Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Consolidated Financial Statements
For the year ended December 31, 2019
Together with Independent Auditor's Report

Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

Al Hammadi Company for Development and Investment
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Consolidated Financial Statements
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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Al Hammadi Company For Development And Investment (the "Company") and its subsidiaries (collectively the "Group"),** which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Key Audit Matters ***(Continued)***

<table>
<tr><th colspan="2">Carrying value of goodwill</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>At 31 December 2019, the Group had goodwill which arose on business combinations amounting to SAR 31.45 million.

In accordance with IAS 36 "Impairment of assets" an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.

Goodwill is monitored by management at the level of cash-generating units ("CGUs"). An impairment exercise was carried out in respect of goodwill allocated to the CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which utilized the most recent five-year business plan prepared by the Group's management. The outcome of this exercise did not result in any impairment loss to be recognized.

We considered impairment testing of goodwill as a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment were:
• Assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates;
• Assumptions of the impact of the actions of the Group's main competitors on expected revenue and gross margin assumptions; and
• Discount rate used in the value-in-use cash flow model.</td><td>We assessed management's impairment assessment of goodwill by performing the following procedures:

• Assessed the methodology used by management to determine a recoverable amount based on the value-in-use and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the model used;
• Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved budgets and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;
• Engaged our valuation experts to assist in the review of the methodology of value-in-use calculations and use of certain assumptions including discount rates and long-term growth rates; and
• Performed sensitivity analyses over key assumptions, principally sales growth rate, terminal value multiple and discount rates, in order to assess the potential impact of a range of possible outcomes.

We also reviewed the adequacy of the Group's disclosure included in the consolidated financial statements.</td></tr>
<tr><td colspan="2">Refer to note (4.14) for the accounting policy and note (16) for related disclosures.</td></tr>
</table>

Key Audit Matters *(Continued)*

<table>
<tr><th colspan="2">Revenue Recognition</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group recognized revenue of SAR 974 million for the year ended 31 December 2019 (2018; SAR 893 million).

Revenue represent clinical services revenue and retail of pharmacy and cosmetics goods.

The Group recognizes revenue through five steps, as mentioned in IFRS (15) "Revenue from contracts with customers" and these steps require using judgement from the management.

We considered this as a key audit matter due to judgment involved in estimating the performance obligation and the existence of variable consideration, represent mainly insurance companies' rejection rates and that the timing and amount of revenue recognized in a financial period can have material effect on the Group's financial performance.</td><td>Our procedures included the following:
• Considering the appropriateness of revenue recognition as per the Group's policies and assessing compliance with IFRS (15) "Revenue from contracts with customers".
• Testing the design and effectiveness of internal controls implemented by the Group through the revenue cycle.
• Testing sample of sales transactions taking place at either side of the consolidated statement of financial position date to assess whether the revenue was recognized in the correct period.
• Evaluating the method of variable consideration calculation related to rejections for sample of insurance companies.
• Evaluating the discounts for the key customers, by re-calculating the discounts awarded based on the contractual terms.
• Performing analytical review on revenue based on trends of monthly sales and profit margins.
• We assessed the adequacy of the Group's disclosures included in the consolidated financial statements.</td></tr>
<tr><td colspan="2">Refer to notes (4-7) for the accounting policy and note (7) for related disclosures.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Key Audit Matters *(Continued)*

Implementation of IFRS 16 "Leases"	
Key audit matter	**How the matter was addressed in our audit**
The Group has adopted IFRS 16 "Leases" with effect from 1 January 2019 and this new standard supersedes the requirements of IAS 17 "Leases". Management performed a detailed analysis of each leases contract to identify difference between the requirements of the two standards identify the changes required to be made to existing accounting policies, and determine the transition adjustments and consequential changes to processes and control required particularly in connection with identification of whether an arrangement meets the definition of a lease. IFRS 16 principally modifies the accounting treatment of operating leases at inception, with the recognition of a right of use assets and a corresponding liability for the discounted amount of lease payments over the term of lease contract. The Group has chosen to apply IFRS 16 "Leases" under the modified retrospective approach of the initial implementation on 1 January 2019. Accordingly, this resulted in recognition of right of use assets amounted to SAR 32.190 million as at 1 January 2019 and lease liabilities of SAR 30.344 million as of that date. Management also assessed the disclosure requirements of the new standard to be made in the consolidated financial statements. We considered this as a key audit matter because the calculations of amount underlying the right of use assets and the corresponding lease liabilities involve new processes for collecting data, complex rules and the application of significant management judgement relating to the terms contracts.	We performed the following as part of our audit: • Reviewed management's assessment of the impact of IFRS 16 in terms of the classification and measurements of it right of use assets and leases liabilities, and understood the approach taken towards implementation; • Assessed the accuracy of the lease data by testing, on a sample basis, the lease data captured by management through the inspection of lease documents; • Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right of use assets and lease liabilities, based on the terms of the lease contract. We also tested the arithmetical accuracy of those individual lease schedules and how these accumulated into the overall adjustment totals applied in the consolidated financial statement as 1 January 2019; and • Assessed the appropriateness of the discount rates used in computation of lease liabilities obligations. We also reviewed the adequacy of the Group's disclosures included in the consolidated financial statements.
Refer to note (4-4-1) for the accounting policy and note (15) for related disclosures.	

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. 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 will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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 conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and Company's By-laws, 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 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 that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 that are 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.

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INDEPENDENT AUDITOR'S REPORT ***(Continued)***
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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.

العظم والسديري وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148
ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants

Salman B. AlSudairy
License No. 283

14 Rajab 1441H (March 9, 2020)
Riyadh, Kingdom of Saudi Arabia

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 SAR	2018 SAR
Revenue	(7)	974,058,999	893,596,735
Cost of revenue	(8)	(691,437,805)	(643,236,083)
GROSS PROFIT		282,621,194	250,360,652
General and Administrative expenses	(9)	(137,503,091)	(113,330,367)
Selling and marketing expenses	(10)	(15,530,917)	(9,759,475)
Other operating income	(11)	16,952,412	10,868,505
OPERATING PROFIT		146,539,598	138,139,315
Finance charges	(12)	(37,079,325)	(33,416,223)
NET PROFIT BEFORE ZAKAT		109,460,273	104,723,092
Zakat expense	(29)	(16,460,602)	(14,908,719)
NET PROFIT FOR THE YEAR		92,999,671	89,814,373
Earnings per share:			
Basic and diluted profit for the year attributable to ordinary equity holders	(13)	0.77	0.75

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 SAR	2018 SAR
NET PROFIT FOR THE YEAR		**92,999,671**	89,814,373
Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement (losses) income on defined benefit plans	(26)	**(5,466,889)**	3,225,038
Total other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods		**(5,466,889)**	3,225,038
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87,532,782**	93,039,411

