



Maintaining Momentum, Navigating Headwinds

ANNUAL REPORT 2020

Dr. Sulaiman Al Habib Medical Services Group Company

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



King Salman bin Abdulaziz Al Saud

Custodian of the Two Holy Mosques,
King of the Kingdom of Saudi Arabia



**His Royal Highness Prince Mohammad
bin Salman bin Abdulaziz Al Saud**

Crown Prince and Vice President of the Council of
Ministers and Minister of Defense and The Chairman
of the Council of Economic and Development Affairs

“On behalf of HMG’s Board of Directors, Management and staff, I would like to extend our gratitude to the Kingdom’s leadership, the Ministry of Health, all health sector frontline workers, and all government departments for their tremendous response in fighting the Covid-19 pandemic, protecting our nation, and supporting the Kingdom’s economy. While 2020 was a challenging year, we are thankful to these exemplary leaders for their remarkable efforts in containing the spread of the virus, assisting the private sector, and maintaining business continuity during these extraordinary times.”

Dr. Sulaiman Abdulaziz Al Habib

Chairman of the Group

Table of Contents



01. OVERVIEW

At a Glance	08
Group's Vision, Mission and Values	10
Year in Review	12
Our Competitive Advantage	16

02. STRATEGIC REVIEW

Chairman's Statement	20
Market and Health Sector Overview	22
Business Model	26
CEO's Statement	28
Group's Strategy	32
CFO's Statement	36
Financial Performance Indicators	40
Segmental Review	42
Hospitals/Healthcare Facilities	42
Expanding our Footprint	48
Pharmacy	50
HMG Solutions	52
Innovation Driving Medical Excellence	54
Covid-19 Impact and Group's Response	62
Risk Management	66
Success Partners	72
Sustainability	74

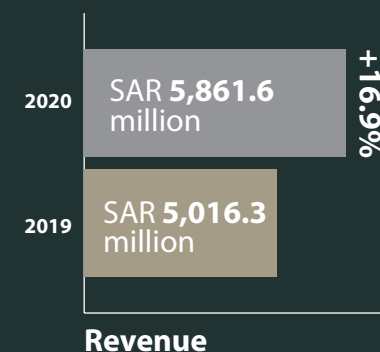
03. GOVERNANCE

Introduction	80
HMG and its Subsidiaries	84
Board of Directors, Committees and Executive Management	87
Shareholder information	117
Related Party Transactions	118
Dividend Policy	122
Main Transactions, Investments and Other Events	123
Statutory Payments	124
Compensation and Remuneration	125
Summary of Assets, Liabilities, and Business Results	129
Loans	130
Statement of the Board of Director's Responsibilities	131

04. CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report	134
Consolidated Statement of Financial Position	137
Consolidated Statement of Income	138
Consolidated Statement of Comprehensive Income	139
Consolidated Statement of Changes in Equity	140
Consolidated Statement of Cash Flows	141
Notes to the Consolidated Financial Statements	142

Financial Highlights



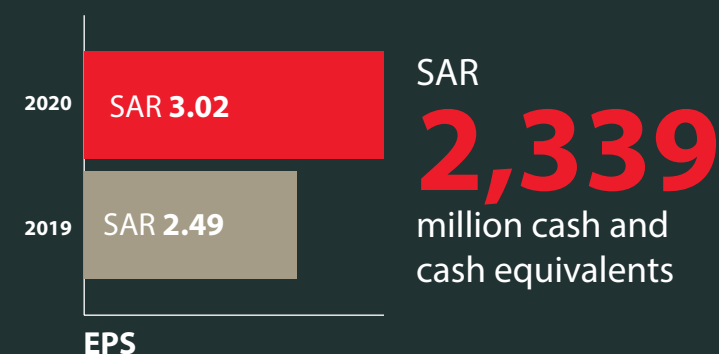
EBITDA margin
25.4%

Return on equity

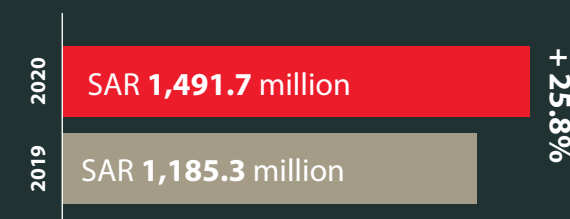
22.7%

Return on assets

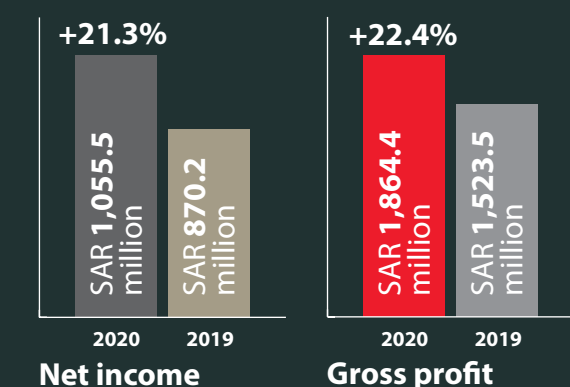
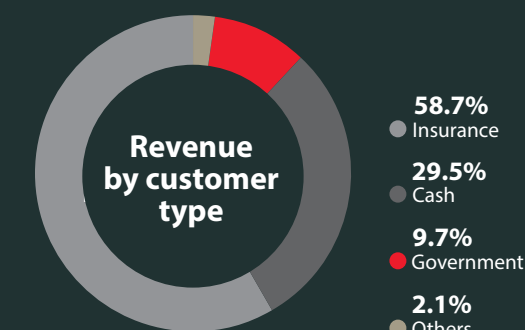
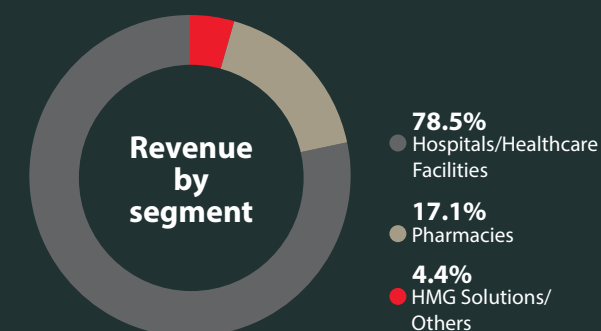
11.8%



SAR **2,339**
million cash and cash equivalents



EBITDA



SAR million **735***
Total dividend for the year

0.26x
Net debt/ EBITDA

70%
Annual dividends payout ratio*

*The declared dividends for the financial year total SAR 525 million. On 20 February 2021, the Board of Directors also recommended to the General Assembly to distribute dividends for the fourth quarter of 2020, amounting to SAR 210 million, the equivalent of SAR 0.60 per share. The total final and proposed dividends for 2020 will be SAR 735 million or SAR 2.1 per share.

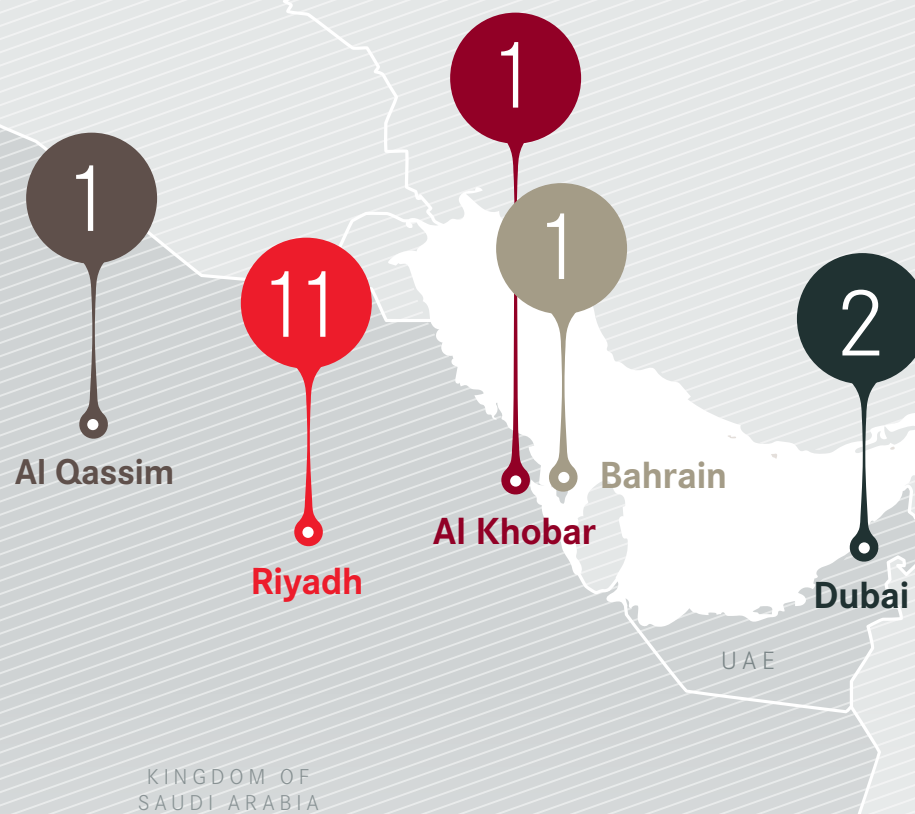
Overview

▶ Contents

At a Glance	08
Group's Vision, Mission and Values	10
Year in Review	12
Our Competitive Advantage	16

At a Glance

Maintaining momentum in delivering trusted and innovative best in-class healthcare services



Upcoming Projects include:

Solidifying our market leadership position through a robust expansion plan:

- Our flagship North Riyadh hospital is expected to start operations at the end of 2023
- South West Jeddah Hospital is expected to start operations at the end of 2023
- North Jeddah Hospital is expected to start operations at the end of 2024
- Riyadh Maternity and Pediatric Hospital is expected to start operations at the end of 2024
- Diplomatic Quarter Primary Care Medical Center is expected to start operations at the start of 2021

1995

Olaya Medical Complex

In 1995, HMG started its journey with a long-term objective to improve the lives of people and a vision of providing the highest quality healthcare services, through offering outpatient services with 38 clinics and a pharmacy in Riyadh, Kingdom of Saudi Arabia.

2007

Dubai Medical Center

To strengthen its regional footprint, HMG commenced its first venture outside of the Kingdom of Saudi Arabia in 2007, to set up a medical facility in Dubai with 80 clinics to provide outpatient services.

2008

Maternity Hospital

To fulfill the demand and provide comprehensive integrated gynecology and obstetrics services at one place, in 2008, HMG established a 66-bed hospital in Olaya Medical Complex benefitting women and newborns.

2009

Qassim Hospital

Following its strategy to expand its reach, in 2009, HMG established its first integrated and multi-specialization hospital offering clinical and inpatient services in Buraidah with 103 clinics and 74 beds.

2011

Home Healthcare

After the roll out of home healthcare services in 2001 as a division in Olaya Medical Complex, HMG established Home Healthcare Company (HHC) in 2011, as an independent company, to enable patients to receive medical treatment in the comfort of their homes.

2010

Rayan Hospital

Growing demand for unique medical services in Riyadh led to the development of a second hospital in the city, in 2010, a project with a capacity of 210 clinics and 327 beds offering integrated best in-class medical services.

2010

Spinal Hospital

Broadening its services, in 2010, HMG built the first and largest hospital specialized in joint and spinal cord osteopathy and surgery in the region at Olaya Medical Complex with a capacity of 150 beds.

2011

University Medical Center (UMC)

Expanding its presence in the GCC region, city, in 2010, the Group entered an operation and management agreement with Bahrain's Arabian Gulf University for its healthcare facilities in King Abdullah Medical City. The facility included outpatient clinical services, day surgery services and a variety of medical services with sub-specialties.

