

**DALLAH HEALTHCARE COMPANY**  
A SAUDI JOINT STOCK COMPANY

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
FOR THE THREE AND NINE MONTHS PERIOD  
ENDED 30 SEPTEMBER 2020  
AND INDEPENDENT AUDITORS' REVIEW REPORT**

**DALLAH HEALTHCARE COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
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## Interim financial information review report

To the shareholders of  
**Dallah Healthcare Company**  
"A Saudi Joint Stock Company"

Riyadh – Kingdom of Saudi Arabia

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Dallah Healthcare Company** ("the Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2020 and the Interim condensed consolidated statement of profit or loss and other comprehensive income for the three and nine months period ended 30 September 2020 and the interim condensed consolidated financial statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other selected notes from .

Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial statement in accordance with International Accounting Standard 34 – ("IAS 34") "*Interim Financial Reporting*" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

### Scope of Review

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

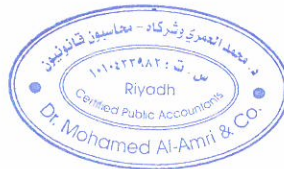
### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared in all material respects in accordance with IAS (34) endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.,

M. A. Al-Amri

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



23 Rabi Al-Awwal 1442 (H)  
09 November 2020 (G)

**DALLAH HEALTHCARE COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|  | <b>Note</b> | <b>As of 30<br/>September 2020<br/>(Unaudited)<br/>SR</b> | <b>As of 31<br/>December 2019<br/>(Audited)<br/>SR</b> |
|--|-------------|---|--|
| <b>ASSETS</b>  |             |   |  |
| <b>Non-current assets</b>  |             |   |  |
| Property, plant and equipment  |             | 2,113,624,403   | 2,102,520,973  |
| Intangible assets  |             | 18,591,352  | 18,719,692   |
| Investment in associates   | 4           | 165,987,451   | 140,951,919  |
| Financial assets at fair value through other comprehensive income                                | 5           | 3,604,787   | 3,584,585  |
| Payments under the investment account  | 6           | 21,239,537  | -  |
| Financial assets at fair value through profit or loss  | 7           | 37,181,967  | 35,706,967   |
|  |             | <u>2,360,229,497</u>                                      | <u>2,301,484,136</u>                                   |
| <b>Current assets</b>  |             |   |  |
| Inventory  |             | 125,834,814   | 104,534,336  |
| Prepayments and other debit balances   |             | 80,024,488  | 83,808,296   |
| Due from related parties   |             | 2,060,096   | 6,595,090  |
| Contract assets with customers   | 10          | 2,019,410   | 1,961,722  |
| Trade receivables  | 8           | 416,736,599   | 329,354,627  |
| Cash and cash equivalents  |             | 120,815,196   | 88,326,259   |
|  |             | <u>747,490,603</u>  | <u>614,580,330</u>                                     |
| <b>TOTAL ASSETS</b>  |             | <u><b>3,107,720,100</b></u>                               | <u><b>2,916,064,466</b></u>                            |
| <b>EQUITY AND LIABILITIES</b>  |             |   |  |
| <b>Equity</b>  |             |   |  |
| Equity attributable to the company's shareholders  |             |   |  |
| Share capital  | 1           | 900,000,000   | 750,000,000  |
| Statutory reserve - Share premium  | 1           | 61,142,305  | 211,142,305  |
| Statutory reserve – Transferred from net profit  |             | 27,109,010  | 27,109,010   |
| Treasury shares  | 1           | (190,452,878)   | (190,452,878)  |
| Retained earnings  |             | 754,830,152   | 724,696,633  |
| Cumulative valuation effect of financial assets at fair value through other comprehensive income |             | (346,895)   | (367,096)  |
| <b>Total Equity</b>  |             | <u><b>1,552,281,694</b></u>                               | <u><b>1,522,127,974</b></u>                            |
| <b>Non-current liabilities</b>   |             |   |  |
| Long term Murabaha financing   | 9           | 826,305,244   | 839,268,569  |
| Long term lease liabilities  |             | 8,227,992   | 5,585,688  |
| Long term retentions   |             | -   | 468,244  |
| Employees benefit liability  |             | 141,895,614   | 127,942,142  |
|  |             | <u>976,428,850</u>  | <u>973,264,643</u>                                     |
| <b>Current liabilities</b>   |             |   |  |
| Trade payables   |             | 105,980,019   | 110,878,833  |
| Accrued expenses and other credit balances   |             | 96,178,519  | 67,408,495   |
| Contract liabilities with customer   | 10          | 28,123,405  | 17,212,922   |
| Short term Murabaha financing  | 9           | 151,497,482   | 69,647,000   |
| Current portion of long term Murabaha financing  | 9           | 156,360,632   | 112,106,343  |
| Short term lease liabilities   |             | 9,623,137   | 13,411,227   |
| Short term retentions  |             | 25,420,973  | 24,595,402   |
| Due to related parties   |             | 103,559   | 766,464  |
| Zakat  |             | 5,721,830   | 4,645,163  |
|  |             | <u>579,009,556</u>  | <u>420,671,849</u>                                     |
| <b>Total liabilities</b>   |             | <u><b>1,555,438,406</b></u>                               | <u><b>1,393,936,492</b></u>                            |
| <b>Total equity and liabilities</b>  |             | <u><b>3,107,720,100</b></u>                               | <u><b>2,916,064,466</b></u>                            |