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 SAR	2018 SAR
ASSETS			
Non-current assets			
Property and equipment	(14)	1,738,721,572	1,787,329,134
Right-of-use assets	(15)	23,454,305	-
Goodwill	(16)	31,450,120	31,450,120
		1,793,625,997	1,818,779,254
Current assets			
Inventories	(17)	49,018,443	51,299,797
Trade receivables	(18)	559,597,418	477,646,866
Prepayments and other debt balances	(19)	44,254,246	84,454,498
Amounts due from related parties	(20)	917,132	887,533
Contracts assets	(7)	14,666,845	7,260,696
Cash and cash equivalents	(21)	75,639,567	43,863,138
		744,093,651	665,412,528
TOTAL ASSETS		2,537,719,648	2,484,191,782
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	(22)	1,200,000,000	1,200,000,000
Statutory reserve	(23)	51,138,685	41,838,718
Retained earnings		314,992,150	236,759,335
TOTAL SHAREHOLDRS' EQUITY		1,566,130,835	1,478,598,053
LIABILITIES			
Non-current liabilities			
loans	(28)	429,551,022	562,617,539
Employees' termination benefits	(26)	59,871,135	56,204,516
lease liabilities	(15)	13,149,588	-
Government grants	(27)	144,358,206	151,971,803
		646,929,951	770,793,858
Current liabilities			
Trade payables	(24)	55,515,359	46,462,018
Accrued expenses and other credit balances	(25)	69,962,426	64,639,760
Amounts due to related party	(20)	18,900	-
loans	(28)	144,640,065	97,177,750
Government grants	(27)	7,613,597	7,613,597
Dividends payable		287,735	287,735
Zakat payable	(29)	16,619,782	14,911,281
lease liabilities	(15)	8,723,975	-
Contracts liabilities	(7)	21,277,023	3,707,730
		324,658,862	234,799,871
TOTAL LIABILITIES		971,588,813	1,005,593,729
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,537,719,648	2,484,191,782

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

	Share Capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Total Shareholders' Equity SAR
As at January 1, 2018	1,200,000,000	32,857,281	154,235,430	1,387,092,711
Impact of adopted IFRS 9	-	-	(1,534,069)	(1,534,069)
Net profit for the year	-	-	89,814,373	89,814,373
Other comprehensive income	-	-	3,225,038	3,225,038
Total comprehensive income	-	-	93,039,411	93,039,411
Transfer to statutory reserve (note 23)	-	8,981,437	(8,981,437)	-
As at December 31, 2018	1,200,000,000	41,838,718	236,759,335	1,478,598,053
As at January 1, 2019	1,200,000,000	41,838,718	236,759,335	1,478,598,053
Net profit for the year	-	-	92,999,671	92,999,671
Other comprehensive income	-	-	(5,466,889)	(5,466,889)
Total comprehensive income	-	-	87,532,782	87,532,782
Transfer to statutory reserve (note 23)	-	9,299,967	(9,299,967)	-
As at December 31, 2019	1,200,000,000	51,138,685	314,992,150	1,566,130,835

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 SAR	2018 SAR
OPERATING ACTIVITIES			
Net profit before Zakat		109,460,273	104,723,092
Adjustments to reconcile net profit before Zakat to net cash flow:			
Depreciation of property and equipment and right-of-use assets	(14)	102,410,534	88,433,165
Expected credit loss	(18)	9,157,145	521,945
Provision for doubtful prepayments and other debt balances	(19)	4,856,516	-
Contract liability Provided during year		35,160,180	12,223,438
Finance charges	(12)	37,079,325	33,416,223
Government grants release	(27)	(7,613,597)	(6,591,330)
Current services cost of employees' termination benefits	(26)	11,529,708	13,758,817
		302,040,084	246,485,350
Working capital adjustments:			
Trade receivables		(91,107,697)	(193,973,352)
Inventories		2,281,354	(20,546,114)
Contract assets		(7,406,149)	(7,260,696)
Net changes in related parties		(10,699)	(6,301,082)
Prepayments and other debt balances		33,497,736	(19,910,441)
Trade payables		8,753,341	(27,414,352)
Accrued expenses and other credit balances		5,322,666	25,122,888
Contract liabilities		(17,590,887)	(8,515,708)
		235,779,749	(12,313,507)
Employees' termination benefits paid	(26)	(15,859,181)	(7,595,006)
Finance charges paid		(21,998,245)	(20,094,838)
Zakat paid	(29)	(14,752,101)	(12,100,590)
NET CASH RESULTED FROM (USED IN) OPERATING ACTIVITIES		183,170,222	(52,103,941)
INVESTING ACTIVITIES			
Purchase of property and equipment	(14)	(45,067,764)	(78,012,650)
Cash receipt at acquisition date		-	8,440,543
Investment in subsidiaries	(34)	-	(48,000,000)
NET CASH USED IN INVESTING ACTIVITIES		(45,067,764)	(117,572,107)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		109,946,461	219,316,341
Received government grants		-	6,441,836
Repayment of bank and government borrowings		(207,103,490)	(100,782,027)
Lease liabilities paid		(9,169,000)	-
Dividends paid		-	(89,712,265)
NET CASH (USED IN) RESULTED FROM FINANCING ACTIVITIES		(106,326,029)	35,263,885
Net changes in cash and cash equivalents		31,776,429	(134,412,163)
Cash and cash equivalents at the beginning of the year		43,863,138	178,275,301
CASH AND CASH EQUIVALENTS AT ENDING OF THE YEAR		75,639,567	43,863,138
Supplementary information for non-cash transactions			
Impact of adopted IFRS 16	(15)	32,189,513	-
Impact of adopted IFRS 9		-	1,534,069

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

1. Corporate information

Al Hammadi Company for Development and Investment (the "Company") was established as a limited liability Company under Commercial Registration No. 1010196714 issued on Safar 23, 1425H (corresponding to April 13, 2004) in Riyadh. On Ramadan 16, 1429H (corresponding to September 16, 2008), the Ministry of Commerce and Investment issued the resolution No. Q/316 to approve the Company's conversion to a closed joint stock Company. On Rajab 20, 1435H (corresponding to May 19, 2014) the Company obtained approval from the Capital Market Authority ("CMA") to issue 22.5 million shares in an initial public offering and the Company's shares were listed in Saudi Stock Exchange (Tadawul) on Ramadan 17, 1435H (corresponding to July 15, 2014).

The Company's registered address is Al-Olaya, P.O. Box 55004, Riyadh 11534, Saudi Arabia.

The main activities of the Company and its subsidiaries (the "Group") are wholesale and retail trading of medical equipment, pharmaceutical and cosmetic products, establishing, maintaining, managing and operating hospitals and medical centers, wholesale and retail trading of food and beverages, acquisition and rental of land for constructing buildings and investing them by means of selling or renting in favor of the Group, establishment or participation in different industrial projects, establishment of commercial centers, operating, and maintaining them in Saudi Arabia.

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest 2019	Ownership Interest 2018
Medical Support Services Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	100%	100%
Pharmaceutical Services Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	100%	100%
Al-Hammadi for Hospitals Management and Operations Company Limited *	Saudi Arabia	Trading Company	Saudi Riyals	100%	-

These consolidated financial statements include the accounts of the Group and following branches, which operate under separate commercial registrations:

Branch Name	Commercial Registration No.	City
Al Hammadi Hospital, Olaya	1010263026	Riyadh
Al Hammadi Hospital, Al-Suwaidi	1010934227	Riyadh
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh
Maintenance & Operations	1010374273	Riyadh
Arabian Hospitality	1010610529	Riyadh

* During Third quarter of 2019, the Company completed the legal formalities pertaining to the investment in a new subsidiary, Al Hammadi for Hospitals Management and Operations, a limited liability Single Person Company (SPC), located in the Kingdom of Saudi Arabia and owned 100% by the Company.

Going concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future for a period of at least 12 months from the approval of the consolidated financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and regulations adopted by the Saudi Organization for Certified Public Accountants.

The consolidated financial statements have been prepared on the historical cost basis except for the defined employee benefit obligations that have been assessed actuarially as described in the accounting policies.

The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below; these policies have been consistently applied to all years presented, unless otherwise stated all figures are rounded to the nearest Riyal (Saudi Riyal), unless otherwise noted.