2012

Takhassusi Hospital

In 2012, HMG expanded its presence in Riyadh to meet patient demand. The new hospital included 179 clinics and 218 beds to provide integrated medical services and expanded the Group's market share.

2013

Cloud Solutions

Driven by its mission to provide innovative medical solutions to its clients and to be a pioneer in healthcare technology, in 2013, HMG established a wholly owned subsidiary in Riyadh to provide integrated IT services and healthcare solutions across the region and also established a state-of-the-art software house specialized in health systems development in Sri Lanka.

2016

Suwaidi Hospital

Enabling people living on the outskirts of south-west Riyadh to access HMG's growing services, in 2016, the Group built another integrated medical hospital with 305 beds and 243 clinics offering specialized healthcare.

2015

Dubai Hospital (Formerly Dubai Medical Center)

In 2015, Dubai Hospital was developed from outpatient clinics only into a state-of-the-art general hospital equipped with 165 beds and an additional six clinics to enable patients to benefit from integrated medical services.

2013

MDLAB

Continuing to be the market leader in medical excellence, HMG set up a new line of business in Riyadh to provide medical diagnostic services and an advanced specialized laboratory, a first-of-its-kind in the GCC region.

2017

ICU Company

Expanding its operations in the management and operation of healthcare facilities, in 2017, HMG established ICU Company to operate intensive care facilities for third parties on both a short-term and long-term contract basis.

2019

Khobar Hospital

To broaden its presence, in 2019, HMG launched its first fully integrated digital healthcare facility in Al Khobar with 458 beds and 307 clinics to serve the population of Saudi Arabia's Eastern Province and its adjoining areas.

2021

Diplomatic Quarter Primary Care Center

HMG introduced a new line of business, Primary Care services, building its first medical center facility in Riyadh's Diplomatic Quarter, which had a soft opening in 2020 and will become fully operational in 2021.

Mission and Values

Group's Vision,

As a market leader in medical excellence, HMG has a 25+ year track record of advancing medical care driven by our vision, mission, and values. Amid a global pandemic, a challenging economic environment, and many businesses under considerable stress, the Group not only delivered a resilient performance, but achieved growth and continued to deliver on its mission and strategy, guided by the Group's strong organizational values and high caliber experienced Board and Management.

Values

Striving to achieve its vision and mission, HMG has implemented a set of core values, including:

- Integrity
- Caring for Patients
- Safety
- Effectiveness
- Team Work
- Excellence and Quality



Vision

To be the most trusted healthcare provider in medical excellence and patient experience globally.

Mission

To develop and operate state-of-the-art medical facilities and provide innovative healthcare services to create value for people.

- We believe that integrity and ethics are the basis of our relationship with patients.
- We appreciate the needs of patients by providing services that are compatible with patient privacy, family situation, and social status, while giving due attention to their lifestyle. We also strive to respond at all times to patients' needs through different communication channels and to solicit their opinion and to provide continual training to our employees.
- Safety is the foremost of our priorities, as our patients and their families entrust us with their lives and health. We strive to reinforce safety through continued attention to operational systems and by following policies and procedures that help avert errors and minimize risks.
- Our employees make every effort possible to save the patients' time and ensure the effective and efficient use of available resources.
- We work together energetically and communicate to guarantee appropriate and effective sharing of information and to create a work environment that encourages mutual respect and cooperation. We add value to the work team by professionally and intellectually developing the team and effectively utilizing talents.
- Constant improvement in everything we do through continuous creativity, innovation, and development, in order to create a brighter future.

Year in Review

In 2020, the Covid-19 pandemic impacted the lives of people and disrupted businesses around the globe. In these challenging circumstances, we maintained our momentum to provide innovative healthcare services and deliver exceptional results, counting on our 25 years of experience and reinforcing our position as the region's foremost private healthcare provider.

Milestones

SAR 2.63 billion

Completion of HMG's IPO on Tadawul in March 2020, raising about SAR 2.63 billion. The 52.5 million shares offered represent 15% of the Group's share capital.

Emerging Market Inclusion

Inclusion of HMG in the MSCI Global Standard Index and FTSE Index in less than 10 months after listing on Tadawul.



Recognition and Accreditation

Forbes Top 100 Middle East

HMG was ranked in Forbes' Top 100 Companies in the Middle East – a recognition of the strength of our brand.

Best Investor Relations in 2020

HMG Investor Relations team was recognized by the Middle East Investor Relations Association (MEIRA) for best in-class digital investor relations and the Group's 2019 Annual Report.

Olaya, Takhassusi, Suwaidi, and Qassim Hospitals Obtained the JCI Accreditation

HMG Olaya, Takhassusi, Suwaidi and Qassim Hospitals obtained the confidence of the Joint Commission International for Accreditation of Health Facilities (JCI), which provides an objective assessment of quality achievement and patient care safety.

EANM Accreditation for Al Takhassusi Nuclear Medicine Center

The Nuclear Medicine Center at Takhassusi Hospital succeeded in obtaining the accreditation of the European Society of Nuclear Medicine and Molecular Imaging (EANM) for the fifth time in a row.

HIMSS, CBAHI and ACR Accreditations for Al Khobar Hospital

HMG's Khobar Hospital obtained 6th level accreditation from the American Society for Healthcare Information Management Systems (HIMSS). The Hospital also obtained the accreditation by the Saudi Central Board for Accreditation of Health Institutions (CBAHI), the official body responsible for setting quality standards, patient safety, evaluation and accreditation of all health facilities in the Kingdom. The Hospital's Digital Diagnostic Imaging Center received accreditation by the American College of Radiology.

2020 National Patient Safety Award

HMG was awarded, for the third year in a row, the National Patient Safety Award for optimizing patient safety and raising the quality of care and medical services provided to patients.

Extreme Networks Middle East Partner of the Year Award

Cloud Solutions was the proud recipient of the Middle East Partner of the Year Award by Extreme Networks, Inc.

Avaya CXO ICT Leadership Award

Cloud Solutions received the ICT Leadership Award for being a leading service provider in cutting edge technology.

Operational Highlights

Operate 50 New Critical Care Beds at Madinah's MoH Facility

During the peak of the pandemic, HMG operated 50 critical care beds in Al Madinah Al Munawara's Ministry of Health (MoH) facility within five days of being awarded the contract, staffed by 200+ HMG employees.

Primary Care Medical Center at Diplomatic Quarters

HMG, through a partnership with the Royal Commission for Riyadh, obtained a contract to operate a medical center for primary health care in the Diplomatic Quarter, which will open in 2021, in line with the HMG's strategy for growth and its continuous ambition to expand its geographical presence.

Technology

Habib Live-Care

Launched "Habib Live-Care", an online innovative service which allows patients to directly communicate with physicians remotely, via video technology, to facilitate access to healthcare services.

Tele Stroke Program

Launched "Tele Stroke Program", a first-of-its-kind service in the Middle East providing immediate care for stroke cases using artificial intelligence.

Oncology and Radiology services

HMG teamed up with Siemens Healthineers to further develop oncology and radiology services, setting up the largest private healthcare facility in Saudi Arabia's Eastern region with a state-of-the-art nuclear medicine service center and an MRI suite, through the Group's branch in Khobar.

Smart Link

A first-of-its-kind service in the Middle East, the Group launched its first smart link between ambulances and command and control centers in hospitals. The service speeds up access to patients within a short period of time and uses technology to provide urgent diagnostic services before their arrival to the hospital.

Mowadhafi Service

To enhance the working environment, the Group launched its digital HR platform, a comprehensive tool to improve employee satisfaction rates, streamline and automate HR services, and remain connected to employees remotely.

HMG App

In addition to over 100 existing app services, we launched new self-services to enhance the patient experience through enabling quick services such as making online payments and performing self-check-in using a QR code.

Beam Robots – Smart Presence™ Device

Rolled out robots to perform virtual ICU visits at MoH facilities to reduce infection rates among healthcare professionals.

First IHE Middle East Provider

Cloud Solutions successfully passed interoperability testing at the 2020 Integrating the Healthcare Enterprise (IHE) in IHE Europe connectathon week. Cloud Solutions is the first entity in the Middle East to pass the IHE profiles test.

Nphies Approved Vendor

Cloud Solutions seeks to take advantage of the great technological development that is taking place to serve users in a faster and better way and to keep pace with digital transformation and directly support it through integrated systems with the Nphies-MoH platform.

Ascom Best Solutions Partner

Digital healthcare Cloud Solutions was named the Best Partner of the Year by Ascom.

Clinical Care

Upgrade and renovate Centralized Sterilization Services

The Centralized Sterilization Supply Department (CSSD) ensures smooth operations and reduces transmission of infections. The CSSD has secured partnerships with international leaders in sterilization, ensuring the best technologies are deployed at HMG facilities.

Covid-19 Research Excellence Award

HMG launched the National Excellence Award to promote research into Covid-19.

Zero Outbreaks

No outbreaks of Covid-19 at HMG facilities during the pandemic.

First Private Covid-19 Testing Facility

First private provider licensed by the government to roll out PCR testing facilities. In addition, HMG created a Covid-19 drive through test service for a better client experience.

824 Undergraduates Trained

Undergraduates from 12 universities across the Kingdom received training at HMG, cementing HMG's role as a leading healthcare training and education provider.

Pediatric Home Vaccination Program

Roll out of vaccination program for children at home during the pandemic.

Launch Rapid Response Team Launch (RRT)

RRT was rolled out deploying a multi-disciplinary ICU team to provide around the clock medical treatment and urgent consultations at patient's premises.



Our Competitive Advantage

Committed to patient care excellence, HMG is a best in-class healthcare leader on a drive to enrich people's lives. Our ability to deliver on our vision is enhanced by:



Attractive industry fundamentals

- Ageing population with a rise in chronic diseases
- Underdeveloped healthcare sector compared to global benchmarks
- Technological advancements and demand for quality healthcare
- Strong historical growth and insurance coverage expansion
- Encouraging regulations and push to the private sector



Market leader in medical excellence

- Leading brand for consumers in medical excellence
- State-of-the-art medical facilities
- Continued focus on patient safety
- Globally recognized clinical competency
- Specialized centers of excellence
- Effective continuum of care
- Continuous investment in continuing medical education
- Research Center and referred medical journal
- Certified fellowship programs in various medical specialties



Adaptable operating model

- Pioneer in cutting-edge medical technology and agile in the changing healthcare landscape
- Intellectual property of award-winning systems and applications for enhanced patient experience
- Roll out of digital healthcare solutions
- Telemedicine solutions to promote quality of care
- Managing medical facilities for third parties
- Driving excellence through value engineering



Solid performance with long-term growth potential

- Ideally positioned to leverage growth opportunities for sustainable long-term value
- Financial discipline with diverse business lines
- Attractive dividend payout ratio
- Ambitious targets supported by risk-based strategies
- Aggressive expansion plan underpinned by land bank
- Strong partnerships with government and stakeholders



Experienced leadership team with proven track record

- Demonstrated history of delivering results in challenging environment
- Engaged human capital with valuable expertise to transform healthcare
- Diverse industry experience – medical, financial, operational, and commercial
- Focus on sustainable value creation

Excellence in the healthcare sector





Strategic Review

▶ Contents

Chairman’s Statement	20
Market and Health Sector Overview	22
Business Model	26
CEO’s Statement	28
Group’s Strategy	32
CFO’s Statement	36
Financial Performance Indicators	40
Segmental Review	42
Hospitals/Healthcare Facilities	42
Expanding our Footprint	48
Pharmacy	50
HMG Solutions	52
Innovation Driving Medical Excellence	54
Covid-19 Impact and Group’s Response	62
Risk Management	66
Success Partners	72
Sustainability	74

Chairman's Statement



// The Board remains confident that the Group's performance and strategic pillars will support and drive HMG's position as the leading provider of private healthcare services in the region. **//**

Dr. Sulaiman Abdulaziz Al Habib
Chairman

On behalf of the Board of Directors, it is my pleasure to present HMG's Annual Report after our successful listing on the Tadawul stock exchange. 2020 was a year in which we responded to several challenges, mainly driven by the onset of the Covid-19 pandemic and a shifting macroeconomic climate. We demonstrated the resilience of our business by raising the bar in our drive to innovate in healthcare technology and medical excellence for better patient experience and our capacity to adapt and maintain our growth trajectory.