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

**DALLAH HEALTHCARE COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**

|  | Note | For the three months period ended 30 September |                     | For the nine months period ended 30 September |                     |
|--|------|--|---------------------|---|---------------------|
|  |      | 2020<br>(Unaudited)                            | 2019<br>(Unaudited) | 2020<br>(Unaudited)                           | 2019<br>(Unaudited) |
|  |      | SR   | SR                  | SR  | SR                  |
| Revenue  | 10   | 350,794,094                                    | 301,341,002         | 912,959,419                                   | 908,491,634         |
| Cost of revenue  |      | (218,169,727)                                  | (193,558,481)       | (606,803,982)                                 | (587,986,972)       |
| <b>Gross profit</b>  |      | <b>132,624,367</b>                             | <b>107,782,521</b>  | <b>306,155,437</b>                            | <b>320,504,662</b>  |
| Selling and marketing expenses   |      | (7,134,687)                                    | (4,704,404)         | (18,734,823)                                  | (16,841,892)        |
| General and administrative expenses  |      | (69,775,034)                                   | (68,831,216)        | (195,396,875)                                 | (203,644,337)       |
| Expected credit loss and provision for other debit balances                              |      | (5,204,816)                                    | (3,252,728)         | (7,125,597)                                   | (9,719,727)         |
| <b>Operating income</b>  |      | <b>50,509,830</b>                              | <b>30,994,173</b>   | <b>84,898,142</b>                             | <b>90,298,706</b>   |
| Other income and losses, net   |      | 3,796,548                                      | 2,945,027           | 11,037,430                                    | 9,621,837           |
| Finance costs  | 9    | (4,525,002)                                    | (5,712,545)         | (15,517,282)                                  | (17,921,652)        |
| Share of results from gain / (loss) in associates  | 4    | (8,779,599)                                    | (715,408)           | (12,068,199)                                  | (2,019,874)         |
| Gain from valuation of financial assets at fair value through profit or loss             | 7    | 16,363,731                                     | -                   | 16,363,731                                    | -                   |
| Dividends from investments at fair value through profit or loss                          | 7    | 1,020,000                                      | -                   | 1,020,000                                     | -                   |
| <b>Net profit before zakat</b>   |      | <b>58,385,508</b>                              | <b>27,511,247</b>   | <b>85,733,822</b>                             | <b>79,979,017</b>   |
| Zakat  |      | (4,605,369)                                    | (896,297)           | (5,718,303)                                   | (2,854,253)         |
| <b>Net profit</b>  |      | <b>53,780,139</b>                              | <b>26,614,950</b>   | <b>80,015,519</b>                             | <b>77,124,764</b>   |
| <b>Net profit attributable to the Company's shareholders</b>                             |      | <b>53,780,139</b>                              | <b>26,614,950</b>   | <b>80,015,519</b>                             | <b>77,124,764</b>   |
| <b>Other comprehensive income:</b>   |      |  |                     |   |                     |
| <u>Items will not be reclassified subsequently to profit or loss</u>                     |      |  |                     |   |                     |
| Change in valuation of financial assets at fair value through other comprehensive income |      | 35,066   | 683,953             | 20,201  | 607,939             |
| <b>Other comprehensive income</b>  |      | <b>35,066</b>                                  | <b>683,953</b>      | <b>20,201</b>                                 | <b>607,939</b>      |
| <b>comprehensive income</b>  |      | <b>53,815,205</b>                              | <b>27,298,903</b>   | <b>80,035,720</b>                             | <b>77,732,703</b>   |
| <b>Comprehensive income attributable to the Company's shareholders</b>                   |      | <b>53,815,205</b>                              | <b>27,298,903</b>   | <b>80,035,720</b>                             | <b>77,732,703</b>   |
| Earnings per share   | 12   | 0,63   | 0,31                | 0,94  | 0,88                |