3. Basis of Consolidation

These consolidated financial statements comprising the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity, consolidated statement of cash flows and notes to the consolidated financial statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill in consolidated statement of financial position. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. Significant Accounting policies

4.1 Current versus Non-current classification

The Group presents its assets and liabilities in the consolidated statement of financial position based on a current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current assets.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within 12 months after the reporting period; or
- When there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

4. Significant Accounting policies - continued

4.2 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

4.3 Shareholder's equity

The Company has issued ordinary shares that are classified as equity. The difference between the issue price and the par value of an ordinary share is allocated to share premium. The transaction costs incurred for the share issue are accounted for as a deduction from share premium to the extent they are incremental costs directly attributable to the share issue that would otherwise have been avoided.

4. Significant Accounting policies - continued

4.4 New standards, interpretations, and amendments adopted by the Group

The Group applies, for the first time, IFRS 16 Rent Contracts starting 1 January 2019. The nature and effect of these changes are disclosed below.

4.4.1 IFRS 16 Rent Contracts

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019.

The Group elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019.
- Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

Nature of the effect of adoption of IFRS 16

A) Prior to adoption of IFRS 16:

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.
In an operating lease, the leased property was not capitalized and the lease payments were recognized as operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognized under prepayments and other payables, respectively.

4. Significant Accounting policies - continued

Nature of the effect of adoption of IFRS 16 - continued

B) After adoption of IFRS 16:

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at 31 December 2018. Accordingly, the comparative information is not restated.

Impact on the consolidated financial statements

The following tables summarizes impacts of adopting IFRS 16 on the Group's consolidated financial statements:

Consolidated statement of profit or loss for the year ended 31 December 2019

	Balances without adoption of IFRS 16 SAR	Adjustments SAR	As reported SAR
Revenue	974,058,999	-	**974,058,999**
Cost of revenue	(692,024,841)	587,036	**(691,437,805)**
GROSS PROFIT	282,034,158	587,036	**282,621,194**
General and administrative expenses	(137,649,847)	146,756	**(137,503,091)**
Selling and marketing expenses	(15,530,917)	-	**(15,530,917)**
Other operating income	16,952,412	-	**16,952,412**
OPERATING PROFIT	145,805,806	733,792	**146,539,598**
Finance charges	(36,080,275)	(999,050)	**(37,079,325)**
NET PROFIT BEFORE ZAKAT	109,725,531	(265,258)	**109,460,273**
Zakat expense	(16,460,602)	-	**(16,460,602)**
NET PROFIT FOR THE YEAR	93,264,929	(265,258)	**92,999,671**

4. Significant Accounting policies - continued

Impact on the consolidated financial statements - continued

Consolidated statement of financial position as at 31 December 2019

	Balances without adoption of IFRS16 SAR	Adjustments SAR	As reported SAR
ASSETS			
Non-current assets			
Property and equipment	1,738,721,572	-	**1,738,721,572**
Right-of-use assets	-	23,454,305	**23,454,305**
Goodwill	31,450,120	-	**31,450,120**
	1,770,171,692	23,454,305	**1,793,625,997**
Current assets			
Inventories	49,018,443	-	**49,018,443**
Trade receivables	559,597,418	-	**559,597,418**
Prepayments and other debt balances	45,800,246	(1,546,000)	**44,254,246**
Amounts due from related parties	917,132	-	**917,132**
Contracts Assets	14,666,845	-	**14,666,845**
Cash and cash equivalents	75,639,567	-	**75,639,567**
	745,639,651	(1,546,000)	**744,093,651**
TOTAL ASSETS	2,515,811,343	21,908,305	**2,537,719,648**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	1,200,000,000	-	**1,200,000,000**
Statutory reserve	51,138,685	-	**51,138,685**
Retained earnings	315,257,408	(265,258)	**314,992,150**
TOTAL SHAREHOLDERS' EQUITY	1,566,396,093	(265,258)	**1,566,130,835**
Non-current liabilities			
loans	429,551,022	-	**429,551,022**
Employees' termination benefits	59,871,135	-	**59,871,135**
lease liabilities	-	13,149,588	**13,149,588**
Government grants	144,358,206	-	**144,358,206**
	633,780,363	13,149,588	**646,929,951**
Current liabilities			
Trade payables	55,215,359	300,000	**55,515,359**
Accrued expenses and other credit balances	69,962,426	-	**69,962,426**
Amounts due to related party	18,900		**18,900**
loans	144,640,065	-	**144,640,065**
Government grants	7,613,597	-	**7,613,597**
Dividends payable	287,735	-	**287,735**
Zakat payable	16,619,782	-	**16,619,782**
lease liabilities	-	8,723,975	**8,723,975**
Contracts liabilities	21,277,023	-	**21,277,023**
	315,634,887	9,023,975	**324,658,862**
TOTAL LIABILITIES	949,415,250	22,173,563	**971,588,813**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,515,811,343	21,908,305	**2,537,719,648**

4. Significant Accounting policies - continued

Impact on the consolidated financial statements - continued

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets of SAR 32,189, 513 were recognized and presented separately in the statement of financial position.
- Lease liabilities of SAR 30,343,513 were recognized and presented separately in the statement of financial position.
- Prepayments of SAR 1,846,000 related to previous operating leases were reclassified to the right of use assets.

Impact on the consolidated statement of financial position (increase / (decrease)) as at 1 January 2019:

	Note	1 January 2019 SAR
Assets		
Right-of-use assets	(15)	32,189,513
Prepayments		(1,846,000)
		30,343,513
Liabilities		
Lease liabilities		30,343,513
		30,343,513

For the year ended 31 December 2019:

- Depreciation expense increased by SAR 8,735,208 relating to the depreciation of right of use assets recognized.
- Rent expense decreased by SAR 9,469,000 relating to previous operating leases.
- Finance charges increased by SAR 999,050 relating to the interest expense on additional lease liabilities recognized.

Impact on the consolidated statement of profit or loss (increase / (decrease)) for the year ended 31 December 2019:

	Note	31 December 2019 SAR
Depreciation expense (included in cost of revenue and general and administrative expenses)		(8,735,208)
Rent expense (included in cost of revenue and general and administrative expenses) relating to previous operating lease		9,469,000
Operating profit		733,792
Finance charges	(12)	(999,050)
Profit for the year		**(265,258)**

4. Significant Accounting policies - continued

Impact on the consolidated financial statements - continued

Amounts recognized in the consolidated statement of financial position

As at 31 December 2019, the cost of right of use assets is SAR 32,189,513 and accumulated depreciation is SAR 8,735,208.

For the year ended 31 December 2019, the group has recognized finance charges of SAR 999,050 on lease liability and total cash flow for leases is SAR 9,169,000.

Below are the new accounting policies of the Group after adoption of IFRS 16:

Leases

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

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

4. Significant Accounting policies - continued

Below are the new accounting policies of the Group after adoption of IFRS 16:

Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

4.4.2 IFRIC 23 'Uncertainty over income tax treatments'

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS Interpretation Committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The adoption of this clarification does not have any material impact on the financial statements during the year.

4.5 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

4.5.1 Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

4.5.2 Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

1) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
2) Clarify the explanation of the definition of material; and
3) Incorporate some of the guidance in IAS 1 about immaterial information.

4. Significant Accounting policies - continued

4.5 Standards issued but not yet effective - continued

4.5.3 Amendments to IFRS 9 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of profit or loss.

4.6 Annual Improvements to IFRSs 2015–2017 Cycle

These improvements are effective on or after 1 January 2019.

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.

- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

- IAS 23, ' Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

4.7 Revenue accounting policy

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Group accounts for a contract with a customer when:
- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Group identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:
- The customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Group determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.
Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.
Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Group transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

4. Significant Accounting policies - continued

4.7 Revenue accounting policy- continued

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Significant accounting judgments and estimates

The following is a description, accounting policies and significant judgments of the principal activities from which the Group generates revenue.