HMG has set its place as Saudi Arabia's leading private healthcare operator, setting the benchmark in integrated care and innovation by continuously delivering best in-class care to millions of patients across the GCC, and supporting healthcare providers across the region with innovative solutions for better healthcare delivery.

Government response to the pandemic

First and foremost, I would like to extend our sincere appreciation and gratitude to the governments of Saudi Arabia and United Arab Emirates for its diligent and proactive response to the Covid-19 pandemic. A coordinated approach across government entities provided a comprehensive and adaptative public health response in combatting the spread of the virus in the Kingdom. The government's remarkable response to address the complex economic impacts of the Covid-19 pandemic is also noteworthy – from ensuring our healthcare system was equipped to provide care to its citizens and residents, to providing support for businesses - our government demonstrated a tremendous ability to overcome exceptional circumstances.

Thanks to our frontline workers

I would also like to thank our frontline workers in the Kingdom of Saudi Arabia, United Arab Emirates, Kingdom of Bahrain, and the entire HMG team for their dedication and hard work during these unprecedented times. Our team delivered exceptional care for patients while also demonstrating its commitment to safety, achieving a zero-outbreak record across facilities. The year was challenging for all businesses, but the healthcare sector played a critical role in fighting the spread of Covid-19 and all healthcare workers across the Kingdom deserve our recognition and appreciation.*

Commitment to shareholders

A comprehensive and robust governance framework supports HMG's operations and is essential to our commitment to transparency, compliance, accountability, and instilling trust among our stakeholders. We remain committed to continuously building and improving our corporate governance practices to support Executive Management and to protect the interests of shareholders.**

Our commitment to growth

In 2020, we celebrated a significant milestone, opening the business to public investors, and strengthening our position as a leading healthcare provider in the Kingdom of Saudi Arabia, United Arab Emirates and Kingdom of Bahrain. Since our inception, a culture of dynamic and agile leadership has driven excellence and growth. While our success journey has been swift, it has also been measured, anticipating risks, and continuously adapting to the needs of the market and our patients.

Serving more than 3.2 million patients every year, HMG continues to increase the quality of its medical excellence across the Kingdom and provides unrivalled services that inspire confidence and loyalty - we thank all our patients for their continued trust in HMG and our services.

HMG set the pace for private sector healthcare providers, remaining committed to innovation through the implementation of healthcare technology and the roll out of new business units, such as our Habib Live-Care and Primary Care Center in Riyadh's Diplomatic Quarter.

Reliable performance

It would be fair to say that this year we exceeded market expectations by seizing opportunities for growth and launching our widest-ever range of healthcare technology solutions to maintain excellence in patient care despite movement restrictions and other headwinds.

The Saudi healthcare market continues to provide significant scope for growth, and our performance during the year reflects quick adaptation to make the most of market dynamics.

This year, more than ever, our commitment to innovation and digitization proved vital. Through HMG Solutions, delivery of services was made possible across business units, with the launch of patient in hand solutions such as Habib Live-Care, the expansion of our e-pharmacy network, a Rapid Response Team, and Tele Stroke solution, among others.

Our reputation in the market as leaders in healthcare innovation is well recognized, with the Saudi government continuing to call on the expertise and experience of HMG to manage medical facilities and roll out technology solutions. We also received the support of our patients, who trusted us to provide best in-class care during this time.

A clear strategy and strong investor support

HMG's position as one of the largest private sector healthcare providers, and the resilience of its strategy, was more apparent this year than it has ever been. At the start of 2020, we obtained significant support from regional and international investors when opening the business to public shareholding. Our public offering was 83 times oversubscribed, with institutional investors representing 90% of total offered shares.

HMG remains committed to its role in supporting Saudi Vision 2030 and its ambitions for the healthcare sector. We will continue to contribute towards the accomplishment of economic goals through acquiring talent and increasing Saudization by attracting, training, and qualifying talented physicians, clinicians, and ancillary professionals. We stay focused to invest in human capital and healthcare innovation to continue providing value-added services to our patients across the region.

Our path for growth also presents a vast range of new opportunities in the form of mergers and acquisitions, positioning HMG ideally for both organic and inorganic growth in the region, and to explore new territories.

Acknowledgements

Finally, I would like to thank my fellow Board Members for their dedication to the fiduciary duties that they perform in the interest of all stakeholders. On their behalf, I would like to express my deep appreciation for the commitment and determination of Management, partners, and staff at all levels, who upheld our values and lived up to the culture of our company, demonstrating agility and dynamism in extremely challenging circumstances. Together, we look forward to the year ahead.

*Read more in our Covid-19 Impact and Group's Response chapter on page 62.

**Read more in our Governance section on page 78.

Market and Health Sector Overview

The healthcare landscape in Saudi Arabia is rapidly changing. Demand for healthcare services is growing as the population ages and chronic diseases become commonplace. Increasing government spending, and ambitious privatization initiatives provide a fertile ground for investment in the sector. HMG is uniquely positioned to capitalize on the opportunities in the market, to grow its footprint while supporting the country in addressing critical gaps.

Saudi Healthcare Market Drivers

56.3%

Kingdom of Saudi Arabia share of GCC healthcare Market Cap value

USD 85 billion

Size of GCC healthcare market by 2021

36.2 million

Population size by 2022

73%

of deaths caused by non-communicable diseases

295

hospitals

2,259

healthcare centers' privatization by 2030

13,700

physicians required by 2030

9.1%

Medical inflation in 2020

16.4%

of 2020 Budget allocated to healthcare

20,000

additional beds needed by 2035

Sources: Alpen Capital, World Bank, WHO, Saudi Ministry of Health, Colliers International, Knight Frank

Macroeconomic Environment

According to the World Bank's latest Economic Update for the MENA region, a combination of the Covid-19 pandemic and a collapse in oil prices has meant that the region's economies contracted by 5.2% in 2020, reflecting increasingly challenging conditions. The region is expected to recover partially in 2021.¹

The region's current account and fiscal balances have deteriorated significantly. This is driven largely by lower oil export revenue for GCC countries, a drop in fiscal revenue, and the large increase in fiscal expenditure required to respond to the health crisis.

Saudi Arabia's economy is the largest in the Middle East and one of the top 20 in the world, with a GDP of USD 792.96 billion² and the GCC's largest population at 34.2 million. In 2020, like many countries around the world, the Kingdom had to proactively respond to the

Covid-19 pandemic, lower oil production levels, and drops in pricing to protect its economy and fiscal position. In response to market headwinds, the government rolled out several mitigation measures, estimated at SAR 180 billion, or 7.3% of GDP, to limit the impact of the pandemic, particularly on the private sector.³

Border closures, the halt of religious tourism, and the increase of the country's VAT rate to 15% are expected to affect consumption and pose challenges to the private sector in the medium-term. Net foreign investment flows fell over this period, but the government continued its implementation of the Vision 2030 agenda. Despite market headwinds, growth is expected to reach 2.2% by 2022. While the hit to most sectors and the current account is broad-based, some sectors such as domestic tourism and healthcare have held strong, with budget increases confirmed for 2021.

Saudi Arabia's Response to Covid-19

Saudi Arabia responded to the Covid-19 pandemic beforehand with a clear plan of action. The government rolled out movement restriction measures, a comprehensive plan to tackle the spread of the virus, economic stimulus measures, state employment compensation schemes, and tax measures.

The Ministry of Health led the response to the pandemic through an existing network of digital healthcare to contain the outbreak and prevent exponential growth. Measures were also taken to increase capacity, by engaging the private sector for treatment and testing, and securing PPE and medical supplies.

The capacity for polymerase chain reaction (PCR) tests in the Kingdom rapidly increased from 1,000 tests per day to an average of 65,000 per day. Testing was ramped up rapidly as movement restrictions eased across the Kingdom.

The government announced several support packages to support the private sector, totaling USD 61 billion. These included postponement of government dues, a package to support the banking and SME sector, a wage subsidy of 60% of Saudi employee salaries in the private sector, and several tax related measures, including a tripling of the VAT rate to 15%.

65,000

Average PCR tests per day⁴

USD 61 billion

Government support package⁵

60%

Wage subsidy for Saudi private sector workers

USD 13.3 billion

SAMA banking sector package

15%

VAT rate⁶

Market Dynamics to Drive Sector Growth

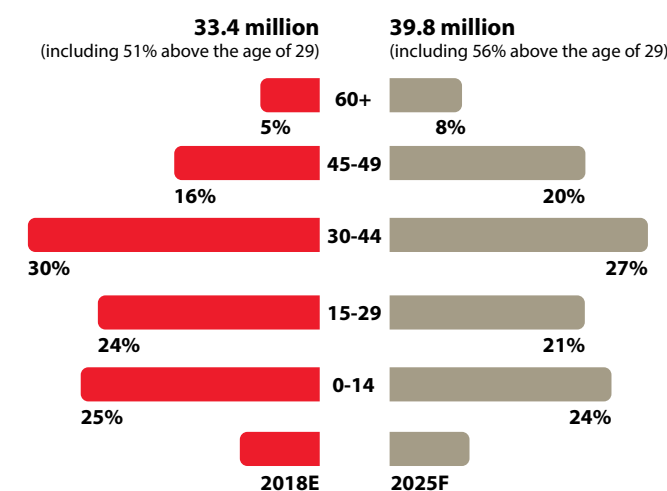
The healthcare sector is a focus area of Vision 2030, and represented 16.4% of the country's budget expenditure in 2020. Sector growth is driven by a growing population, expected to reach

36.2 million by 2022, and a rise in chronic diseases, resulting from unhealthy lifestyle habits such as lack of physical exercise and an unhealthy diet, with obesity and diabetes in adults reaching 35% and 18.5%, respectively.⁷

Health insurance coverage is a driver for private sector healthcare growth, as insured patients constitute a major segment of the private sector patient base. The adoption of mandatory health insurance in the country for Saudi and expatriate employees, residents and their dependents are being rolled out in stages, with plans in place to extend this mandate to millions of additional residents across the private sector and other segments of the population.

While expats leaving Saudi Arabia in the past years has put pressure on the insurance market, forecasts show that the number of addressable insured lives is set to reach 23 million by 2023, considering the additions coming from Umrah, tourism, business visits, and after implementing mandatory insurance in the Kingdom.⁸ HMG's breadth of services and geographic footprint places the Company in a unique position to capture a growing market.

Population by age group (%)



Source: Strategy & market report. Data as of 2016.

