**	0.45

From continued operations

	2020	2019
	SR	SR
Net profit/(loss) for the year attributable to the shareholders of the Group	**24,281,862**	(1,283,443)
Weighted average number of shares	**68,664,022**	49,000,000
Earnings/(Loss) per share	**0.35**	(0.03)

	2020	2019
	SR	SR
Total comprehensive (loss) / income for the year attributable to the shareholders of the Group	**(5,572,485)**	22,068,410
Weighted average number of shares	**68,664,022**	49,000,000
(Loss) / earnings per share	**(0.08)**	0.45

From discontinued operations

	2020	2019
	SR	SR
Net income for the year attributable to the shareholders of the Group	**3,011,839**	-
Weighted average number of shares	**68,664,022**	49,000,000
Earnings per share	**0.04**	-

Weighted average number of ordinary shares

	2020	2019
	SR	SR
Issued share capital as at January 1	**49,000,000**	49,000,000
Effect of shares issued to acquire subsidiary (issued in March 2020)	**19,664,022**	-
Weighted average number of ordinary shares	**68,664,022**	49,000,000

26. SEGMENTAL REPORTING

The main activities of the Group are categorized into three main business sectors, the manufacturing sector represented by Al-Ahsa Food Industries Company specializing in the production and packaging of dates; the medical services sector represented by Al-Ahsa Medical Services Company and Al Salam Medical Services Company and Investment sector represented by AYYAN Investment Company. The financial information as at December 31, 2020 and December 31, 2019 and for the years then ended are summarized in accordance with the main activities as follows:

	Manufacturing Sector	Medical Services Sector	Investment Sector	Total
December 31, 2020	**SR**	**SR**	**SR**	**SR**
Property, Plant & Equipment	**5,131,275**	**804,172,341**	**575,176**	**809,878,792**
Total Assets	**19,384,592**	**951,092,871**	**340,742,959**	**1,311,220,422**
Total Liabilities	**7,977,775**	**476,483,137**	**7,755,772**	**492,216,684**
Revenues, net	**16,783,861**	**238,532,528**	**-**	**255,316,389**
Profit from continuing operations	**1,725,643**	**11,493,870**	**21,345,968**	**34,565,481**
Net profit	**1,725,643**	**8,163,703**	**20,957,807**	**30,847,153**
December 31, 2019				
Property, Plant & Equipment	5,808,347	170,994,458	682,936	177,485,741
Total Assets	25,566,546	140,217,855	508,048,891	673,833,292
Total Liabilities	4,264,320	78,370,394	9,033,379	91,668,093
Revenues, net	16,443,009	229,061,820	-	245,504,829
Profit / (loss) from continuing operations	754,306	7,637,245	(3,490,465)	4,901,086
Net profit / (loss)	754,306	4,812,451	(4,840,465)	726,292

Revenues recognized from two main customers (Saudi Arabian Oil Company (Aramco) – Ministry of Health) amounted to SR 166.3 million, representing 70% of revenues from the medical services sector (2019: SR 133.9 million representing 59%). The total outstanding balance of those customers as at December 31, 2020 amounted to SR 83.1 million (SR 48.6 million as at December 31, 2019).

27. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
	SR	SR
Employees cost	**46,151,035**	43,844,869
Impairment recognized in receivables	**3,645,580**	14,664,611
Legal and professional expenses	**3,400,968**	3,805,171
Depreciation expense (Note 6.3)	**2,934,249**	2,700,387
Board expenses and fees	**1,388,000**	2,153,292
Depreciation expense on right of use asset	**1,175,881**	1,250,514
Rent	**13,998**	173,559
Amortization expense (Note 7.1)	**17,501**	30,531
Others	**6,478,994**	5,766,970
	65,206,206	74,389,904

28. SELLING AND MARKETING EXPENSES

	2020	2019
	SR	SR
Freight expenses	**379,251**	280,478
Employees cost	**323,740**	392,786
Depreciation expense (Note 6.3)	**70,506**	85,067
Advertising expenses	**68,116**	72,859
Others	**88,239**	462,317
	929,852	1,293,507

29. DIVIDEND INCOME

	2020	2019
	SR	SR
Taalem Investment Co. Ltd	**1,723,414**	1,614,250
Dividend income on fair value through profit or loss portfolio	**982,225**	-
Saudi Ground Services Company	**-**	2,461,375
Industrialization and Energy Services Co. TAQA	**-**	2,050,009
	2,705,639	6,125,634