(a) Medical services

Revenue from medical services primarily comprises fees charged for inpatient and outpatient hospitals services. Services include charges for accommodation, medical professional services, equipment, radiology and laboratory. These services are sold either separately or bundled together with the sale of pharmaceutical products to a customer.

Under IFRS 15, the Group assessed that there is only one performance obligation in a contract for bundled medical services, because the transferred services are not capable of being distinct.

Under IFRS 15, the Group concluded that revenue from bundled services will be recognized over time, using the input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy.

(b) Pharmaceutical products

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

In these contracts, the Group is primarily responsible for fulfilling the promise to provide the specified pharmaceutical and other products. The Group bears inventory risk before the pharmaceutical and other products has been transferred to the customer. In addition, the Group has discretion in establishing the price for the pharmaceutical products. The Group bears credit risk on these transactions as it is obliged to pay the supplier even if the customer defaults on a payment.

(c) Volume discounts

Revenue is often recognized with volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

(d) Medical claims objections

The objections of medical claims are estimated from customers based on the Company's past experience and are recognized against revenue earned during the year. These estimates are subsequently adjusted to the actual settlement with the customers

4. Significant Accounting policies - continued

4.8 Financial instruments accounting policy

The Group recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial assets

IFRS 9 introduces new classification and measurement requirements for financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- Management’s stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management’s strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

4. Significant Accounting policies - continued

4.8 Financial instruments accounting policy - continued

Financial assets classified as amortized cost - continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the consolidated profit or loss statement.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in the consolidated profit or loss statement and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in the consolidated statement of comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss.

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Group designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through profit or loss. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instrument as FVPL since the date of initial application of IFRS 9 (i.e. 1 January 2018).

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in the consolidated statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the consolidated statement of profit or loss.

Dividend income on investments in equity instruments at FVPL is recognized in consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers.

4. Significant Accounting policies - continued

4.8 Financial instruments accounting policy - continued

Investment in equity instruments designated as FVOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to consolidated statement of profit or loss and no impairment is recognized in consolidated statement of profit or loss. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to consolidated statement of profit or loss on disposal of the investments.

Dividends on these investments are recognized in consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI such as lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts.

No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

4. Significant Accounting policies - continued

4.8 Financial instruments accounting policy – continued

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

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

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in consolidated statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to consolidated statement of profit or loss.

4. Significant Accounting policies - continued

4.8 Financial instruments accounting policy – continued

Financial liabilities – continued

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in consolidated statement of profit or loss. Amount presented in liability credit reserve are not subsequently transferred to consolidated statement of profit or loss. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings. Since the date of initial application of IFRS 9 (i.e. 1 January 2018), the Group has also not designated any financial liability as at FVPL.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

4.9 Cost of Revenue

Cost of Revenue represents expenses directly related to the generation of revenue, including but not limited to salaries and benefits, materials and supplies, utilities and other direct costs.

4.10 General and Administrative expenses

General and Administrative expenses include indirect costs not specifically part of cost of revenue. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

4.11 Foreign currencies

Transactions in foreign currencies are initially recorded by the Group at their market exchange rate against the functional currency at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

4. Significant Accounting policies - continued

4.12 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

The Group has received interest free loans from Ministry of Finance with a condition to use the proceeds only for the purpose of construction of the hospital buildings. The difference between the initial carrying value of the loan (its fair value) and the proceeds received is treated as a government grant. The grant income is deferred and subsequently released in the consolidated statement of profit or loss for the same period as the depreciation of the relevant asset.

4.13 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is calculated on all property and equipment other than land and capital work in progress, at the following rates calculated to write off the cost of each asset on a straight line basis over its expected useful life:

• Building	33 years.
• Equipment and tools	10 to 20 years.
• Furniture, fixtures and office equipment	4 to 10 years.
• Vehicles	4 years.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Capital work in progress is stated at cost and is not depreciated. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of profit or loss as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use and the forecast timing of disposal.

4. Significant Accounting policies - continued

4.14 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.15 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

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

4. Significant Accounting policies - continued

4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalized during idle periods.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in consolidated statement of other comprehensive income and released to consolidated statement of profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

4.17 Inventories

Inventories are measured at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are determined on a weighted average basis. Net realizable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Rebates from Suppliers

The Pharmacy segment receives rebates in the ordinary course of business from a number of its suppliers of pharmaceutical products, in accordance with contractual arrangements in place with specific suppliers. Rebates are accounted for once approval has been received from the supplier following the negotiations which have taken place with them. Rebates receivable are accounted for as a deduction from the cost of purchasing pharmaceutical products, once the rebate has been approved by the supplier. When rebates have been agreed in advance, for example when it has been agreed that a certain rebate will be applied to the purchase of specific goods for a set period of time rather than just to a specific one off purchase, then the rebate is recognized as a reduction in the purchase price as soon as the goods are purchased. When rebates are offered based upon the volume purchased and it is probable that the rebate will be earned and the amount can be estimated reliably, then the discount is recognized as a reduction in the purchase price when the goods are purchased and the assessment is reviewed on an ongoing basis. Rebates receivable are accounted for on a net basis, being set off against the accounts payables to which they relate, as they are a reduction in the amount owed to suppliers in respect of pharmaceutical products purchased.

4.18 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of preparing the consolidated financial statements, cash flows, cash and cash equivalents consist of cash in hand and at banks and other short-term liquid investments, if any, with original maturities of 3 months or less from purchase date.

4. Significant Accounting policies - continued

4.19 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

4.20 Employees' termination benefits

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements for actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a corresponding credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administrative expenses)
- Net special commission expense or income (under finance charges)

4.21 Zakat

The Group is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat provision is estimated and charged to the consolidated statement of profit or loss. Any difference in the estimations is recorded when the final assessment is approved at which time the provision is adjusted. On the finalization of Zakat assessment, additional Zakat due will be accounted for in the year in which the assessment is finalized.

5. Significant accounting judgments, estimates, and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions are continually evaluated and they are based on past experience and other factors, including expectations of future events that are relevant to the circumstances. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Defined benefit plans

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the last five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

5. Significant accounting judgments, estimates, and assumptions - continued

Provision of expected credit loss

The expected credit loss provision is determined by reference to a combination of factors to ensure that financial assets are not overpriced due to the probability that they will not be collected, including their quality, age, credit rating and collateral. Economic data and indicators are also taken into account.

Expected claim's objections

The Group depend on the estimation of expected objections to its past experience with each individual client. To anticipate these objections, the Group measures the extent to which customers accept the medical services and pharmaceuticals products provided and uses assumptions based on the latest objections to claims and direct negotiations with customers as well as reliance on data available in the market and in similar companies.

Provision of slow moving inventory

Inventories are stated at the lower of cost and net realizable value. Adjustments are made to reduce the cost of inventories to net recoverable amount, if necessary.
Influencing factors includes changes in inventory demand, technological changes, deterioration of quality and other quality matters. Accordingly, the Group considers these factors and takes them into account to calculate the provision of idle stock and slow movement. Any adjustments that may result from the difference in these factors are periodically reviewed.

6. Segment information

The Group's operations consist mainly of the medical services and pharmaceuticals products segment.

The following are selected financial information as at 31 December 2019 and 2018 by business segment:

- Medical Services segment: Fees for inpatient and outpatient services.
- Pharmaceuticals products segment.