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

**DALLAH HEALTHCARE COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|   |      | Share capital | Statutory Reserve "Share premium" | Statutory reserve "Transfer from net income" | Treasury Shares | Retained earnings | The cumulative effect of valuation of financial assets at fair value through other comprehensive income | Total equity  |
|---|------|---------------|-----------------------------------|--|-----------------|-------------------|---|---------------|
|   | Note | SR            | SR                                | SR   | SR              | SR                | SR  | SR            |
| <b>For the nine months period ended 30 September 2020 (Unaudited)</b> |      |               |                                   |  |                 |                   |   |               |
| As of 1 January 2020  |      | 750,000,000   | 211,142,305                       | 27,109,010                                   | (190,452,878)   | 724,696,633       | (367,096)   | 1,522,127,974 |
| Net profit  |      | -             | -                                 | -  | -               | 80,015,519        | -   | 80,015,519    |
| Other comprehensive income  |      | -             | -                                 | -  | -               | -                 | 20,201  | 20,201        |
| Comprehensive income  |      | -             | -                                 | -  | -               | 80,015,519        | 20,201  | 80,035,720    |
| Issuing bonus shares  | 1    | 150,000,000   | (150,000,000)                     | -  | -               | -                 | -   | -             |
| Dividends   | 11   | -             | -                                 | -  | -               | (49,882,000)      | -   | (49,882,000)  |
| As of 30 September 2020   |      | 900,000,000   | 61,142,305                        | 27,109,010                                   | (190,452,878)   | 754,830,152       | (346,895)   | 1,552,281,694 |
| <b>For the nine months period ended 30 September 2019 (Unaudited)</b> |      |               |                                   |  |                 |                   |   |               |
| As of 1 January 2019  |      | 590,000,000   | 371,142,305                       | 27,109,010                                   | -               | 613,209,624       | (255,893)   | 1,601,205,046 |
| Net profit  |      | -             | -                                 | -  | -               | 77,124,764        | -   | 77,124,764    |
| Other comprehensive income  |      | -             | -                                 | -  | -               | 688,855           | (80,916)  | 607,939       |
| Comprehensive income  |      | -             | -                                 | -  | -               | 77,813,619        | (80,916)  | 77,732,703    |
| Issuing bonus shares  | 1    | 160,000,000   | (160,000,000)                     | -  | -               | -                 | -   | -             |
| Purchase of treasury shares   | 1    | -             | -                                 | -  | (190,452,878)   | -                 | -   | (190,452,878) |
| As of 30 September 2019   |      | 750,000,000   | 211,142,305                       | 27,109,010                                   | (190,452,878)   | 691,023,243       | (336,809)   | 1,488,484,871 |

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

**DALLAH HEALTHCARE COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

|  |            | <b>For the nine months period<br/>ended 30 September</b> |                      |
|--|------------|--|----------------------|
|  |            | <b>2020</b>  | <b>2019</b>          |
|  | <b>Not</b> | <b>(unaudited)</b>                                       | <b>(unaudited)</b>   |
| <b><u>OPERATING ACTIVITIES</u></b>   |            |  |                      |
| Net profit before zakat  |            | 85,733,822   | 79,979,017           |
| <b><i>Adjustments</i></b>  |            |  |                      |
| Depreciation of property, plant and equipment  |            | 69,014,890   | 70,336,667           |
| Amortization of intangible assets  |            | 128,340  | 128,340              |
| Provision for employees' end of service benefits   |            | 22,947,851   | 21,528,257           |
| Provision for expected credit losses   | 8          | 5,491,050  | 10,088,260           |
| Provision for other debit balances   |            | 1,634,546  | 39,382               |
| Provision for inventory  |            | 59,463   | 170,986              |
| Loss on sale of property, plant, and equipment   |            | 3,260  | -                    |
| Share of results from loss in associates   | 4          | 12,068,199   | 2,019,873            |
| Gain from valuation of financial assets at fair value through                            | 4          | (16,363,731)   | -                    |
| Dividends from investments at fair value through profit or loss                          | 7          | (1,020,000)  | -                    |
| Finance charges  |            | 15,517,282   | 17,921,652           |
| <b><i>Changes in</i></b>   |            |  |                      |
| Accounts receivables   |            | (92,873,022)   | (4,603,362)          |
| Contract assets with customers   |            | (57,688)   | 472,365              |
| Related parties  |            | 3,872,089  | (1,019,471)          |
| Prepayments and other debit balances   |            | 2,149,262  | (366,106)            |
| Inventory  |            | (21,359,941)   | 1,036,246            |
| Accounts payables  |            | (4,898,813)  | (8,879,041)          |
| Contract liabilities with customers  |            | 10,910,483   | 10,656,228           |
| Accrued expenses and other credit balances   |            | 28,770,024   | 15,415,062           |
| Retentions   |            | 357,327  | 5,502,114            |
| <b>Cash flows from operations</b>  |            | <b>122,084,693</b>                                       | <b>220,426,469</b>   |
| Zakat paid   |            | (4,641,636)  | (7,334,124)          |
| Employees' end of service benefits paid  |            | (8,994,379)  | (8,350,376)          |
| <b>Net cash generated from operating</b>   |            | <b>108,448,678</b>                                       | <b>204,741,969</b>   |
| <b><u>INVESTING ACTIVITIES</u></b>   |            |  |                      |
| Paid for additions to property, plant and equipment                                      |            | (71,338,798)   | (143,691,117)        |
| Proceeds from sale of property, plant and equipment                                      | 6          | -  | 28,762               |
| Paid under the investment account  | 7          | (21,239,537)   | -                    |
| Paid for purchase of financial assets at fair value through profit or loss               | 7          | (22,215,000)   | (22,321,002)         |
| Dividends from investments at fair value through profit or loss                          |            | 1,020,000  | -                    |
| Proceeds from sale of additions to financial assets at fair value through profit or loss |            | -  | 2,437,000            |
| <b>Net cash used in investing activities</b>   |            | <b>(113,773,335)</b>                                     | <b>(163,546,357)</b> |
| <b><u>FINANCING ACTIVITIES</u></b>   |            |  |                      |
| Proceeds from Murabaha financing   |            | 596,173,143  | 475,658,428          |
| Payment of Murabaha financing  |            | (483,031,699)  | (202,116,647)        |
| Lease payment  |            | (10,381,254)   | (13,300,600)         |
| Purchase of treasury shares  | 1          | -  | (190,452,878)        |
| Dividends paid   | 11         | (49,882,000)   | (88,240,400)         |
| Finance Charges paid   |            | (15,064,596)   | (17,058,681)         |
| <b>Net cash generated from (used in) financing activities</b>                            |            | <b>37,813,594</b>  | <b>(35,510,778)</b>  |
| <b>Net changes in cash and cash equivalents</b>  |            | <b>32,488,937</b>  | <b>5,684,834</b>     |
| <b>Cash and cash equivalents at beginning of the period</b>                              |            | <b>88,326,259</b>  | <b>46,359,135</b>    |
| <b>Cash and cash equivalents at end of the period</b>                                    |            | <b>120,815,196</b>                                       | <b>52,043,969</b>    |
| <b><u>Non-cash transactions</u></b>  |            |  |                      |
| Increasing capital by issuing bonus shares   | 1          | 150,000,000  | 160,000,000          |
| Record asset and liability of financing leases   |            | 8,782,781  | 43,043,918           |