30. OTHER INCOME

	2020	2019
	SR	SR
Rental income	**2,439,924**	2,633,152
Provision for doubtful receivables – Reversal	**1,727,791**	1,130,000
Conferences and seminars	**968,667**	577,333
Meal provided to staff	**625,032**	790,580
Impairment of investment properties – Reversal (Note 10)	**-**	1,867,500
Interest income on bank deposits	**-**	436,552
Others	**1,445,590**	595,639
	7,207,004	8,030,756

31. FINANCE COST

	2020	2019
	SR	SR
Finance cost on lease liability	**2,336,480**	325,679
Finance cost – Tawarrouq	**166,719**	107,816
Finance cost – Short term loan	**67,646**	-
	2,570,845	433,495

32. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group’s principal financial liabilities comprise trade and other payables and loans. The Group's principal financial assets comprise cash and cash equivalents, investments in equity instruments designated at fair value through other comprehensive income, investments in equity instruments at fair value through profit or loss and trade and other receivables.

Classification of financial instruments

	December 31, 2020	December 31, 2019
	SR	SR
Financial assets at fair value		
Investment in equity instruments at fair value through profit or loss	**53,286,250**	-
Equity instruments designated by fair value through other comprehensive income	**151,725,210**	222,503,460
	205,011,460	222,503,460
Financial assets at amortized cost		
Trade receivables and other assets	**115,333,113**	82,108,514
Cash and cash equivalents	**3,453,564**	13,239,796
	118,786,677	95,348,310
Total financial assets	**323,798,137**	317,851,770
Financial liabilities at amortized cost		
Trade payables, accrued expenses and other liabilities	**55,481,523**	31,697,349
Due to banks	**5,705,488**	-
Short term loans	**129,675,174**	-
Loans	**222,628,334**	16,666,667
	413,490,519	48,364,016

Risk management of financial instruments

The Group's activities are exposed to various financial risks such as fair value measurement, credit risk, liquidity risk, foreign currency risk and capital management risk. Management reviews and approves policies to manage each of these risks, which are summarized as follows:

Fair value measurement of financial instruments

Fair value is the amount at which an asset is sold or a liability settled between willing parties in the arm’s length transactions there is a presumption that the Company is a going concern entity where there is no intention or requirement to materially reduce the volume of its operations or to conduct a transaction on adverse terms. A financial instrument is considered to be listed in the active market if the quoted prices are readily and regularly available from an intermediary, industry group, pricing services or regulatory body, and these prices represent market transactions that have occurred on an active and regular basis on a commercial basis.

When measuring fair value, the Group uses observable market information whenever possible to the inputs used in valuation methods as follows:
Level 1: quoted prices (unadjusted) in active markets for similar assets or liabilities that can be obtained on the measurement date.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities directly (e.g. prices) or indirectly (derived from prices).
Level 3: inputs for assets or liabilities not based on observable market information (non-observable inputs).

32. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

The following schedule presents an analysis of financial instruments carried at fair value according to the fair value hierarchy:

	December 31, 2020			
	Level 1 (SR)	**Level 2 (SR)**	**Level 3 (SR)**	**Total (SR)**
Investment in equity securities measured at fair value through profit or loss	**53,286,250**	**-**	**-**	**53,286,250**
Equity instruments designated by fair value through other comprehensive income	**-**	**-**	**151,725,210**	**151,725,210**
	53,286,250	**-**	**151,725,210**	**205,011,460**

	December 31, 2019			
	Level 1 (SR)	Level 2 (SR)	Level 3 (SR)	Total (SR)
Equity instruments designated by fair value through other comprehensive income	61,095,460	-	161,408,000	222,503,460
	61,095,460	-	161,408,000	222,503,460

The valuation methods used and the key inputs to revalue investments in equity instruments through other comprehensive income are described below:

Valuation method	
Market method	- The value of equity to the profits multiplier before commission, income tax, depreciation and amortization
	- Average net asset value and price to book value multiplier
Net assets method	- Cash and cash equivalents available for distribution and net assets
Expected returns method	- The value of the equity to the revenue multiplier

Credit risk

Credit risk is the risk that one party may fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk which represents trade receivables and other assets and cash balances. Cash and cash equivalents are placed with banks and institutions with sound credit ratings. Trade and other receivables are mainly due from customers in the local market and related parties and are shown at their estimated recoverable amount as follows:

	2020	2019
	SR	SR
Trade receivables and other assets	**115,333,113**	82,108,514
Cash and cash equivalents	**9,057,603**	13,239,796
	124,390,716	95,348,310

The carrying amount of financial assets represents the maximum exposure to credit risk.
Credit risk on accounts receivable and bank balances is limited to:
• Cash balances held with banks with a high credit rating.
• Trade receivables and other assets, net of provision for doubtful receivables.