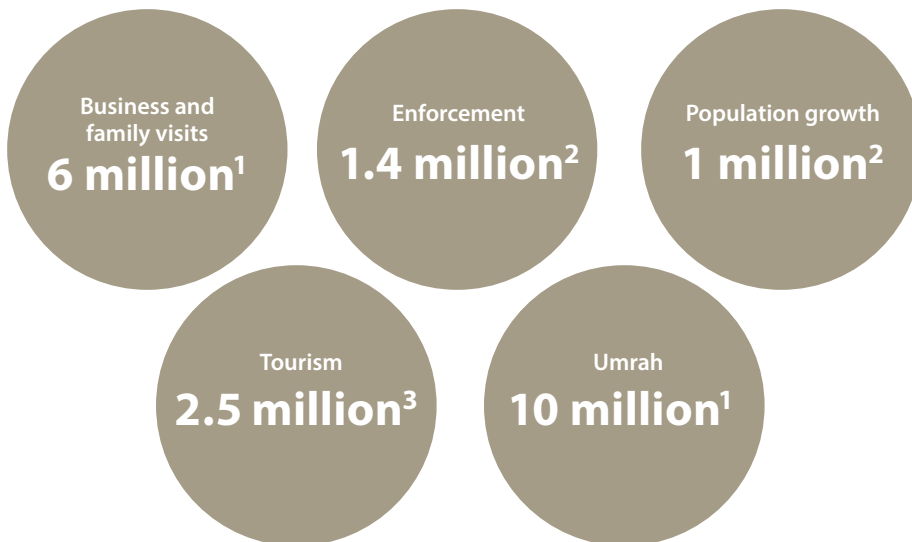
⁴Ministry of Health, Saudi Arabia

⁵Kingdom of Saudi Arabia – government and institution measures in response to Covid-19. KPMG.

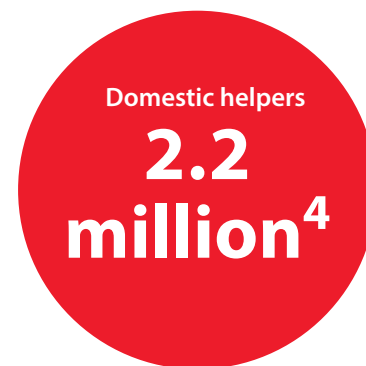
⁶VAT is waived for Saudi Nationals not covered by insurance for healthcare services

⁷2016 Global Medical Trends. Aon Hewitt.

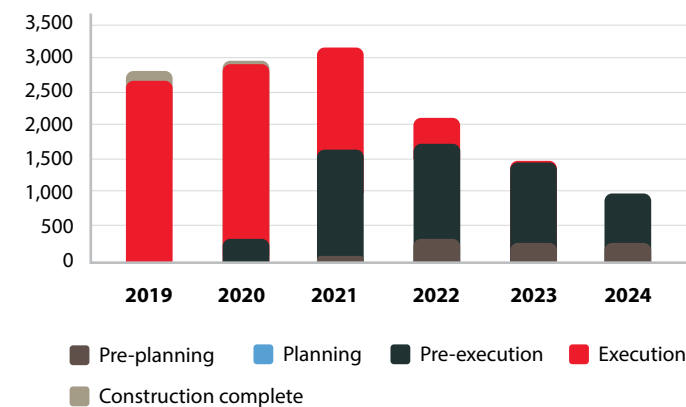
⁸Strategy & market report, SAMA Monthly Bulletin for August 2019, CCHJI data, Bupa estimates

Expected Contributors to Lead the Health Insurance Growth by 2023⁹**Current Mandate**¹GWP/life 100-200 SAR²GWP/life 1500-2000 SAR³GWP/life 140 SAR⁴GWP/life 400-600 SAR

Source: CCHI data and BUPA estimates

New Segment**Increasing Healthcare Spending**

In 2020, Saudi healthcare expenditure was impacted by the Covid-19 pandemic, which required an emergency response to contain the virus spread and provide care across the Kingdom. Expenditure on Covid-19 was taken from a centrally managed emergency budget and reallocated from the existing healthcare budget for the year. During the year, a number of healthcare construction projects in Saudi Arabia were executed, and in 2021 more than USD 3 billion in projects will be in the pre-execution and execution stages with HMG being a contributor to these projects. HMG remains committed and on track to add 1,300+ beds and to deliver strategic projects in the next three years including the New Takhassusi Maternal and Pediatric Expansion, the South West Jeddah Hospital, the North Riyadh Hospital, and the North Jeddah Hospital. The healthcare budget announced for 2021 has increased by 4.6% to SAR 175 billion, with a focus on PPPs to reduce pressure on infrastructure spending in the sector.¹⁰

Saudi Arabia – Healthcare Construction Projects Pipeline, Projected Annual Spending by Stage (USD million)

Source: GlobalData

Main Demand Drivers

Technological development will continue to be a key driver in the transformation of the Saudi healthcare sector for years to come, with digitization, innovation and advanced machinery playing a pivotal role in offering solutions related to efficiency, cost, quality, access, and resources. This was evidenced in 2020 with technology supporting the delivery of healthcare services in times of crisis.

Saudi authorities are working diligently in line with their e-health strategy which aims to improve the accessibility and quality of remote care to citizens through utilizing telemedicine. Saudi Arabia aims to increase the percentage of patients with a digital health record to 70%, and the government has allocated USD 1.5 billion towards its healthcare IT and digital transformation program.

HMG has been a key contributor to the development and adoption of healthcare technology in the Kingdom. The Group's HMG Solutions segment has implemented HMG's hospital information system (VIDA) in 17 governmental hospitals across the Kingdom, and developed innovative technologies including its Tele Stroke service, Habib

Live-Care and Tele-ICU solutions. The Group has also been at the forefront of adopting technologies, including radiology technology, in partnership with Siemens and CSSD sanitizing technology.

Furthermore, Saudi Arabia has outlined its plan to shift to a value-based healthcare model in its Vision 2030 agenda. The region is witnessing increased use of technology and data-driven analysis to improve healthcare treatments and enhanced care coordination, all of which are helping transition to an integrated system that lowers costs and improves outcomes.

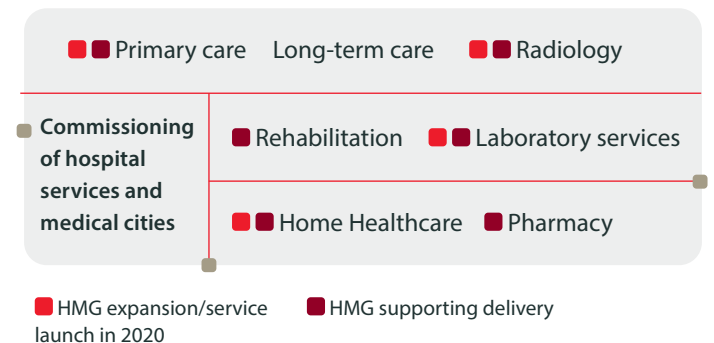
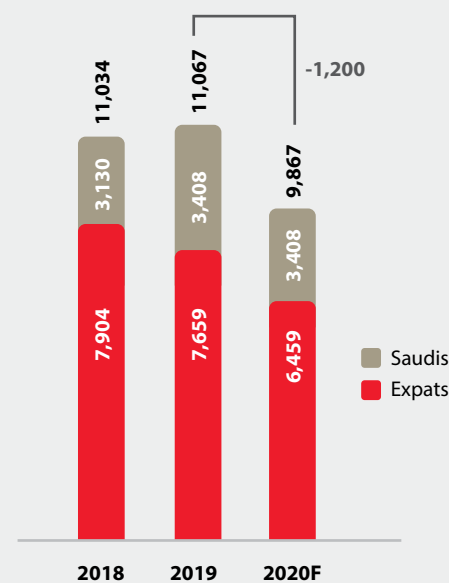
A changing demographic profile and increase in the incidence of non-communicable diseases has accelerated a need to provide affordable and quality healthcare. The Saudi government has also launched initiatives under its Quality of Life Program to promote fitness and preventive care. Saudi Arabia aims to achieve a 3% reduction in obesity and a 10% decrease in diabetes prevalence by 2030.

Privatization of Healthcare

Healthcare is a key priority for the Saudi government. In line with the government's Vision 2030 and the National Transformation Program (NTP), the Ministry of Health is in the process of executing a privatization agenda for the sector with the overall target of 35% private sector participation, increasing public-private participation (PPP) delivery models, and scaling the provision of healthcare education and training for the local workforce.

HMG's dynamic business model, strategy, and reputation places the Company in a unique position to benefit from market fundamentals and to continue to contribute to Saudi's 2030 Vision and healthcare objectives. Despite market headwinds posed by the Covid-19 pandemic, which have put pressure on various sectors of the economy, the healthcare sector remains a priority for policy makers. HMG's continued delivery of best-in-class healthcare services, paired with its commitment to technology and innovation, will continue to drive growth and support the Kingdom's goal of advancing e-health services. The Group will remain dynamic in responding to challenges posed by the pandemic.

Kingdom of Saudi Arabia has set a target to increase private sector participation in the healthcare industry

Area of focus for privatization**Total Insured Lives (in '000)**

- According to Jadwa Investment, a projected 1.2 million expat workers to leave the local labor market
- Saudis are projected to remain flat compared to 2019 insured lives
- Sectors to be affected by expat departure include:



Accommodation and food services



Travel agencies



Security services



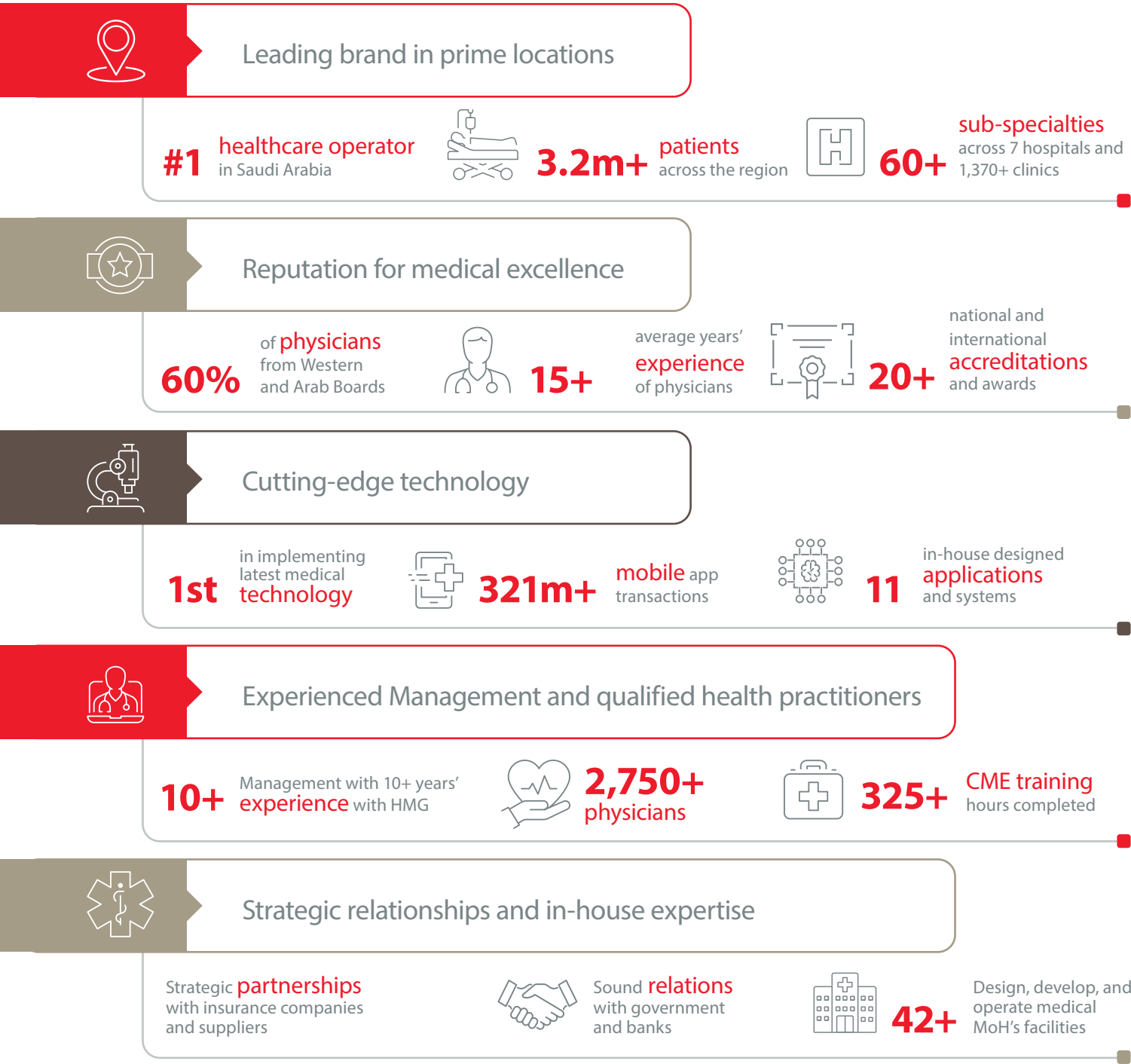
Building services (including contracting and construction)

Source: Jadwa Investment – Saudi Labor Market June 2020, CCHI data & Bupa estimates

⁹Bupa Q3 2020 Investor Presentation¹⁰Saudi Arabia Budget Report 2021. KPMG. December 2020.