The accompanying notes from 1 to 16 form an integral part of these interim condensed consolidated financial statements.

**DALLAH HEALTHCARE COMPANY**  
A SAUDI JOINT STOCK COMPANY  
**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**  
**(UNAUDITED)**

All amounts are presented in Saudi Riyals unless otherwise indicated

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**1. Overview**

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

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

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

**Capital**

The share capital of the Company as of 30 September 2020 amounted to SR 900 million comprising 90 million shares stated at SR 10 per share (31 December 2019: SR 750 million comprising 75 million shares stated at SR 10 per share).

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

On 25 Muharram 1442H corresponding 13 September 2020, the Extraordinary General Assembly meeting has approved on the Board of Directors' recommendation regarding the increase of the Company's capital from SR 750 million to SR 900 million (75 million shares to 90 million shares) through bonus shares. As a result, the capital has increased by transferring SR 150 million from statutory reserve (share premium) to the capital. Accordingly, modification of Company's Article Association is under process.

**Treasury Shares**

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

According to the resolution of the Extraordinary General Assembly held on 25 Muharram 1442 H corresponding to 13 September 2020 G and the aforementioned, which includes the approval of granting bonus shares to the shareholders, and since the company owns 3,740,000 treasury shares, it obtained an additional 748,000 shares as a share of the bonus shares to be as On 30 September 2020 the total treasury shares held by the company were 4,488,000 shares, amounting to 190,452,878 SR.

**Subsidiaries**

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



**DALLAH HEALTHCARE COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**  
**(UNAUDITED)**

All amounts are presented in Saudi Riyals unless otherwise indicated

| Name of subsidiary                                   | Share in equity%        |                        | Country of operation and commercial register                        | Principal activity  |
|--|-------------------------|------------------------|---|---|
|  | As of 30 September 2020 | As of 31 December 2019 |   |   |
| Dallah Pharma Company                                | 100%                    | 100%                   | Kingdom of Saudi Arabia<br>commercial registration<br>No.1010410613 | Pharmaceutical, herbal & cosmetic distribution & manufactory.   |
| Afyaa Al-Nakheel for Supporting Services Co. Limited | 100%                    | 100%                   | Kingdom of Saudi Arabia<br>commercial registration<br>No.1010404576 | Provide manpower & Support services to hospitals and medical centers.   |
| Dallah Namar Hospital Health Co.                     | 100%                    | 100%                   | Kingdom of Saudi Arabia<br>commercial registration<br>No.1010495218 | Operating, managing, equipping, and developing hospitals and healthcare facilities, medical polyclinics, and compounds, owning lands. |

## 2. Basis of accounting

The interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS 34”) “Interim Financial Reporting” endorsed in the Kingdom of Saudi Arabia. The accompanying interim condensed consolidated financial statements should be read in conjunction with the previous year group’s consolidated financial statements for the year ended 31 December 2019.