The Group manages credit risk relating to amounts due from customers through the ongoing monitoring in accordance with the specific policies and procedures. The Group minimizes its credit risk relating to customers by setting credit limits for each customer and monitoring existing receivables on an ongoing basis.

Liquidity risk

Liquidity risk is the difficulty that an entity encounters in raising funds to meet the obligations in connection with the financial instruments. Liquidity risk can result from the inability to sell financial assets quickly and at its approximate fair value. The contractual maturities of financial liabilities at the end of the financial year are as follows, the amounts are presented in total and are not discounted and include estimated interest payments

32. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*
Fair value measurement of financial instruments *(continued)*
Liquidity risk *(Continued)*

	December 31, 2020			
		Total undiscounted amounts		
	Book value	**Payable on request or within 1 year**	**From 2 to 5 years**	**More than 5 years**
	SR	**SR**	**SR**	**SR**
Financial liabilities at amortized cost				
Trade payables, accrued expenses and other liabilities	**55,481,523**	**55,481,523**	**-**	**-**
Due to banks	**5,705,488**	**5,705,488**	**-**	**-**
Short term loans	**129,675,174**	**129,675,174**	**-**	**-**
Loans	**222,628,334**	**31,832,209**	**161,129,588**	**61,285,136**
	413,490,519	**222,694,394**	**161,129,588**	**61,285,136**

	December 31, 2019			
		Total undiscounted amounts		
	Book value	Payable on request or within 1 year	From 2 to 5 years	More than 5 years
	SR	SR	SR	SR
Financial liabilities at amortized cost				
Trade payables, accrued expenses and other liabilities	31,697,349	31,697,349	-	-
Loans	16,666,667	17,900,004	-	-
	48,364,016	49,597,353	-	-

The Group monitor its liquidity risk on an ongoing basis to ensure that funds and bank facilities are available to meet the future liabilities.

Market risk

Market risk is the risk that a financial instrument will fluctuate due to changes in prevailing market prices such as foreign exchange rates, interest rates and stocks prices affecting the Group's income or the value of its financial instruments. Market risk management aims to manage and control market risk exposure within acceptable limits while maximizing returns.

Foreign currency risk management

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future business transactions and recognized assets and liabilities are denominated in currencies different from the Group's currency. The Group's exposure to foreign exchange risk is primarily limited to transactions in US Dollars and UAE Dirhams. Management believes that its exposure to foreign exchange risk is limited as the Group's currency and UAE Dirhams are pegged to the US Dollar.

Interest rate

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest bearing loans at December 31, 2020 and 2019. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group’s loans and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

32. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Capital management

The Board of Directors' policy is to maintain an adequate capital base in order to maintain investor, creditor and market confidence and to maintain the future development of its business. The Board of Directors monitors the return on the capital used and the level of dividends distributed to ordinary shareholders.

In managing capital, the Group aims to:

- To protect the entity's ability to continue as a going concern so that it can continue to provide returns to shareholders and interest to other stakeholders.
- Provide sufficient returns for shareholders

33. CONTINGENCIES AND COMMITMENTS

A) Capital commitment

The Group has a capital commitment related to construction of additional buildings for Al Ahsa Medical Services Company and construction of Hospital for Al Salam Medical Services Company amounting to SR 108,606,789 which is expected to be completed by the end of the year 2021. Letter of credits amounting to SR 11 million and letter of guarantees amounting to SR 0.33 million relating to construction of hospital are outstanding as of the reporting date.

B) Lawsuits:

There is a legal case filed against the company by a third party, which requires from the Group to pay an amount of SR 24.5 million as fees for consulting services for the aluminum plant project. The case was filed against the Group in the General Court in Riyadh, and the court decision was issued on 19 Shawwal 1434H corresponding to August 26, 2013 rejecting the case. The decision was appealed on 13 Rabea I, 1435H corresponding to January 14, 2014. On September 15, 2020, the appeal against Company was rejected by the court.