Business Model

Our key strengths



Our vertically integrated model, medical and technical expertise, and culture of innovation create value for stakeholders. In 2020, the dynamism and resilience of our business model was put to the test as the world grappled with the effects of the Covid-19 pandemic. Our ability to operate efficiently, innovate rapidly, and remain on track with our long-term growth solidified our position as Saudi Arabia’s leading healthcare operator.

What we do



Facilities and services

We offer integrated healthcare services at prime locations through our clinics, beds, and centers of excellence to patients who visit our hospitals. Our facilities are equipped with cutting-edge technology and serviced by experienced medical practitioners.

We offer a wide range of products that are easily obtained at our pharmacies, located alongside our facilities, as well as through our mobile app and e-services. We also provide comprehensive home healthcare solutions and advanced medical laboratory testing services.



Digital healthcare solutions

We believe innovation is key to improving the lives of people. We engage in partnerships with public and private institutions to extend our digital service offerings.

We provide in-house developed applications and systems for our medical facilities and roll out tailor-made solutions for other healthcare providers.



Design, develop and operate

We have integrated solutions for project development, ranging from planning, designing, project management, construction and furnishing of medical facilities. We also provide services for the management and operation of medical facilities, deployment of staff and other medical advisory services.

How we maximise value



Patient centric approach

Patient safety is entrenched in our values, so we follow best clinical practices to ensure patient safety and enrich patient experience.

▶ Read more on [page 10 \(HMG Values\)](#)



Continuum of care

We offer integrated healthcare services at all our medical facilities to maintain continuity of care.

▶ Read more on [page 42 \(Segmental Review\)](#)



Value engineering

We focus on implementing the latest technologies with best practices of value engineering to enhance operational efficiency.

▶ Read more on [page 54 \(Innovation Driving Medical Excellence\)](#)



Sound risk management

We manage risk exposure by devising proactive mitigation strategies in line with our risk management framework.

▶ Read more on [page 66 \(Risk Management\)](#)



Adapting to change

Due to the dynamic business environment, we position ourselves to respond to market opportunities and changing business needs in an efficient way.

▶ Read more on [page 62 \(Covid-19 Impact and Group’s Response\)](#)

CEO's Statement



// By maintaining momentum with our strategy, which has delivered stability for our business during the pandemic, HMG demonstrated the resilience of a company that is poised for future growth. //

Nasser Al Huqbani
Chief Executive Officer

In our first year as a listed company, we continued to build on 25+ years of success. We delivered medical excellence to our patients and strengthened our footprint by adding capacity across our network, we provided treatment of the highest quality to over 3.2 million patients, deploying our highly skilled workforce where they were needed most and rolling out a wide range of technology-led solutions for patients and healthcare partners. We were quick in responding to obstacles that emerged from the onset of the Covid-19 pandemic and demonstrated that by remaining committed to safety and innovation, and being agile in our response to a rapidly changing environment, we can continue to deliver on our ambitious growth plans.

Maintaining momentum, navigating headwinds

The theme of this year's report, "Maintaining momentum, navigating headwinds", articulates our track record of building a resilient and expanding business that is poised for further growth. In a fluid and volatile operating environment, we demonstrated our ability to respond to a global pandemic while sustaining our commitment to the three pillars of our strategy, which was made possible by adhering to a mindset for growth and committing to innovation and efficiency.

I am proud of our achievements this year which include the launch and expansion of our digital services and capabilities, our proactive and agile response to the Covid-19 pandemic, our continuous efforts towards growth and expanding our footprint, our continuation of talent development and education through online channels, and our commitment to our patients through innovative care and disease awareness campaigns*. Our healthcare technology solutions proved vital in securing our market leadership and received the endorsement of public and private sector peers who sought our expertise to address their most urgent needs. I am proud of the dedication of our team, particularly our front-line workers, who showed great courage and played a vital role in their support of our country in its battle against the most severe healthcare crisis in recent history.

On the front line in the fight against Covid-19

We are operating in extraordinary times, and our response to Covid-19 has matured since national action was first taken to curb the spread of the virus. The Covid-19 pandemic impacted all areas of business including supply chains, the ability of patients to visit hospitals, the movement of our staff, and the need for services and facilities, to name a few. Our response plans addressed the safety of our patients and employees, ensured business continuity without any outbreaks, and measured the impact on our business financially and operationally, enabling projections for a range of scenarios, which we are cautiously confident are now behind us.

During the year, we achieved a high level of collaboration across business units and with local health authorities to evaluate the situation and put in place measures and solutions that proved critical to treating Covid-19 patients and providing care to patients in their homes. The Group invested in several initiatives to deal with the crisis. These included, but were not limited to, securing supply chains to acquire necessary medical supplies, launching the first private Covid-19 testing facility in the Kingdom, expanding telemedicine and e-pharmacy home delivery services, having additional beds and operating ICUs for the Ministry of Health, launching a Rapid Response Team, and providing grants to healthcare practitioners to advance Covid-19 research.**

Sustained growth

Despite difficult operating conditions, we remained committed to growth. This was, in part, achieved by our determination to press ahead with expansion plans even during the most unstable periods of the year.

With excavation or construction underway at all our major capital projects in North Riyadh and South West Jeddah, we intend to add 1,300+ beds at four new hospitals, including the new Riyadh's Maternity and Pediatric Hospital.

Our track record on healthcare delivery, strategic partnerships with medical technology providers, suppliers, insurance companies, and efforts towards advancing the skills of healthcare providers in the region place us in a unique position to capture opportunities available to private sector healthcare providers in line with Vision 2030.

Earlier in the year, we completed the listing of HMG shares on the Tadawul stock exchange, where we raised SAR 2.63 billion through the offer of 52.5 million shares, representing 15% of our share capital – a milestone moment for the Group. The positive response of the investment community in both the primary and secondary market was a testament to our reputation and track record, and we have been pleased to see strong performance by our stock since listing.

*To read more about our achievements refer to our Segmental Review chapter on page 42.

**Find out more in our Covid-19 Impact and Group's Response chapter on page 62.

1.2 million+ appointments booked



1,900+ beds and more than 1,370+ clinics

Operating highlights

HMG continues to cement its position as the region's leading integrated healthcare provider. With six hospitals in Saudi Arabia, one in Dubai, and a managed medical facility in Bahrain, the Group now has more than 1,900 beds and more than 1,370 clinics offering comprehensive primary, secondary, and tertiary care, as well as home healthcare. Our healthcare facilities now include new Centers of Excellence in oncology and neurology. We also opened a new diagnostic imaging and digital nuclear medicine service center and a follow up-clinic for insulin pumps and diabetes monitoring.

In Q3 2020, HMG and Siemens Healthineers introduced innovative solutions and state-of-the-art technologies to the region, shaping the future of the healthcare in Saudi Arabia. HMG's medical engineering arm collaborated with Siemens Healthineers to further develop oncology and radiology services, starting from the largest private healthcare facility in the region – in Al Khobar city – with a state-of-the-art nuclear medicine service center and MRI suite. This project included the latest Siemens Healthineers technologies which were recently introduced to the global diagnostic imaging market. It aims to improve our patient experience, expand precision medicine, and digitalize healthcare.

HMG Pharmacies delivered another strong year to Group revenue. Through the rapid expansion of the e-pharmacy business, and the roll out of the refill business, the Pharmacy segment continues to strengthen its competitive position.

At the same time, we have reinforced our reputation as a leader in medical technology with the introduction of several new services and by providing solutions to government and other healthcare providers. HMG Solutions continued to grow in 2020. This year was a remarkable period for the HMG Solutions business, as technology played a key role in our ability to respond to the pandemic crisis. HMG Solutions delivered tools that made it possible to deliver care to patients across the Kingdom, attracting major government and private sector clients and partners.

Our Cloud Solutions team continued to expand HMG's portfolio of technology solutions to meet patient needs and increase efficiency across the business, one technology highlight in 2020 was the launch of Habib Live-Care, a user-friendly platform for patients to receive care remotely. In 2020, our mobile app witnessed more than 321 million transactions, and our mobile app saw a dramatic spike in use, with 905,000 downloads and more than 1.26 million appointments booked.

Our greatest asset

Delivering outstanding patient experience requires an outstanding team of nurses, physicians, and healthcare professionals. I cannot overstate the gratitude of the Board, Management, and above all, our patients, and the efforts of our staff. With accelerating demand for healthcare services, operators across the Kingdom face challenges in recruiting, training, and retaining skilled professionals. We have therefore developed a comprehensive Human Resources framework and training program to provide employees with the tools they need for high job satisfaction, and to provide the best work environment, and necessary training for current and future professionals to achieve excellence.

This year, we launched our internal Human Resource platform, Mowadhafi, to streamline HR processes and increase employee satisfaction. We also provided training to more than 7,600 participants who obtained 325 Continuous Medical Education hours. We were pleased to receive accreditation for 16 residency and fellowship programs; we launched the Kingdom's first private sector ICU residency program; and we enrolled 33 new trainees in our postgraduate training program, all while shifting learning online and continuing the fight against the pandemic. We also trained more than 800 undergraduates through our affiliation with private and government universities.

Looking ahead

Saudi Arabia's government has set ambitious targets for private sector participation, and a budget of SAR 175 billion has been allocated by the government for the health and social development sector in 2021.

HMG is committed to maintaining a sound financial position and delivering on the strategic and operational goals that we have set ourselves. At the same time, we will remain agile and adaptable in responding to an ever-changing environment. In recognition that our bullish approach to the growth and diversification of our offer has served us well, we will continue to invest in developing innovative healthcare and business solutions, to maintain our leading position in the sector and widen earning opportunities.

I would like to thank all our employees for their tremendous efforts, our patients for the trust they place in us to deliver first-class care, our shareholders for their continued support, and the Chairman and Board for their wise counsel and guidance during this tumultuous year. We look forward to 2021.

Our Values

Our business is driven by a well-defined strategy enhanced by our core values.









Group's Strategy

Our business is driven by a well-defined strategy enhanced by our core values.

The healthcare landscape in the region is rapidly changing and these shifting dynamics present HMG with the opportunity to adapt and grow. Covid-19 demonstrated that by remaining committed to our three strategic pillars we can pursue our vision of being the most trusted healthcare provider in medical excellence and patient experience globally.