The accompanying interim condensed financial statements do not include all the information that is required to prepare a complete set of financial statements in accordance with International Financial Reporting Standards.

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

- The employee benefit obligation, which measured in accordance with an actuarial valuation.
- Financial assets at fair value through profit of loss which are measured at fair value.
- Financial assets at fair value other comprehensive income which are measured at fair value.

### **Function and presentation currency**

Saudi Riyal is the functional and presentation currency of the Group.

## 3. Summary of significant accounting policies and estimates

### **Accounting policies**

The accounting policies applied to the interim condensed consolidated financial statements are the same as those accounting policies applied for annual group financial statements as of 31 December 2019.

There are no new standards that have been issued except for the amendments that will be mentioned below, however, a number of amendments to the standards are effective as of 1 January 2020 and they have been explained in the Group’s consolidated financial statements as of 31 December 2019.

#### Amendments to International Financial Reporting Standard No. (16) “Lease Contracts”

International Financial Reporting Standard No. (16) “Lease Contracts” has been amended to provide a practical way to hold tenants accountable for rental value adjustments because of the Coronavirus pandemic. The amendments provide some conditions that, if they are met, the entity will not need to assess whether the rental adjustment meets the definition of a lease amendment.

These amendments do not have a material impact on the Group’s interim condensed consolidated financial statements.

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**Judgment and estimates**

The significant estimates used by the management when applying the Group's accounting policies and the significant sources of uncertainties in the estimates were similar to those shown in the consolidated financial statements for the year ended 31 December 2019. However, the Group has reviewed the important sources of judgments and estimates as shown in Note no. (15).

**4. Investment in associates**

Investment in an associate comprises as follows:

|                                       | <b>Ownership<br/>interest in<br/>equity as of<br/>30 September<br/>2020</b> | <b>Ownership<br/>interest in<br/>equity as s of<br/>31 December<br/>2019</b> | <b>Country of<br/>operation and<br/>incorporation</b> | <b>Principal activity</b>   |
|---------------------------------------|---|--|---|---|
| Dr. Mohammed Rashed Al-Faqeeh Company | <b>31.21%</b>   | 31.21%   | Kingdom of Saudi Arabia                               | Owning, operating and maintaining the hospital and health centers           |
| MERAS Arabia Medical Holding Company  | <b>17%</b>  | -  | Kingdom of Saudi Arabia                               | Managing subsidiary Companies and providing them with the necessary support |

**Dr. Mohammed Rashid Al-Faqih Company**

Dr. Mohammed Rashid Al-Faqih Company owns a hospital in eastern Riyadh in the name of Dr. Muhammad Al-Faqih Hospital, and on 13 Muharram 1442, corresponding to 1 September 2020, the operation of the first phase of the hospital started. The hospital has a capacity of 308 beds. The management at Dallah Health Care Company expects the positive impact of the operation process to begin in the year 2022, and the management expects a negative impact during the first two years as a result of start-up costs.

The group share of losses from associate Company during the nine months period ended 30 September 2020 amounted to SR 12,215,962.

**MERAS Arabia Medical Holding Company**

During February 2020, Dallah Healthcare Company purchased 17% of the ownership of MERAS Arabia Medical Holding Company, and the investment recorded as a financial instrument at fair value through profit and loss.

As on August 31, 2020, Dallah Health Company achieved significant influence over Meraas Al Arabia Medical Holding Company, therefore the investment was classified as an associate company and the investment was evaluated at fair value, resulting in valuation profits of 16,363,731 SR recorded in profit or loss and the investment was recognised at fair value as on August 31 2020, including an amount of 37,103,731 SR. The management is preparing a purchase price allocation study to arrive at the identifiable assets and goodwill value.

The group share of profits from associate Company at the date of significant influence to 30 September 2020 amounted to SR 147,763.

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The movement of the investment in associates can be summarized as follows:

|   | <b>As at 30<br/>September<br/>2020</b> | <b>As at 31<br/>December<br/>2019</b> |
|---|--|---------------------------------------|
| Opening balance   | <u>140,951,919</u>                     | 145,160,732                           |
| Transferred from financial assets at fair value through profit or loss (Note 7) | 37,103,731                             |                                       |
| Group share of result from gain / (loss) from associates                        | (12,068,199)                           | (4,590,704)                           |
| Group share of result from other comprehensive income from associate            | -                                      | (96,675)                              |
| Adjustment  | -                                      | 478,566                               |
| Ending balance  | <u>165,987,451</u>                     | <u>140,951,919</u>                    |