34. NON-CASH TRANSACTIONS

	2020	2019
	SR	SR
Change in fair value reserve	**28,451,601**	(24,184,656)
Borrowing cost capitalized	**9,448,293**	-
Effect of revision in lease liability	**1,107,763**	-
Accrued interest capitalized	**595,988**	-
Right of use asset recognized at 1 January 2019	**-**	(6,828,446)
Prepayments at 1 January 2019	**-**	386,423
Lease liability recognized at 1 January 2019	**-**	6,442,023
Gains from disposal of equity instruments by fair value through other comprehensive income	**-**	501,299

35. SIGNIFICANT EVENT

In March 2020, the Kingdom of Saudi Arabia announced a global pandemic due to the novel coronavirus (COVID-19). The impact of outbreak and long hours of curfew has caused a significant change in business activities and increase in economy uncertainty. The Group proactively took a range of operational preventive measures in response to the situation by modifying certain operations to comply with health and safety guidelines to protect employees, customers and suppliers, secure smooth supply chain process to avoid any business interruption benefiting from all supports announced by the Government for the private sectors.

In response to COVID-19;

- Al Ahsa Medical Services Company has been relieved from repayments due till February 2021 by commercial bank, as per the instructions of Government and consequently, has extended the period for loan till November 2022.
- Lessor has restructured the repayment schedule for lease of equipment by Al Salam Medical Services Company resulting in reduced quarterly payments till June 2021 instead of monthly payments and has extended the lease period till December 2027. These consolidated financial statements have been adjusted for the impact of modification in lease.

Management believes that, except for the above, the Covid-19 pandemic had no major impact on the Group reported results for the year ended December 31, 2020 due to the steps taken by the company and the diversification of its portfolio. The company will continue to assess this situation moving forward.

36. TRANSACTION WITH NON-CONTROLLING INTEREST

On May 1, 2019, the Group has signed a share purchase agreement (SPA) with Rashed and Partners Development Company Limited for the acquisition of 16.32% of AMSC shares for SR 66.1 million. The increase in shares was treated as an equity transaction with the difference between the consideration paid and the carrying value of the shares adjusted against reserve for acquisition of additional shares in the subsidiary.

	2020	2019
	SR	SR
Consideration paid	**-**	66,113,550
Value of net assets acquired	**-**	(35,363,287)
Excess consideration paid over value of net assets acquired	**-**	30,750,263
Comprise of;		
Share of reserve for re-measurement of employees' defined benefits obligations	**-**	(2,139,466)
Reserve for acquisition of additional shares in a subsidiary	**-**	32,889,729

Below is the summarized financial information of subsidiary (AMSC) having non-controlling interest that is material to the Group. This amounts disclosed below are before inter-company eliminations.

	2020	2019
	SR	SR
Summarized balance sheet		
Current assets	**137,107,075**	116,197,993
Non-current assets	**180,814,508**	178,634,128
Current liabilities	**59,031,702**	38,234,519
Non-current liabilities	**32,578,301**	40,131,737
Total Equity	**226,311,580**	216,465,865
Accumulated non-controlling interests	**68,200,265**	65,239,660
Summarized statement of profit or loss and other comprehensive income		
Revenue	**238,532,528**	229,061,820
Net profit after zakat for the year	**11,817,273**	4,812,451
Other comprehensive income	**(1,971,556)**	214,479
Total comprehensive income	**9,845,717**	5,026,930
Profit allocated to non-controlling interests	**3,553,452**	2,009,735
Summarized cash flows		
Cash flows from operating activities	**4,899,449**	23,218,973
Cash flows from investing activities	**(17,161,654)**	(16,736,416)
Cash flows from financing activities	**2,545,387**	(4,324,892)

37. DISCONTINUED OPERATIONS

Upon the cancellation of all registrations and licenses, the group has written off all assets and liabilities relating to Saudi-Japanese Textile Manufacturing Company. Net assets written off by the group are as follows;

	December 31, 2020
	SR
Other receivables	**(105,445)**
Trade payable	**1,691,724**
Accruals and other credit balances	**1,006,496**
Provision for Zakat and income tax	**248,273**
Employees' end of service benefits	**170,791**
Net assets and liabilities written off recognised as gain from discontinued operation	**3,011,839**

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current year.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on Rajab 21, 1442H corresponding to March 4, 2021.