HMG aims to provide integrated, high-quality medical care for all its patients. It also seeks to strengthen its presence in the Kingdom and the region and to develop its financial position and results. Below is its main strategy and goals to achieve its objectives:

Strategic Objectives			
	Provide integrated healthcare services	Maintain position as leading brand in the market	Expand to new locations
Strategy	Provide patient-centric integrated healthcare services under one roof through high-quality comprehensive medical care with unique service offerings by following the best medical practices, striving to continue medical excellence and implementing the latest technology in line with the Kingdom's Vision 2030.	Stand-out as a leading brand across the MENA region by expanding in-house capabilities, meeting the highest standards of patient safety, investing in the latest cutting-edge medical technologies, engaging highly competent healthcare practitioners and focusing on continuum of care to reinforce the Group's market position.	Increase our global and regional footprint through organic growth while considering inorganic opportunities. Utilize land bank to establish and operate medical facilities across the GCC. The Group aims to build on the increasing scale of its operations to achieve economies of scale.
Measures	Patients served 3.2m+	Number of beds 1,900+	Number of hospitals 7
	Sub specialties 60+	Market share for number of private beds* 10%	Number of clinics 1,370+
2021 Goals	Add new sub-specialties to centers of excellence, offer new service lines, focus on continued medical education of health practitioners, invest in the latest medical technology, introduce e-channels to provide patient-centric healthcare services, and secure existing and new accreditations.	Continue to provide quality care through existing facilities and e-services and focus on growing our market share in the Eastern region and through innovative e-services throughout the Kingdom. In addition, assess growth opportunities for the primary care business.	Keep progress of construction of new hospitals in the pipeline as well as expand reach through managing new and existing healthcare facilities for third parties, growing the primary care business, and engaging new partnerships to solidify the Group's market leadership position.
Key risks to the delivery of the Objective			
	Risk No. 2, 5 and 7 See risk information on pages 68 and 69	Risk No. 4, 5 and 7 See risk information on pages 68 and 69	Risk No. 2, 3 and 9 See risk information on pages 68 and 70

*Source: Most recent public data

		
Increase operational efficiency	Meet demand in growing sectors and diversify income sources	Attract and retain highly qualified physicians, healthcare practitioners and administrative staff
Increase effectiveness of health practitioners, and continue to implement a value engineering approach with technology-led operational efficiencies. This will improve performance and serve a large number of patients across the Group's facilities.	Broaden our current medical services while exploring new business avenues through HMG Solutions and strategic partnerships with international companies to offer a wide range of healthcare digital solutions.	Devise and implement multiple and flexible policies to support the needs of healthcare practitioners, invest in human capital, foster learning through cooperative training programs and provide safe working environment to be recognized as the employer of choice.
EBITDA margin 25.4%	Segmental revenue Hospitals 78.5%	Total employees 13,000+
Cash Conversion Cycle 45 days	Pharmacies 17.1%	HMG Solutions 4.4%
		Total physicians 2,750+
Continued monitoring, efficient and effective utilization of our resources, reviewing business processes to identify areas for improvement, including centralization and automation of revenue cycle management and strengthen financial strategy to maximize shareholder value.	Bid for new contracts offered by MoH particularly PPP contracts, add value through new strategic partnerships with renowned international players, and roll out existing and new IT solutions to clients.	Enhance staff retention rate, continue to develop virtual HR capabilities, open new offices in target markets, implement smarter digital talent acquisition solutions, and introduce new employee engagement programs and technological tools to enrich the working environment.
		
Risk No. 1, 6 and 8 See risk information on pages 67, 68 and 70	Risk No. 1 and 7 See risk information on pages 67 and 69	Risk No. 1 and 8 See risk information on pages 67 and 70

CFO's Review



// HMG's resilient business model and agile response to the Covid-19 pandemic ensured sound financial performance in 2020. //

Faisal Al Nassar
Chief Financial Officer

Agile response

The long-term financial strength of our business remained a top priority, particularly during a challenging and uncertain year. The Group was agile in its response to the pandemic, putting in place appropriate measures and strategies to minimize risk. During the onset of Covid-19, we analyzed scenarios to assess the impact of the virus and related movement restriction measures, to anticipate the short- and medium-term implications for Group revenues. In the second quarter, we set in motion several initiatives to protect the business, focused on managing both fixed and variable costs and maintaining a healthy balance sheet and strong financial position for the Group*.

A strong and diverse earnings profile

In 2020, the Group's revenue increased by 16.9% to SAR 5,861.6 million, with growth across the Hospitals, Pharmacy and HMG Solutions segments. Hospitals revenue contributed 78.5%, Pharmacy contributed 17.1% and HMG Solutions' share was 4.4%, increasing segment revenue contribution by 1.2% compared to 2019.

For the Hospitals segment, revenue growth was supported by increased inpatient admissions during the second quarter, followed by a significant increase in outpatient visits from the third quarter as patients sought elective medical treatments following the lifting of movement restrictions in the Kingdom. The Group was successful in retaining 3.2 million patients, about the same as in 2019, despite the challenges posed by the pandemic. We also saw an increase in revenue from government clients, reaching 9.7% of total revenue in 2020, the result of HMG's vital role in providing critical care to Covid-19 patients.

The Pharmacy and HMG Solutions segments continued to achieve revenue growth at 17.2% and 60.0% respectively. In 2020, HMG Solutions secured several contracts with government and private institutions, which reflect the value-add of the Group's innovative approach to healthcare. The Solutions segment, in particular, is poised for sound growth in 2021 and over the coming years, as new services continue to be introduced and government contracts are secured, especially for technology and PPP programs.

Operating income grew by more than 28.5%, reaching SAR 1,114.9 million with an improved margin reaching 19.0% in 2020 compared to 17.3% in 2019, the result of a range of cost optimization initiatives that enabled revenue growth to outpace growth in operating expenses. Despite the ramp up period of Khobar Hospital, EBITDA increased by 25.8% to reach SAR 1,491.7 million, with a higher margin at 25.4% in 2020 compared to 23.6% in 2019, reflecting the Group's ability to continue achieving better cost efficiency. Net income increased by

21.3%, with the net margin at 18.0% in 2020 compared to 17.3% in 2019, as a result of the increase in inpatient occupancy as well as revenue growth, despite increased financing costs to support upcoming projects.

Financial health ensuring sustainable growth

Our capital policy is to maintain a healthy financial base while continuing to invest in new projects and diversify our business. Throughout the year, significant focus was placed on maintaining a healthy balance sheet and strong financial position for the Group by optimizing by optimizing the cash conversion cycle, which has improved considerably, from 72 days in 2019 to 45 days in 2020. This was due to a proactive approach for collections, which resulted in accounts receivable reduction of 44.0% compared to 2019, despite challenging market conditions. As such, cash flow from operations increased from SAR 1,059.1 million to SAR 2,178.0 million in 2020 by 105.6%.

Despite the asset base of the Group increasing to SAR 9.5 billion due to investment in the infrastructure of new hospitals, return on assets has improved to 11.8% compared to 10.9% in 2019, and is expected to continue growing as new hospitals ramp up. ROCE improved to 15.1% from 13.2% in 2019, while ROE increased to 22.7% from 20.0%, maintaining a higher return compared to the industry average. The Group's debt to equity ratio has been maintained at 0.5x despite increased borrowing in 2020. The net debt/EBITDA ratio improved significantly to 0.3x in 2020 as result of higher cash balances due to proactive collections.

IPO and post-listing performance

In March, HMG raised SAR 2.63 billion through the offer of 52.5 million shares, representing 15% of our share capital, on the Tadawul stock exchange. The IPO was 83 times oversubscribed with funds exceeding SAR 217 billion and the listing set a number of records including having the highest aggregate order book for a private company, the highest coverage ratio, the highest number of local and qualified foreign institutional bidders and the highest volume of bids from institutional investors in 2020. 10% of total offered shares were allocated to retail investors in Saudi Arabia, while 90% of shares were allocated to institutional investors including local, GCC and qualified foreign investors (QFIs). Despite market uncertainty as a result of the Covid-19 pandemic, the share price has performed well compared to the market, which is reflected in an increase of over 90% in the 6 month period from listing (compared to a 38% increase for the Tadawul All Shares Index). HMG was awarded with the most notable listing in 2020, main market of the Saudi Stock Exchange - Tadawul.

*See Covid-19 Impact and Group's Response on page 62.

After less than a year, we received international recognition as leading market players with inclusion in both the MSCI and FTSE emerging market indices. In our commitment to both new and long-standing shareholders, we honored our dividend distribution strategy throughout the year.

The Board of Directors proposed Q4 dividend of SAR 0.6 per share, subject to General Assembly approval, bringing annualized dividends for 2020 to SAR 2.1 per share or 70% of net income.*

Looking ahead

The Group’s financial performance presents a positive outlook for maximizing shareholder value. With 21.3% growth in earnings per share and a 70% dividend payout ratio on average during 2020, HMG remains committed to maintaining a minimum payout ratio of 70% in the future, subject to market conditions.

We are confident in our future outlook. With the strong fundamentals of the Saudi healthcare market, coupled with our competitive strengths, growth mindset and robust liquidity position, we believe HMG is well positioned to deliver sustainable, long-term growth and shareholder value.

Key Financial Information and KPIs

Income statement (SAR million)	2019	2020
Revenue	5,016.3	5,861.6
Gross profit	1,523.5	1,864.4
Operating Income	867.7	1,114.9
Net income	870.2	1,055.5
Balance sheet (SAR million)		
Current assets	3,285.0	3,849.6
Non-current assets	5,182.3	5,631.5
Total assets	8,467.3	9,481.1
Current liabilities	1,495.3	1,693.7
Non-current liabilities	2,381.2	2,698.9
Total liabilities	3,876.5	4,392.6
Total equity	4,590.8	5,088.5
Cash flow (SAR million)		
Net cash from operating activities	1,059.1	2,178.0
Net cash used in investing activities	(730.7)	(755.7)
Net cash used in financing activities	(500.9)	(279.7)
Cash and cash equivalents	1,196.7	2,339.3
Free cash flows	328.4	1,422.3
KPIs		
EBITDA margin	24%	25%
Return on equity	20%	23%
Net Debt/Equity Ratio	0.26x	0.07x
Earnings per share (SAR)	2.49	3.02
Dividend payout ratio	92%	70%*
Cash conversion cycle	72 days	45 days

* Declared dividends for the financial year total SAR 525 million, HMG’s BoD announced the recommendation to distribute cash dividend by SAR 210 million for the fourth quarter of the fiscal year 2020, with eligibility of dividends for those who own the Company’s shares and are registered in the Securities Depository Center Company by the end of the second trading day following the day of the Company’s General Assembly meeting.



Financial Performance Indicators

Despite market headwinds, in 2020 we continued to grow while improving our margins, maintaining a strong balance sheet and robust cash flow position. We continue to monitor our performance against key metrics to measure our success and track progress against our strategy.

EBITDA margin

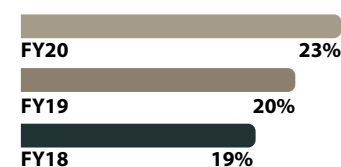
EBITDA margin is the reported EBITDA of the Group as a percentage of Group revenue.



25%

Return on Equity (ROE)

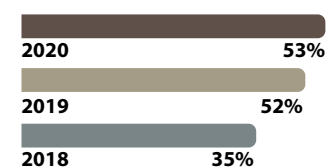
ROE measures the operating profit expressed as a percentage of the Group's equity.