	Medical Services		**Pharmaceuticals Products**		**Total**	
31 Dec	**2019**	2018	**2019**	2018	**2019**	2018
	SAR	SAR	**SAR**	SAR	**SAR**	SAR
Revenue	**624,882,086**	580,130,362	**349,176,913**	313,466,373	**974,058,999**	893,596,735
Gross Profit	**173,871,379**	145,163,863	**108,749,815**	105,196,789	**282,621,194**	250,360,652
Depreciation	**100,305,581**	85,951,080	**2,104,953**	2,482,085	**102,410,534**	88,433,165
Net profit	**33,143,670**	21,347,752	**59,856,001**	68,466,621	**92,999,671**	89,814,373

	Medical Services		**Pharmaceuticals Products**		**Total**	
31 Dec	**2019**	2018	**2019**	2018	**2019**	2018
	SAR	SAR	**SAR**	SAR	**SAR**	SAR
Total Assets	**2,267,968,222**	2,252,713,645	**269,751,426**	231,478,137	**2,537,719,648**	2,484,191,782
Total Liabilities	**944.214.036**	978,237,753	**27,374,777**	27,355,976	**971,588,813**	1,005,593,729

7. Revenue

	2019 **SAR**	2018 SAR
Medical services revenue	**624,882,086**	580,130,362
Pharmaceuticals sale revenue	**349,176,913**	313,466,373
	974,058,999	893,596,735
Timing of revenue recognition:		
Products and services transferred at a point in time	**589,791,621**	518,496,420
Products and services transferred over time	**384,267,378**	375,100,315
	974,058,999	893,596,735

7. Revenue - continued

Contracts balances

	Contracts assets	
	2019	2018
	SAR	SAR
Balance at 1 January	**7,260,696**	-
Transferred from trade receivables at January 1, 2018	**-**	340,087
Contracts assets generated during the year	**102,700,915**	82,400,327
Transferred from contracts assets to trade receivables	**(95,294,766)**	(75,479,718)
Balance at 31 December	**14,666,845**	7,260,696

	Contracts liabilities	
	2019	2018
	SAR	SAR
Balance at 1 January	**3,707,730**	-
Contracts liabilities generated during the year	**35,160,180**	12,223,438
Used from contracts liabilities	**(17,590,887)**	(8,515,708)
Balance at 31 December	**21,277,023**	3,707,730

8. Cost of revenue

	Note	2019	2018
		SAR	SAR
Salaries and other benefits		**259,329,142**	267,089,266
Medical and pharma consumables		**317,453,770**	265,387,138
Depreciation	(14)	**81,758,510**	70,738,497
Utilities		**19,685,692**	19,593,423
Repairs and maintenance		**8,437,574**	9,957,828
Rents		**1,432,658**	5,993,917
Others		**3,340,459**	4,476,014
		691,437,805	643,236,083

9. General and administrative expenses

	Note	2019	2018
		SAR	SAR
Salaries and other benefits		**71,995,382**	68,525,380
Depreciation	(14)	**20,652,024**	17,694,668
Repairs and maintenance		**16,397,809**	13,222,419
ECL	(18)	**9,157,145**	521,945
Provision for doubtful prepayments and other debt balances	(19)	**4,856,516**	-
Fees, licenses and accreditation		**3,504,487**	3,194,313
Fuel		**1,315,915**	1,359,929
Professional services		**932,076**	370,476
Rents		**485,708**	2,560,857
Donation		**174,878**	463,500
Other		**8,031,151**	5,416,880
		137,503,091	113,330,367

10. Selling and marketing expenses

	2019 SAR	2018 SAR
Salaries and other benefits	**5,324,090**	3,433,633
Collection service expenses	**3,651,915**	2,229,557
Training and business development	**4,588,750**	2,717,974
Other	**1,966,162**	1,378,311
	15,530,917	9,759,475

11. Other operating income

	Note	2019 SAR	2018 SAR
Government grants released	(27)	**7,613,596**	6,591,330
Human Resources Support Fund		**6,601,550**	1,879,267
Rental income		**1,298,096**	714,205
Other income		**1,439,170**	1,683,703
		16,952,412	10,868,505

12. Finance charges

	Note	2019 SAR	2018 SAR
Commercial banks' loans finance charges		**22,078,571**	20,115,560
Government's loans finance charges		**11,472,501**	10,947,328
Special commission cost on defined benefit plan		**2,529,203**	2,353,335
Lease contract liabilities finance charges	(4.4)	**999,050**	-
		37,079,325	33,416,223

13. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the profit and share data used in the basic and diluted EPS computations:

	2019 SAR	2018 SAR
Net profit for the year	**92,999,671**	89,814,373
Weighted average number of ordinary shares	**120,000,000**	120,000,000
Basic and diluted earnings per share	**0.77**	0.75

14. Property and equipment

	Land	Buildings	Equipment and tools	Furniture, fixtures and office equipment	Vehicles	Construction in progress	Total
Cost:							
At 1 January 2018	262,396,467	706,582,226	352,837,931	91,278,221	5,234,383	785,672,800	2,204,002,028
Subsidiaries assets acquired	-	-	-	471,240	149,316	-	620,556
Additions	-	-	9,425,806	6,175,909	1,199,440	61,211,495	78,012,650
Transfers	-	604,076,977	203,904,089	32,973,044	936,000	(841,890,110)	-
At 31 December 2018	262,396,467	1,310,659,203	566,167,826	130,898,414	7,519,139	4,994,185	2,282,635,234
Additions	25,535,374	9,090,980	5,480,309	1,976,483	532,343	2,452,275	45,067,764
At 31 December 2019	**287,931,841**	**1,319,750,183**	**571,648,135**	**132,874,897**	**8,051,482**	**7,446,460**	**2,327,702,998**
Accumulated Depreciation:							
At 1 January 2018	-	189,693,826	155,912,117	56,084,604	4,565,741	-	406,256,288
Subsidiaries accumulated depreciation	-	-	-	467,332	149,315	-	616,647
Charge for the year	-	36,859,255	39,718,295	11,084,620	770,995	-	88,433,165
At 31 December 2018	-	226,553,081	195,630,412	67,636,556	5,486,051	-	495,306,100
Charge for the year	-	39,409,349	41,718,166	11,681,654	866,157	-	93,675,326
At 31 December 2019	**-**	**265,962,430**	**237,348,578**	**79,318,210**	**6,352,208**	**-**	**588,981,426**
Net book value:							
At 31 December 2019	**287,931,841**	**1,053,787,753**	**334,299,557**	**53,556,687**	**1,699,274**	**7,446,460**	**1,738,721,572**
At 31 December 2018	262,396,467	1,084,106,122	370,537,414	63,261,858	2,033,088	4,994,185	1,787,329,134

14. Property and equipment - continued

Land and buildings

Land and buildings illustrated above basically include a part of lands with a value of SAR 152.5 million and a part of buildings with a value of SAR 1,097.4 million pledged as a collateral for a long-term loans from the Ministry of Finance to fund part of the construction of the new hospital in Al-Suwaidi area and its housing compound in addition to the construction of the new hospital in Al-Nuzha area. (Note 28-1).

Construction in progress

The Group started the construction of Nuzha hospital project in 2012. This project was completed in February 2018. The carrying amount of the hospital project, including the land of the project, at 31 December 2019 was SAR 832 million (31 December 2018: SAR 868 million). The project was transferred from construction in progress to 'property and equipment' categories upon opening the hospital in Feb 2018.

The construction in progress is financed through the Initial Public Offering "IPO" proceeds, loan from Ministry of Finance and loans from local commercial banks. No borrowing costs capitalized during the year ended 31 December 2019 (31 December 2019: Null).

In the opinion of management, there has been no impairment in the carrying value of the Group's property and equipment as at 31 December 2019 (31 December 2018: Null).