**5. Financial assets at fair value through other comprehensive income**

|  | <b>Country</b> | <b>Ownership<br/>%</b> | <b>As at<br/>30 September<br/>2020</b> | <b>Ownership<br/>%</b> | <b>As at<br/>31 December<br/>2019</b> |
|--|----------------|------------------------|--|------------------------|---------------------------------------|
| <b>Unquoted</b>                                |                |                        |  |                        |                                       |
| Jordanian Pharmaceutical Manufacturing Company | Jordan         | 0.4%                   | 156,667                                | 0.4%                   | 136,465                               |
| Makkah Medical Center Company                  | Saudi Arabia   | 7.5%                   | 3,448,120                              | 7.5%                   | 3,448,120                             |
|  |                |                        | <u>3,604,787</u>                       |                        | <u>3,584,585</u>                      |

**Jordanian Pharmaceutical Manufacturing Company**

On 16 March 2020 corresponding to 21 Rajab 1441, and in accordance with the provisions of the Instructions for Listing Securities at the Amman Stock Exchange - Jordan, the trading of the Company's shares was suspended, Accordingly, the investment was transferred to be among the unquoted financial assets.

**Makkah Medical Center Company**

The Company signed an agreement to purchase shares in Makkah Medical Center Company representing 78.59% from its shares. Please refer to Note 6.

**6. Payments under investment account**

On 9 Dhul Qi'dah 1441, corresponding to 30 June 2020, the company signed a final agreement to purchase shares in Makkah Medical Center Company at a value of SR 161.1 million representing 78.59% of its shares.

During the period ending on 30 September 2019, the implementation of the above-mentioned agreement was initiated, whereby the company made payments to some shareholders in the Makkah Medical Center Company amounting to SR 21,239,537 on 30 September.

On 19 Safar 1442, corresponding to 6 October 2020, the company obtained non objection letter from the General Authority for Competition regarding the completion of the economic concentration process resulting from the company's acquisition of shares in Makkah Medical Center Company.

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After completing the agreement, the ownership of Dallah Health Services Company in Makkah Medical Center Company will become 86.1%. Accordingly, the financial statements of Makkah Medical Center Company will be consolidated with the financial statements of Dallah Health Care Company and the management expects to complete the procedures for this before the end of the fiscal year on 31 December 2020

The above agreement will be funded from the company's own resources, in addition to obtaining additional financing from local financing institutions.

Makkah Medical Center Hospital (owned by Makkah Medical Center Company) is one of the most important private sector hospitals in the Holy Capital with a clinical capacity of 120 beds and 40 outpatient clinics with the possibility of future expansion.

**7. Financial assets at fair value through profit or loss**

**MEFIC Private Equity Opportunities Fund 3**

As of 30 September 2020, the Company owns 41.6% (31 December 2019: 41.6%) of the units of MEFIC Private Equity Opportunities Fund 3, the fund objective is to achieve a high return on long-term capital and investment in the health sector through the ownership of Meraas Arabia Holding Company.

During the third quarter of 2020, the company increased its investment in MEFIC Private Equity Opportunities Fund 3 with a value of SR 1,475,000, which represents the company's share of the fund's units increase. The company's ownership percentage in the fund's units was not affected by this increase.

**MERAS Arabia Medical Holding Company**

During the period ended 30 September 2020, Dallah Healthcare Company purchased 17% of the equity of MERAS Arabia Medical Holding Company by SR 20,740,000 and the investment recorded as a financial instruments at fair value through profit or loss.

Meraas Arabia Holding Company invests in owning and operating several dermatological and dental medical centers mainly in Riyadh

The Company received dividends from MERAS Arabia Medical Holding Company amounted to SR 1,020,000.

The investment has been evaluated at fair value, which resulted a valuation gain by SR 16,363,731 recorded in the profit or loss.

During the period, Dallah Healthcare Company has a significant influence over MERAS Arabia Medical Holding Company; therefore, the investment classified as investment in associate Company (For more details refer to note 4).

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

|  | <b>For the period<br/>ended<br/>30 September<br/>2020</b> | <b>For the year<br/>ended<br/>31 December<br/>2019</b> |
|--|---|--|
| Opening balance                                    | 35,706,967  | -  |
| Additions  | 22,215,000  | 22,321,102   |
| Revaluation at fair value                          | 16,363,731  | 13,385,865   |
| Investment transferred to associate Company (No.4) | (37,103,731)  | -  |
|  | <b>37,181,967</b>   | <b>35,706,967</b>                                      |

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**8. Trade receivables**

|  | <b>As of<br/>30 September<br/>2020</b> | <b>As of<br/>31 December<br/>2019</b> |
|--|--|---------------------------------------|
| Trade receivables                          | 453,070,258                            | 360,197,236                           |
| Less: Provision for expected credit losses | (36,333,659)                           | (30,842,609)                          |
|  | <b>416,736,599</b>                     | <b>329,354,627</b>                    |

The summary of movement for the provision of expected credit losses is as follows:

|                         | <b>for the period /year ended</b> |                             |
|-------------------------|-----------------------------------|-----------------------------|
|                         | <b>30 September<br/>2020</b>      | <b>31 December<br/>2019</b> |
| Balance as at 1 January | 30,842,609                        | 24,868,296                  |
| Charged                 | 10,478,238                        | 14,440,953                  |
| Reversal                | (4,987,188)                       | (8,466,640)                 |
| Ending balance          | <b>36,333,659</b>                 | <b>30,842,609</b>           |

Indicators of impairment have been reviewed for all trade receivables. In the opinion of management, there are no impairment in the carrying value of trade receivable other than the recorded provision of expected credit losses.