23%

Debt/Equity ratio (D/E)

D/E is indicative of the relative proportion of shareholders' equity and debt used to finance the Group's assets.



53%

Strategic objective linkage

Integrated services			
Leading market brand			
Expanding to new locations			
Increasing efficiency			
Meeting demand			
Attract and retain staff			

Performance

The Group delivered an improved EBITDA margin at 25.4 %, comparable to the industry average. It reflects the Group's ability to achieve high-cost efficiency, while continuing to expand its market share.

The Group maintained a stable ROE, exceeding industry peers based on a unique capital structure created. A growing patient base and demand for the Group's innovative and quality healthcare supported this goal. New government contracts, service channels launched in response to the pandemic, and the primary care business will also raise the Group's revenue earning capability.

The Group's leverage ratio is healthy and comparable to the industry's average. It increased due to the growth and expansion of the business, financed partly through loans.

Strategic objectives



Provide integrated healthcare services



Maintain position as leading brand in the market



Expand to new locations



Increase operational efficiency



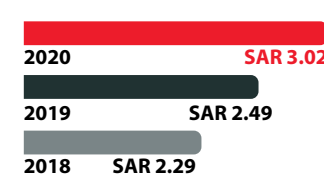
Meet demand in growing segments and diversify income sources



Attract and retain highly qualified medical and nursing staff

Earnings per share (EPS)

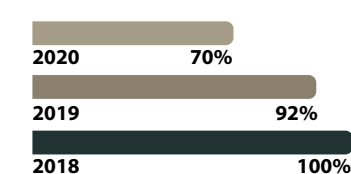
EPS measures the Group's profitability earned on each share.



SAR 3.02

Dividend payout ratio

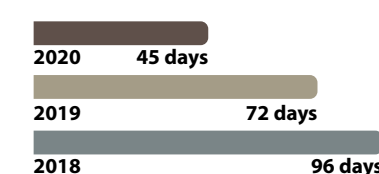
Dividend payout ratio measures the percentage of net income distributed to shareholders as dividends.



70%

Cash conversion cycle (CCC)

CCC represents the number of days taken by the Group to turn its resource inputs into cash.



45 days

The 21.3% increase in EPS was primarily driven by operating profit growth during the year.

The Group has a history of maintaining a healthy dividend payout ratio for its shareholders.

The Group's CCC of 45 days is the shortest in the industry. Its proactive collection process, sound working capital management and strategy towards insurance clients are key to its CCC.

Segmental Review

Hospitals/Healthcare Facilities

HMG is the leading private sector provider of integrated medical care in Saudi Arabia and the GCC. The Group owns and operates seven hospitals in Saudi Arabia and Dubai, a network of 14 pharmacies across the region, and offers innovative services through Cloud Solutions, Public-Private Partnerships, Laboratory Services and Home Healthcare.

Covid-19 aside, the regional healthcare landscape continues to change and grow, providing HMG the opportunity to adapt and expand to become a uniquely integrated healthcare provider across the continuum of care.

HMG delivers integrated medical care to millions of patients across the GCC through our primary, secondary, and tertiary medical care facilities. Our internationally accredited primary and secondary care facilities provide best in-class care to prevent and treat acute and chronic diseases.

The Group's medical excellence centers provide medical specialty programs with a high concentration of expertise and related resources in an interdisciplinary fashion. Focus areas for the centers have been established based on expected patient demand. We deliver specialized medical care across several clinical departments, with 60+ sub-specialties including oncology, neurology, and transplantation services. HMG is working on expanding its hospital medical services by having additional medical sub-specialties such as Epilepsy, Pediatric Neurology and Multiple Sclerosis.

HMG seeks to recruit talented local and international healthcare practitioners including physicians, nurses, and paramedics, and has established partnerships with medical technology and pharma providers to provide patients access to the latest cutting-edge technology and treatment modalities to provide world-class medical services.

13,000+



Number of staff

60+



Number of sub specialties

1,370+



Number of clinics

3.2m+



Number of patients

1,900+



Number of beds

2,750



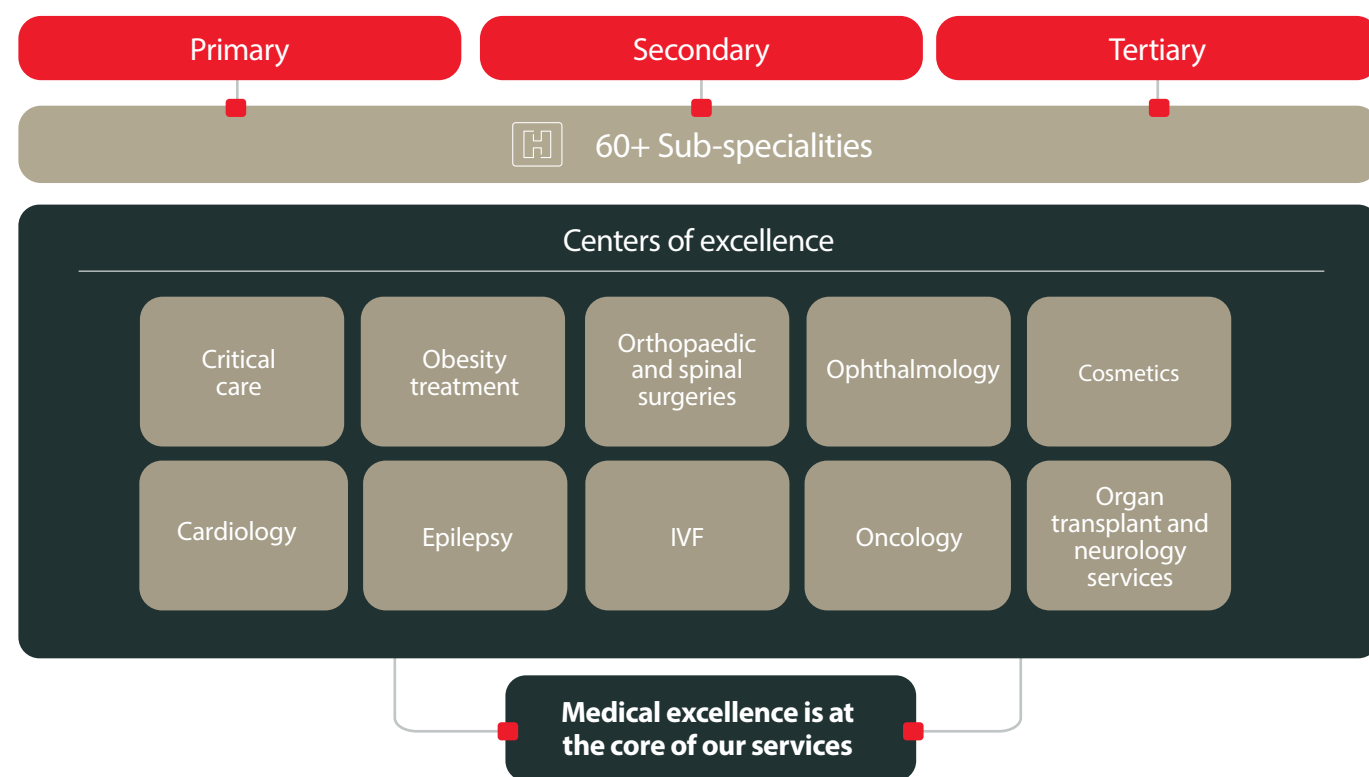
Number of physicians

78.5%



Revenue contribution





In 2020, HMG continued its focus on launching unique centers of excellence to provide integrated, multidisciplinary healthcare across the continuum of care. During the year, the Group launched its new oncology, organ transplant, and neurology services, providing patients comprehensive, specialized care under one roof. To secure their success, HMG recruited top physicians to lead the centers, resulting in 50% higher patient volumes for the Oncology center in 2020, and an expected increase of 120% in 2021.

Delivering Care

In response to movement restrictions, the Hospital teams collaborated with other segments of the business to devise solutions to continue to deliver patient care.

• Rapid Response Team launch (RRT)

In response to the patient demand, HMG introduced RRT, a first-of-its-kind service in the region for providing blood tests, ECG, swabs, and 24/7 adult and pediatric medical services by deploying a multi-disciplinary team to respond to urgent medical care where patients were located. The team was deployed to provide door-to-door consultation within 30 minutes from receiving the request. From the second quarter of the year, the RRT conducted 7,600+ visits.

HMG's Tele-Emergency Center (TEC) responded to more than 40,000 calls with a 99.5% response rate.

In addition, the RRT offers an audiovisual consultation facility through which ambulances are connected to TEC 24/7, so the patient is under direct supervision of a senior physician during

movement and, if required, a consultant is also available for both adult and pediatric cases 24/7 in line with the highest safety standards.

• Staff reallocation

To optimize staff utilization and maintain workflow, staff were reallocated to support teams where demand was increasing due to the pandemic. With the launch of Habib Live-Care and the growth of the home healthcare business, staff were able to provide suitable service using remote technology.

• Home vaccination program

HMG rolled out a home vaccination program for pediatric patients, providing parents peace of mind to ensure vaccine compliance despite movement restrictions.

• Resilient supply chain protocols

With growing global demand for PPE, the supply chain team responded quickly to ensure the Hospitals team had the equipment to maintain safety standards. The Company's innovative and dynamic culture allowed the team to act quickly to prevent disruption to services, by securing PPE and materials ahead of time and in large quantities. Additional transportation and storage facilities were also secured to ensure there was no shortage of essential equipment.

In 2021, HMG's supply chain will see upgrades to logistics capacity and standards, and further automation of processes to increase efficiency.

• Tele Stroke

The Tele Stroke program was launched in response to movement restrictions across the Kingdom. The program provides patients exhibiting stroke symptoms with the necessary care through telemedicine technology. During the year, HMG conducted more than 700 tele-stroke consultations and more than 1,780 Neuroimaging through Artificial Intelligence.

Pioneering Treatments

Every year, our dedicated medical professionals provide pioneering and lifesaving treatments that extend and improve the quality of life of patients. Key highlights in 2020 included:

- Microsurgery to restore use of the lower limbs of a three year old who was suffering from paralysis due to a spinal deformity
- The removal of a one kilogram tumor from the left thigh of a patient, who was able to return to a normal life following the procedure
- Lifesaving treatment to a patient following complications from a gastric sleeve surgery performed in another healthcare facility
- First hospital to remove uterine polyps without anesthesia through a minimally invasive procedure
- First successful IVF treatment at Khobar hospital for a 40-year old patient, who had a successful treatment after 15 IVF cycles and three miscarriages

- The fastest aortic valve replacement, successfully completed in less than one hour
- Complex pediatric surgery on a child suffering from a congenital anomaly in the diaphragm
- Complex rare operation to remove bile duct tumors
- Successful surgery of a three year old child, born with an external liver and intestine

Insulin Pumps and Diabetes Monitoring

As a continuation of HMG's effort to provide integrated healthcare, this year a follow-up clinic for insulin pumps and glucose monitoring was opened. The clinic uses the latest scientific methods and technologies to support diabetes patients, providing educational tools, access to educators and certified dietitians and periodic follow-ups for patients using insulin pumps and glucose monitoring devices.

Responding to Opportunities in Times of Crisis

HMG's track record of efficiently providing healthcare services proved vital in securing several opportunities during the pandemic. The Group was appointed to operate a selected ICU facility on behalf of the Ministry of Health, including a three month agreement in Al Madinah Al Munawara.

Our facilities and services are accredited by leading global and local bodies



JCI Accreditation



American College of Radiology Accreditation



Saudi Center for Accreditation of Health Facilities (CBAHI)



Nuclear Medicine Center obtained European Society of Nuclear Medicine and Molecular Imaging (EANM)



American Society for Healthcare Information Systems (HIMSS)

We have been awarded high-profile global accreditations from several leading medical bodies. We strive to provide high-quality services, which means everything from our facilities and staff, to our technology and supporting services are best in-class and internationally recognized.