The allocation of depreciation expense of property and equipment and the right-of-use assets between cost of revenue and general and administrative expenses is as follows:

	Note	**2019 SAR**	2018 SAR
Depreciation expense of property and equipment		**93,675,326**	88,433,165
Depreciation expense of right-of-use assets	(15)	**8,735,208**	-
31 December		**102,410,534**	88,433,165

	Note	**2019 SAR**	2018 SAR
Cost of revenue	(8)	**81,758,510**	70,738,497
General and administrative expenses	(9)	**20,652,024**	17,694,668
31 December		**102,410,534**	88,433,165

15. Right-of-use assets

Right of use assets represent leased residential buildings. The cost and related accumulated depreciation are presented below:

	Note	2019 SAR	2018 SAR
Cost			
Balance at 1 January		-	-
Additions during the year	(4.4)	32,189,513	-
Balance at 31 December		**32,189,513**	-
Accumulated Depreciation			
Balance at 1 January		-	-
Additions during the year	(4.4)	8,735,208	-
Balance at 31 December		**8,735,208**	-
Net book value		**23,454,305**	-

Lease liabilities as at the year-end are as follows:

	2019 SAR	2018 SAR
Current portion	**8,723,975**	-
Non-current portion	**13,149,588**	-
	21,873,563	-

The group recognized finance charges SAR 999,050 on lease liabilities during the year ended 31 December 2019 (31 December 2018: Null). (Note 12)

Rent expenses related to short-term leases and low-value assets amounted to SAR 2,998,854 and none respectively.

16. Goodwill

A) Carrying value of goodwill

	Note	2019 SAR	2018 SAR
Cost			
Balance at 1 January		**31,450,120**	-
Acquisition through business combinations	(33.C)	-	31,450,120
Balance at 31 December		**31,450,120**	31,450,120
Accumulated impairment losses			
Balance at 1 January		-	-
Impairment losses		-	-
Balance at 31 December		-	-
Net book value		**31,450,120**	31,450,120

16. Goodwill - continued

B) Impairment test:

The recoverable amount of the Medical Support Services Company Limited was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant healthcare activity and have additionally been based on historical data from both external and internal sources.

	2019	**2018**
Discount rate	13.1%	16%
Terminal value growth rate	3 %	3%
Budgeted EBITDA growth rate (average of next five years)	(25,7%)	(14%)

The discount rate was estimated based on the historical industry weighted average cost of capital, with a possible debt leveraging of 30% at interest rate of 7%.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter with a specific growth for the years 2020 and 2021, respectively, due to the awarded government contract. The terminal growth rate was determined based on the actual Kingdom of Saudi Arabia's GDP growth rate for the last 30 years.

The estimated recoverable amount of the Medical Support Services Company Limited exceeded its carrying amount by approximately Saudi Riyal 137.1 million, therefore there is no impairment in the carrying amount of the goodwill.

17. Inventories

	2019 **SAR**	2018 SAR
Pharmaceuticals and cosmetics	**21,043,476**	29,195,120
Medical tools and consumables	**24,813,494**	19,969,033
Non-medical tools and supplies	**2,512,216**	1,913,554
Spare parts and consumables not for sale	**649,257**	222,090
	49,018,443	51,299,797

18. Trade receivables

	2019 SAR	2018 SAR
Trade receivables – billed	**590,149,160**	499,178,622
Provision for doubtful debts	**(30,551,742)**	(21,531,756)
	559,597,418	477,646,866

	Total SAR	Neither past due nor impaired SAR	30 - 60 days SAR	61 - 90 days SAR	91 - 360 days SAR	More than 360 days SAR
31 December 2019	**590,149,160**	**121,250,190**	**42,003,681**	**45,444,873**	**238,569,766**	**142,880,650**
31 December 2018	499,178,622	80,791,823	54,817,388	52,320,551	216,416,667	94,832,193

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and they are therefore unsecured.

A majority of the receivables that are past due but not impaired are from government-linked entities which are inherently slow payers due to their long invoice acceptance and approval of payment procedures. Payments continue to be received from these customers and accordingly the risk of non-recoverability is considered to be low.

As at 31 December 2019, approximately 96.2% of the Group's trade receivables' balance was due from various governmental and insurance entities (31 December 2018: 96.1%).

The Group's credit terms require receivables to be repaid within 30-90 days depending on the type of customer, which is in line with healthcare industry. Due to short credit period offered to customers, a significant amount of trade receivables is neither past due nor impaired.

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

	2019 SAR	2018 SAR
1 January	**21,531,756**	34,839,047
Impact of IFRS 15 on 1 Jan 2018	**-**	(15,450,305)
Impact of IFRS 9 on 1 Jan 2018	**-**	1,534,069
Additions during the year	**9,157,145**	521,945
Transferred provision from subsidiaries		87,000
Written off bad debts during the year	**(137,159)**	-
31 December	**30,551,742**	21,531,756

19. Prepayments and other debt balances

	2019 SAR	2018 SAR
Advances to suppliers	**38,660,671**	66,932,270
Advances to employees	**3,750,378**	3,011,487
Margin of L/G and L/C	**2,189,718**	7,225,431
Prepaid rents, medical insurance and visa	**1,936,497**	7,078,152
Recoverable deposits	**118,795**	118,795
Other	**107,324**	88,363
	46,763,383	84,454,498
Provision for doubtful prepayments and other debt balances	**(2,509,137)**	-
	44,254,246	84,454,498

The summary for the movement of provision for doubtful prepayments and other debt balances is as follows:

	2019 SAR	2018 SAR
1 January	**-**	-
Additions during the year	**4,856,516**	-
Written off bad debts during the year	**(2,347,379)**	-
31 December	**2,509,137**	-

20. Related party transactions and balances

The Group in the normal course of business carries on business with other enterprises and individuals that fall within the definition of a related party contained in IFRS. These transactions are carried out in normal course of the business and are measured at exchange amounts, being the amounts agreed by both parties. The transactions are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: Null). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

During the ordinary course of business, the Group engaged in several significant transactions with related parties (i.e., major shareholders of the Group) as illustrated below:

	2019 SAR	2018 SAR
Completed works for capital work in progress from a construction company owned by a shareholder	-	52,384,624
Compensation to key management personnel	**10,839,442**	9,970,283
Purchases from a company owned by a shareholder	**367,915**	571,903
Rental expense paid to relatives of shareholders	**630,000**	630,000
Clinical services rendered to shareholders	**673,925**	544,798
Rental expense paid to shareholders	**8,239,000**	8,239,000

20. Related party transactions and balances - continued

Significant year-end balances from transactions with related parties are as follows:

	2019 SAR	2018 SAR
Main shareholders *	**885,452**	887,533
Key management personnel	**31,680**	-
Amounts due from related party	**917,132**	887,533

*The amounts due from related parties represent health care services provided to those related parties. Accordingly, the amounts due from related parties are generated in the course of ordinary business that is not considered financing by the company to shareholders.

	2019 SAR	2018 SAR
Main shareholders	**18,900**	-
Amounts due to related party	**18,900**	-

21. Cash and cash equivalents

	2019 SAR	2018 SAR
Cash in hand	**574,805**	553,273
Cash at banks	**75,064,762**	43,309,865
	75,639,567	43,863,138

22. Share capital

Share capital of the Company is SAR 1,200,000,000 consists of 120,000,000 fully paid ordinary shares with a par value of SAR 10 (2017: SAR 1,200,000,000).