**9. Murabaha financing**

|                                       | <b>As of<br/>30 September<br/>2020</b> | <b>As of<br/>31 December<br/>2019</b> |
|---------------------------------------|--|---------------------------------------|
| <b>Non-current</b>                    |  |                                       |
| Long -term Murabaha finance           | 826,305,244                            | 839,268,569                           |
| <b>Current</b>                        |  |                                       |
| Short-term Murabaha finance           | 151,497,482                            | 69,647,000                            |
| Current portion of long-term Murabaha | 156,360,632                            | 112,106,343                           |
| <b>Total current Murabaha</b>         | <b>307,858,114</b>                     | <b>181,753,343</b>                    |
| <b>Total Murabaha</b>                 | <b>1,134,163,358</b>                   | <b>1,021,021,912</b>                  |

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

As of 30 September 2020, Murabaha financing that available to be used by Group amounted to SR 1,741 million (31 December 2019: SR 1,618 million). SR 1,134 has been used as at 30 September 2020 (31 December 2019: SR 1,021 million).

Finance costs related to Murabaha capitalized on property, plant and equipment during the nine months ended 30 September 2020 amounted to SR 7.1 million (During the nine months ended 30 September 2019: SR 9.1 million).

Finance costs related to Murabaha that recorded in the profit or loss during the nine months ended 30 September 2020 amounted to SR 15.1 million (During the nine months ended 30 September 2019: SR 17.1 million).

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**10. Revenues from contracts with customers**

|                                      | <b>For the period ended 30 September</b> |                    |
|--------------------------------------|--|--------------------|
|                                      | <b>2020</b>                              | <b>2019</b>        |
| <b>Revenues classification</b>       |  |                    |
| Revenue from services                | 655,288,867                              | 682,716,923        |
| Revenue from sale of medicine        | 257,670,552                              | 225,774,711        |
|                                      | <b>912,959,419</b>                       | <b>908,491,634</b> |
| <b>Timing of revenue recognition</b> |  |                    |
| Over time                            | 380,522,098                              | 332,571,269        |
| At point in time                     | 532,437,321                              | 575,920,365        |
|                                      | <b>912,959,419</b>                       | <b>908,491,634</b> |
| <b>Contracts balances</b>            |  |                    |
|                                      | <b>As of</b>                             | <b>As of</b>       |
|                                      | <b>30 September</b>                      | <b>31 December</b> |
|                                      | <b>2020</b>                              | <b>2019</b>        |
| Trade receivables (Note 8)           | 416,736,599                              | 329,354,627        |
| Contract assets with customers       | 2,019,410                                | 1,961,722          |
| Contract liabilities with customers  | 28,123,405                               | 17,212,922         |

**11. Significant events**

- On 16 Dhu al-Hijjah 1442 corresponding to 29 September 2020, the completion of the west expansion project of the Dallah Al-Nakheel Hospital complex was announced, as the hospital began receiving patients from 3 October 2020, which increased the capacity of the Dallah Al-Nakhil Hospital complex to 585 beds.
- In light of the Memorandum of Understanding “MoU” concluded between Dallah Healthcare Company and Kingdom Investment and Development Company related to the share swap transaction owned by Kingdom Investment and Development Company in Care Shield Holding Company Ltd. for shares in Dallah Healthcare Company in addition to a cash consideration. And on 15 May 2020, corresponding to 22 Ramadan 1441 AH, the company signed the following final sale and purchase agreements, according to which the company holds 58.64% of the shares of (Care Shield Holding Company Ltd.) which owns Kingdom Hospital and Consulting Clinics.

- A share swap agreement with the Kingdom Investment and Development Company to buy 6,820,370 shares in Care Shield Holding Company Ltd. (representing 54.56% of the capital) with a mount of SR 300 million, in exchange for

(1) swap 4,488,000 shares representing all the treasury shares of Dallah Healthcare Company, (Representing of 4.99% of the capital) with amount of SR 186 million, and

(2) cash consideration of SR 114 million.

The agreement is subject to a number of conditions, including obtaining the approval of the competent authorities, and obtaining the approval of the Extraordinary General Assembly of the shareholders of the Company. Each of Dallah Healthcare Company and the Kingdom Investment and Development Company may terminate this agreement if its conditions are not fulfilled within six months from the date of the agreement.

-Agreements with two shareholders in Care Shield Holding Company Ltd. to purchase 509,260 of their shares in the Company (representing 4.08% of the capital) for a cash consideration of SR 22 million.