23. Statutory reserve

In accordance with Saudi Regulations for Companies and the Company's By-Laws, 10% of the annual net profit is required to be transferred to a statutory reserve until its reserve equals 30% of the capital. This statutory reserve is not available for distribution to shareholders currently. During the year ended December 31, 2019 an amount of SAR 9,299,967, (31 December 2018: SAR 8,981,437), was transferred to the statutory reserve in accordance with Article No. 98 of Saudi Regulations for Companies.

24. Trade payable

	2019 SAR	2018 SAR
Medicines and medical supplies vendors	**49,247,941**	37,350,234
Admin and non-medical supplies vendors	**2,239,566**	4,141,018
Others	**4,027,852**	4,970,766
	55,515,359	46,462,018

25. Accrued expenses and other credit balances

	2019 SAR	2018 SAR
Retentions	**30,076,640**	47,264,602
Accrued expenses	**37,299,723**	14,996,569
Others	**2,586,063**	2,378,589
	69,962,426	64,639,760

26. Employees' Termination Benefits

The following tables summarize the components of end of service benefits recognized in the consolidated statement of profit or loss and amounts recognized in the consolidated statement of comprehensive income and consolidated statement of financial position:

(a) Amount recognized in the consolidated statement of financial position

	2019 SAR	2018 SAR
Present value of defined benefit obligation	**59,871,135**	56,204,516

(b) Benefit expense (recognized in consolidated statement of profit or loss)

	2019 SAR	2018 SAR
Current service cost	**11,529,708**	13,758,817
Special commission cost	**2,529,203**	2,353,335
Benefit expense	**14,058,911**	16,112,152

26. Employees' Termination Benefits - continued

(c) Movement in the present value of defined benefit obligation

	2019 **SAR**	2018 SAR
Present value of defined benefit obligation at beginning of the year	**56,204,516**	50,100,456
Transferred from subsidiaries	**-**	811,952
Charge recognized in consolidated statement of profit or loss:		
Current service cost	**11,529,708**	13,758,817
Special commission cost	**2,529,203**	2,353,335
Actuarial loss (Gain) on defined benefit plan recognized in the consolidated statement of comprehensive income	**5,466,889**	(3,225,038)
Benefits paid during the year	**(15,859,181)**	(7,595,006)
Present value of defined benefit obligation at end of the year	**59,871,135**	56,204,516

(d) Principal actuarial assumptions

	2019 **SAR**	2018 SAR
Discount rate	**3.1 %**	4.5 %
Salary increase rate	**3 %**	3 %
Retirement age	**60 years**	60 years

(e) Projected future end of service benefits payments

Below table provides the projected undiscounted end of service benefits liability outgoes for the next five years:

Year	**SAR**
2020	**10,949,215**
2021	**10,537,042**
2022	**10,434,211**
2023	**7,930,365**
2024	**6,643,969**

26. Employees' Termination Benefits - continued

(f) Sensitivity Analysis

The table below shows the effect of the change in one of the actuarial assumptions, with the rest of the assumptions being unchanged, at the reporting date:

	As of 31 December 2019		As of 31 December 2018	
	SAR	**Change %**	SAR	Change %
Present value of defined benefit obligation as at end of the year	**59,871,135**		56,204,516	
Discount rate base				
+ 1%	**55,703,146**	**(7.0%)**	50,552,145	(10.1%)
- 1%	**64,754,698**	**8.2%**	63,008,157	12.1%
Salary increase rate base				
+ 1%	**65,018,887**	**8.6%**	63,319,625	12.7%
- 1%	**55,391,380**	**(7.5%)**	50,203,558	(10.7%)
Withdrawal rate				
110% of base	**59,467,979**	**(0.7%)**	56,120,233	(0.1%)
90% of base	**60,308,374**	**0.7%**	56,279,668	0.1%
Mortality rate				
110% of base	**59,860,772**	**0.0%**	56,214,969	0.0%
90% of base	**59,881,529**	**0.0%**	56,194,706	0.0%

The above analysis provide an estimate of the sensitivity of the actuarial assumptions used, despite that it does not take into account the expected future cash payments from the end of service benefits plan.

27. Government grants

	2019 SAR	2018 SAR
At 1 January	**159,585,400**	159,734,894
Received during the year	**-**	6,441,836
Government grants released	**(7,613,597)**	(6,591,330)
At 31 December	**151,971,803**	159,585,400

	2019 SAR	2018 SAR
Current	**7,613,597**	**7,613,597**
Non-current	**144,358,306**	**151,971,803**
	151,971,803	**159,585,400**

- On September 2013, the Group obtained a free interest loan from the Ministry of Finance to fund the construction of the new hospital in Al-Suwaidi area and the purchase of the indispensable medical and non-medical equipment. Later, on January 2015 the Group also obtained another free interest loan from the Ministry of Finance to fund building of the housing compound related to Al-Suwaidi Hospital. The conditions and contingencies attached to these grants has been met. Al-Suwaidi hospital has started operations in Aug 2015.
- On July 2015, the Group obtained a free interest loan from the Ministry of Finance to fund the construction of the new hospital in Al Nuzha area and the purchase of the indispensable medical and non-medical equipment. The conditions and contingencies attached to these grants has been met. The new hospital has started operations in Feb 2018.

28. Long-term loans

	2019 SAR	2018 SAR
Current portion		
Loans from Ministry of Finance	**18,714,240**	8,832,250
Loans from commercial banks	**125,925,825**	88,345,500
	144,640,065	97,177,750
Non-current portion		
Loans from Ministry of Finance	**204,551,022**	211,792,762
Loans from commercial banks	**225,000,000**	350,824,777
	429,551,022	562,617,539
Total	**574,191,087**	**659,795,289**

28. Long-term loans - continued

28.1 Loans from Ministry of finance

- On 11 September 2013, The Group obtained a loan from the Ministry of Finance to fund part of the construction of the new hospital in Al-Suwaidi area and the purchase of the indispensable medical and non-medical equipment. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. The value of the loan is 149.1 million SAR. The Group has utilized it in full as at 31 December 2017. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date.
- On 26 January 2015, the Group signed another financing agreement with the Ministry of Finance to fund the building of the housing compound related to Al-Suwaidi Hospital project. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. The value of the loan is SAR 27.5 million of which the Group has utilized it in full as at 31 December 2017. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date.
- On 20 July 2015, the Group signed a third financing agreement with the Ministry of Finance to fund part of the construction and furnishing costs of the hospital in Al-Nuzha area. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. This loan amounted SAR 197.6 million and the Group has utilized it in full as at 31 December 2018. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date. Where the first installment is due in the second quarter of 2020.

28. Long-term loans - continued

28.2 Loans from commercial banks

The group has several facility agreements and loans in Saudi riyals with local commercial banks, and these facilities are secured by order bonds and assignments of proceeds from insurance companies and Ministry of Health. These facilities bear finance charges at the prevailing rates in the market. The breakdown of these facilities as of December 31, 2019 is as follows:

Nature	Purpose	Year obtained	Total facility	Utilized amount	Repayment terms	Current portion	Non-current portion	Total
			(SAR in millions)			(SAR in millions)		
Long-term financing facility agreement (for one time)	Financing medical machines and equipment	2016	150	150	Semi-annual installments ending at 31 December 2020	38.4	-	38.4
Long-term financing facility agreement **(a)**	Refinancing long-term loans and supporting the company's working capital	2016	337.5	337.5	Quarterly installments ending at 30 June 2023	87.5	225	312.5
Long-term financing facility agreement	Financing the company's operations	2016	60	-	Unutilized	-	-	-
Overdraft	Financing the company's operations	2018	2	-	Unutilized	-	-	-
Letters of credit financing	Financing the company's operations	2018	35	-	Unutilized	-	-	-
Short- term revolving loan facility agreement	Financing the company's operations	2018	50	-	Unutilized	-	-	-
Short- term revolving loan facility agreement **(b)**	Financing the subsidiary's operations	2019	115	-	Unutilized	-	-	-
Totals			**749.5**	**487.5**		**125.9**	**225**	**350.9**

28. Long-term loans - continued

28.2 Loans from commercial banks - continued

(a) In December 2019, the company modified the terms of a long-term facility agreement with a local bank by reducing the value of the installments to SAR 22.5 million for each quarterly installment that ends on June 30, 2023 instead of SAR 25 million, ending on March 31, 2023.

(b) The Subsidiary (Pharmaceutical Services Company Limited) has credit facilities of SAR 115 million granted by a local bank during 2019 with the guarantee of the Parent Company (Al Hammadi Company for Development and Investment. The purpose of these credit facilities is to finance the company's operations.

- No finance charges were capitalized during the year ended 31 December 2019 (31 December 2018: Null). Finance expense charged for the year amounted to SAR 37.1 million (31 December 2017: SAR 33.4 million).

- These facility agreements require the group to comply with some financial and non-financial covenants and maintenance of certain financial ratios. The group was in compliance with those covenants as of the date of these consolidated financial statements.

- The maturities of the long-term loans are as follows:

	2019	2018
	SAR	SAR
2019	**-**	88,345,500
2020	**125,925,825**	138,324,777
2021	**90,000,000**	100,000,000
2022	**90,000,000**	100,000,000
2023	**45,000,000**	12,500,000
	350,925,825	439,170,277

29. Zakat

29.1 Zakat movement

The movement of zakat for the group during the year is as follows:

	2019	2018
	SAR	SAR
Balance as at January 1	**14,911,281**	12,103,152
Provision for the year	**16,460,602**	14,908,719
Payments during the year	**(14,752,101)**	(12,100,590)
Balance as at December 31	**16,619,782**	14,911,281

29. Zakat - continued

29.2 Zakat base

The following are the main components of the Zakat base of the group, which are subject to some modifications according to GAZT regulations in the Kingdom of Saudi Arabia. During 2019, the Group was approved by GAZT to calculate zakat due based on consolidated zakat base starting with the year 2019:

(a) Zakat base calculation

	2019
	SAR
Shareholders' equity	**1,478,598,053**
Beginning provisions and other adjustments	**794,947,014**
Property, equipment and right -of- use assets (net)	**(1,762,175,877)**
Adjusted net income	**137,532,845**
Zakat base for the Group	**648,902,035**
Zakat due	**16,619,782**

Zakat is payable of the 2.57768% of zakat base after deducting adjust net income by and 2.5% of adjust net income.

(b) Adjusted net income for the year

	2019
	SAR
Net profit before zakat	**109,460,273**
Provisions added during the year	**28,072,572**
Adjusted net income	**137,532,845**

(c) Status of zakat assessments

The Group companies has filed zakat returns with the GAZT based on its separate financial statements for all years up to 31 December 2018. Al Hammadi Company obtained final zakat assessments for all years through the year ended 31 December 2012.

30. Commitments and contingencies

The financing facility agreements with commercial banks referred to in Note (28.2) include additional facilities for the issuance of letters of guarantee with a total value of SAR 53.5 million. The group used approximately SAR 35.3 million as of 31 December 2019 (31 December 2018: approximately SAR 39.4 million). These letters of guarantee have been issued on behalf of the group in the normal course of business.

The Group as lessor entered into contractual arrangements whereby it provides certain trademarks a particular space within its premises for pre-specified rental payments. These agreements take the form of an operating lease that include contingent rents to be recognized as income during the period.

Future rentals receivable under non-cancellable operating leases are:

	2019	2018
	SAR	SAR
Within one year	**1,240,340**	367,500
After one year but not more than five years	**3,047,767**	105,000

31. Financial assets and financial liabilities

Financial instruments risk management objectives and policies

The main financial instruments carried on the group's statement of financial position include cash and cash equivalents, accounts receivables and other debit balances, due from related parties, accounts payables, loans, due to related parties, accrued liabilities and other credit balances. The main purpose behind the Group's financial liabilities is to finance the operations and to provide guarantees to support the operations.

The Group's activities exposed it to various risks. These risks are: Market risk (which includes: Currency risk, fair value and cash flow interest rate risks and price risk), Credit risk and Liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. The board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk.

Financial instruments affected by market risk include: loans, borrowings and deposits.

Currency Risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk. The Group has also some transactions in EURO which were not significant as at 31 December 2019 (31 December 2018).

31. Financial assets and financial liabilities - continued

Fair value and cash flow interest rate risks

The exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group monitors the commission rate fluctuations on a continuous basis and acts accordingly. The Group's commission rates principally relate to its borrowings and are subject to change on periodic basis.

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is currently not exposed to price risk as it has no investments in marketable securities.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group places its cash with banks that have sound credit ratings. Accounts receivables and due from related parties are carried net of expected credit losses provision amounted SAR 30.5 million as of 31 December 2019 (31 December 2018: SAR 21.5 million) - (Note 18).

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The total of long-term loans as at 31 December 2019 is approximately SAR 350.5 million (31 December 2018: SAR 439.2 million). Note (28.2) shows the maturities of these long-term loans.

32. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation in the current year, to enhance the comparability of information and to be more appropriate for users of consolidated financial statements, as follows:

(As at 31 December 2018)		Impact of reclassification		
Consolidated statement of profit or loss	Note	As previously reported	Re-classification	As reclassified
Cost of revenues	(a)	(648,985,941)	5,749,858	(643,236,083)
General and administrative expenses	(a)	(117,339,984)	4,009,617	(113,330,367)
Selling and marketing expenses	(a)	-	(9,759,475)	(9,759,475)

(a) Reclassification of SAR 5,749,858 from the cost of revenues and SAR 4,009,617 from general and administrative expenses to selling and marketing expenses to conform with the presentation in the current year.

33. Acquisition of subsidiary

On 31 January 2018, the Company acquired 100% of the voting interests to Medical Support Services Company. As a result, the company obtained the control of Medical Support Services Company and its subsidiary (Pharmaceutical Services Company Limited).

Taking control of Medical Support Services Company will enable the Group to penetrate and consolidate its position in pharmaceutical products market.

For the year ended 31 December 2019, Medical Support Services Company contributed revenue of SAR 187,805,131 (31 December 2018: SAR 183, 411,485) and profit of SAR 34,467,675 (31 December 2018: SAR 52,154,462) to the Group results.

(a) Consideration transferred

The fair value of consideration transferred at the acquisition date amounted SAR 48 million represented in transferred cash.

(b) Identifiable assets acquired and liabilities assumed

The following table summarizes the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Note	2018 SAR
Property and equipment	(14)	3,909
Inventories		1,031,994
Trade receivables		33,293,225
Prepayments and other debt balances		20,541,057
Cash and cash equivalents		8,440,543
Trade payables and other credit balances		(45,948,896)
Employees' end of service benefits	(26)	(811,952)
Total identifiable net assets acquired		**16,549,880**

(c) Goodwill

Goodwill arising from the acquisition has been recognized as follows: (in Saudi Riyal)

	Note	2018 SAR
Consideration transferred	(34.a)	48,000,000
Fair value of identifiable net assets	(34.b)	(16,549,880)
Goodwill	(16.a)	**31,450,120**

34. Subsequent events

In the opinion of management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

35. Approval of the consolidated financial statements

These consolidated financial statements have been approved by the board of directors on 14 Rajab 1441H corresponding to 9 March, 2020.