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These agreements are subject to a number of conditions, including the right of Dallah Healthcare Company to terminate the agreement if the transaction is not completed with the Kingdom Investment and Development Company.

Care Shield Holding Company Ltd. owns the Medical Projects Services Company Ltd. (Kingdom Hospital), the Consulting Clinics Complex Company Ltd. and the Modern Clinics Pharmacy Company Ltd.

On 19 Safar 1442 H, corresponding to 6 October 2020 G, the company obtained non objection letter from the General Authority for Competition regarding the completion of the economic concentration process resulting from the company's acquisition of shares in the Care Shield Holding Company Ltd.

In view of the failure to activate the agreement, there is no financial impact on the accompanying financial statements

- On 2 Rajab 1441 H corresponding to 26 February 2020 G, and in accordance with the mandate of the Ordinary General Assembly on 1 May 2019 to the Board of Directors to distribute interim dividends, the Company's Board of Directors decided to distribute cash dividends to shareholders for the second half of the year 2019 amounting to SR 52,500,000. Dividends have been distributed in the second quarter of 2020 after deducting treasury shares.

## **12. Earnings per share**

The earnings per share is calculated based on the weighted average number of shares outstanding. Diluted earnings per share is the same as basic earnings per share as the group does not have any diluted instruments issued. The weighted average has been retrospectively adjusted to reflect the effect of the bonus shares.

|                                 | <b>For the three months period ended</b> |                                | <b>For the Nine months period Ended</b> |                                |
|---------------------------------|--|--------------------------------|---|--------------------------------|
|                                 | <b>As of 30 September 2020</b>           | <b>As of 30 September 2019</b> | <b>As of 30 September 2020</b>          | <b>As of 30 September 2019</b> |
| Net income                      | 53,780,139                               | 26,614,950                     | 80,015,519                              | 77,124,764                     |
| Weighted average of outstanding | 85,512,000                               | 85,512,000                     | 85,512,000                              | 87,290,269                     |
| Earnings per share              | 0,63                                     | 0,31                           | 0,94                                    | 0,88                           |

The net loss of Dallah Namar Hospital Health Company amounted to SR 44 million for the period ended 30 September 2020 (for the nine months period ended 30 September 2019: SR 73 million).

## **13. Contingencies and commitments**

### **Capital commitments**

As at 30 September 2020, the Group had capital commitments that mainly related to the construction contracts of the expansion of Dallah Hospital Al-Nakheel and the construction of Dallah Namar Hospital Health Company amounting to SR 64.2 million (31 December 2019: SR 117,5 million).

### **Contingent liabilities**

As at 30 September 2020, the Group has a contingent liability in the form of bank guarantees amounting to SR 39 million (31 December 2019: SR 37,4 million).

Bank guarantees include a third party bank guarantee issued on 2018, on behalf of Dr. Mohammed Al faqeeh hospital "an associate Company", amounting to SR 17.5 million ending on 29 October 2021.

As at 30 September 2020, there are letters of credit issued by the group amounting to SR 41 million (31 December 2019: SR 35.9 million).

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

**14. Segmental information**

The Group's operations principally consist of one main operating segment, which is health services. Accordingly, presenting different segmental information is not applicable.

**15. The effect of Corona virus (COVID-19) on the interim condensed consolidated financial statements**

Earlier this year 2020 the existence of novel corona virus (COVID-19) was confirmed. Since then the virus spread across the globe including Saudi Arabia and significantly affected business and commercial activities due to suspension of activities considered non-essential including restrictions on movement of the general public. The healthcare sector has been classified as an essential service by the government and as a result no restrictions have been placed by the government of Kingdom of Saudi Arabia on the Company's operations or its supply chain.

The Group witnessed a drop in outpatient visits since March 2020 when the partial curfew was introduced, however, Dallah hospitals operate in all of their departments in accordance with updates and preventive precautions taken by the relevant authorities

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

**The impairment of long-term assets**

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

- Intangible assets
- Property, plant and equipment, including the right use of assets
- Investment in associate
- Financial assets at fair value through profit or loss

**Provision for expected credit losses**

The group reconsidered the probability default for the majority of customers, the management believe that the majority of the Company's clients are top companies in the Kingdom and companies that have good financial solvency, in addition to debts with government entities and therefore the management estimated that there are no current indicators to amend the expected credit loss model used.

Management continues to monitor the situation closely with focus on sustainability of supply chain, availability of sufficient cash balances to fund the operation requirements, availability of required pharmaceuticals and consumables. The management and those charged with governance will continue to observe the situation and once there is more clarity on the impact, the Company will update all stakeholders as per regulatory requirements.

**16. Approval of the interim condensed consolidated financial statements**

The interim condensed consolidated financial statements have been approved by the company Board of Directors on 23 Rabi` Al-Awwal 1442 H corresponding 09 November 2020 G.

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