All HMG hospitals are JCI accredited and CBAHI accredited, which are renewed with high scores every year. Our digital diagnostic imaging centers are accredited by the American College of Radiology. Our facilities have been accredited by the American Society for Healthcare Information Systems (HIMSS) for success in applying 6th level standards in the application of IT in medical files, clinical services, and data analysis. During 2020, our Nuclear Medicine Center was successful in obtaining the accreditation of the European Society of Nuclear Medicine and Molecular Imaging (EANM).

Our laboratory facilities are internationally accredited and comply with stringent health and safety standards. Our facilities have received College of American Pathologists (CAP) and American Association of Blood Banks (AABB) accreditation and have been recognized for best practice safety processes over the past years.

Committed to Growth

Despite market headwinds, HMG continued its commitment to growth and improved efficiency. In 2020, the Hospitals segment represented 78.5% of the Group's revenue, demonstrating our ability to continue to expand our reach. During the year, the team served over 3.2 million patients.

We continue to deliver exceptional results for the Group by deploying the best talent and cutting-edge technology solutions, while remaining patient-centric in the way we operate.

HMG continues its mission to be the most trusted healthcare provider globally. The Group currently has four new cutting-edge hospitals under construction, and has launched a new business segment to operate primary care clinics in the Kingdom.



Expanding our Footprint

HMG continues to pursue an aggressive expansion plan. Despite market headwinds faced during the year, the Group remained committed and on track to deliver strategic projects in the coming years, announcing two new projects during the year, including the New Takhassusi Maternal and Pediatric expansion, and a new business segment for the Group with the introduction of the Diplomatic Quarter Primary Care Center.



Pharmacy

HMG's Pharmacy segment delivered another year of strong growth, underpinned by a dynamic response to the pandemic. With 14 pharmacies and a team of 350+ employees, HMG's Pharmacies plays a key role in the Group's portfolio. In 2020, the Pharmacy segment increased its e-pharmacy service capacity, a service which was rolled out in 2019 and proved vital in maintaining the resilience of the business unit. During the year, the Pharmacy segment contributed 17.1% to total revenue.

HMG's Pharmacies is the leading pharmacy in terms of product availability with more than 14,000 products on offer. In addition to pharmaceutical products, the branches also offer diet foods, beauty and healthcare appliances, cosmetics, personal care products, and baby care products.

Trusted Pharmacy Brand

In 2020, in response to the pandemic and to meet rising consumer demand, e-pharmacy services were significantly expanded with more than 23,000 transactions recorded during the year. The e-pharmacy app, which was launched in 2019, was integrated with HMG's patient app during the year. The use of technology was vital in servicing clients and managing the vast amount of stock to maintain accurate inventories and reduce risk of wastage. Supply chain challenges were also managed through the use of technology, ensuring medications were available to patients during the pandemic.

In line with the Group's commitment to digital healthcare and innovation, HMG's Pharmacies continued to develop its technological capabilities to provide digital solutions for patient's better experience, while in parallel of managing its medication and dispensary systems. The Group's long-standing relationships with local and international pharma providers also ensured the Group was able to manage supply chain constraints, while providing the most affordable and effective services to its customers.

Patient and Staff Safety

Patient safety is in our DNA. HMG focused on expanding its e-pharmacy services and undertook precautionary measures to combat the spread of Covid-19 through:

- Delivering of medicines and refill services at patient premises
- Maintaining social distancing rules
- Monitoring the temperature of visitors at the entrance gate of pharmacies
- Enforcing mandatory mask usage for visitors and staff
- Limiting entrance points to pharmacies
- Offering free influenza vaccinations for all medical staff

HMG Refill Business

In 2020, HMG launched its Refill business which manages prescription refills for HMG patients, processing refill requests and ensuring patients have access to the prescription medication they need. The launch of the business was supported by collaboration with other segments of the business to provide the required logistics infrastructure including transportation and communication channels to provide patients access to medications and services.

HMG Pharmacies Outlook

Having expanded its digital footprint across its network, Al Habib Pharmacies will further consolidate its position and footprint in 2021 by opening a new pharmacy outlet in Olaya. A new pharmacy will also be opened in Riyadh's Diplomatic Quarter to service clients at a busy destination in the city, and open new opportunities for business growth. The segment will continue to introduce new services through its mobile app and other e-channels, and will expand the Lakum loyalty program, as well as its refill services.



**The Kingdom's
Most Reliable
Pharmacies**

17.1%

Contribution to
revenue

23,000+

e-pharmacy
transactions

37,500+

patients served

14
pharmacies

400+

Pharmacy
employees

4.31 out of 5

E-pharmacy patient
satisfaction rate

5,500+

subscribers in loyalty
program "Lakum"

HMG Solutions

HMG is strategically placed to deliver best in-class care through disruptive innovation and cutting-edge technology. As part of its strategic pillars, the Group has expanded its capabilities, expertise, and knowledge across a range of support and complementary fields to its core business.

HMG Solutions has a growing portfolio of specialized companies that are focused on hospital management, innovative technological solutions, participation in PPP programs, home healthcare and laboratory services. These companies and services align with the Group's strategic pillars to broaden services, expand reach and drive healthcare innovation by investing in high-growth medical sectors to serve the needs of its hospitals and pharmacies, as well as the public and other private sector healthcare organizations across the Kingdom.



Cloud Solutions

HMG's technological arm, Cloud Solutions maintained its momentum as the country's leading healthcare technology provider in 2020. The Cloud Solutions team now employs more than 500 staff and has a state-of-the-art center specialized in health systems development and programing in Jordan and Sri Lanka, in addition to their GCC branches.

To support the Group's vision, Cloud Solutions aims to provide best in-class, cost effective global solutions to healthcare organizations in the Gulf and in the Middle East. The team works on introducing meaningful and purposeful IT solutions and digital services to meet the need of the public and private sectors. For more information, please refer Innovation Driving Medical Excellence on page 54.

Despite this year's unprecedented circumstances, Cloud Solutions successfully developed end-to-end self-service experiences. Providing 100+ existing app services, we launched new self-services to enhance the patient experience by enabling quick services such as making online payments and performing self-check-in using a QR code. This service has been made available to all patients across HMG hospitals.

Cloud Solutions also successfully launched the Live-Care Service on the HMG Mobile App. Through this app, patients can schedule virtual consultations with physicians using secure and encrypted audio and video calls. This service proved to be a highly useful tool when

movement restrictions in response to the Covid-19 pandemic were in place and has made Cloud Solutions a pioneering provider of virtual consultation platforms, with more than seven clients requesting a similar solution to be developed.

Research and Development of Technology Solutions

Cloud Solutions continues to develop patient-centric solutions to improve patient experience and satisfaction. By analyzing data and business processes for the entire patient journey, the team managed to enhance the outpatient experience via the video call service for both consultations and follow-up patients, the online check-in facility, and the e-payment platform in the new and improved version of the HMG App.

Driving Growth through Partnerships

In line with the government's e-health agenda, Cloud Solutions cements partnerships with leading technology providers every year. In 2020 the Group entered partnership agreements with ORACLE, Huron Digital Pathology, Kyriba, SaaS Treasury Management Software, Rubrik, Proofpoint and many more.

In 2020, the team secured several projects with government and private entities extending the Group's innovative service offering. As the Kingdom continued to work towards its goal of a more digitized healthcare system in line with its Vision 2030, Cloud Solutions continues to enter into agreements with clients in the Kingdom who trust HMG and its innovative solutions.

Public-Private Partnership (PPP)

In 2020, critical care units in the MoH operated hospitals were affected by the Covid-19 pandemic due to increasing need for critical care beds all over the country. ICU units operated by HMG were nominated by the MoH as Covid-19 referral centers (these included East Jeddah Hospital, Qatif Central Hospital, Buraidah Central Hospital). HMG's track record resulted in the MoH appointing the Group to run 50 additional beds in Madinah - a project that required rapid deployment of ICU staff and equipment. The successful response provided additional care for patients and was included in a scientific journal as a case study of successful delivery of additional ICU capacity.

Jordan
Amman

UAE
Dubai

Saudi
Arabia
Riyadh

Sri Lanka
Colombo

Bahrain

Home Healthcare

The Home Healthcare Company (HHC) service was significantly expanded during the year to meet increasing demands, resulting from movement restrictions across the country. Home Healthcare brings best in-class care to patients in the comfort of their homes. The need for in-home and remote services increased in 2020. HHC delivered care from a multi-disciplinary team of highly qualified physicians, and specialists, to more than 3,000 patients in the country. As the country continues to tackle the Covid-19 pandemic, demand for the Home Healthcare services is expected to grow, as tele-consultations and remote care becomes the new normal.

Medical Laboratory Services

The Covid-19 pandemic has been the largest defining event of 2020. MDLAB's focus on swab testing and receiving swab samples from HMG's Riyadh branches as well as from non-HMG laboratories placed significant stress on capacity and resources given a significant surge in testing required. The MDLAB team was resilient in its response, maintaining the quality of service and expanding capacity rapidly.

MDLAB with its 80+ staff conducted more than six million laboratory tests in 2020.

MDLAB offers advanced laboratory testing and diagnostics services not provided by other laboratories in the region. Our facilities are fully accredited by CBAHI and CAP, and compliant with the most stringent international standards providing a comprehensive suite of detection and diagnosis services.

MDLAB's best in-class medical technology enables HMG to conduct highly advanced tests efficiently within the country, relying on its available infrastructure in the Kingdom. This model provides considerable cost savings for patients, while ensuring results are delivered in a timely manner.

MDLAB will launch new services in Routine Hematology and Chemistry and continue to secure its supply chain to ensure appropriate supply of test kits, PPE, and other essential equipment.

Innovation Driving Medical Excellence

For HMG, innovation also means embracing opportunities in the market, and adapting services to meet patient needs.

HMG's culture of innovation and its speed and scale differentiate the Group from its peers and places it in a unique position to rapidly adapt to a changing environment. Our commitment to technology is stronger than ever, and a deeply embedded culture of innovation proved vital when the Covid-19 pandemic made the use of digital solutions and virtual services indispensable.

Innovation is part of our culture. Our business development team works across segments to identify new opportunities and to push the boundaries of medical care. Our IT company, Cloud Solutions plays a vital role in developing applications and systems that enable us to provide digital healthcare solutions to our patients and clients.

We have been recognized as leaders in the industry for our award-winning Hospital Information System VIDA, which saw significant upgrades in 2020 and adopted by various government healthcare entities across the Kingdom. Our Cloud Solutions team remains at the forefront of healthcare innovation, and the Group will continue to invest in growing our technology and services.

We are leaders in the adoption of medical care technologies. Our clinical engineering team works with suppliers and partners around the world, so patients have access to the latest technologies and treatments. Through our operations excellence center, our Clinical Engineering Department monitors technical transactions in real time and ensures continuity of care across our facilities.

Deploying the Latest Medical Technology

Every year, HMG continues to work with partners to invest in and deploy advanced medical technology to serve patients and improve care. Our in-house Clinical Engineering Department works to ensure that all technologies operate seamlessly to ensure continuity of clinical services across HMG facilities. HMG Hospitals managed over 34,088 medical assets, with more than 1,203 machines deployed in 2020 and more than 47,687 technical transactions completed during the year. We adopt best practice in healthcare technology management and value engineering with the aim of optimizing technology usage and maximizing its value. Through its value engineering approach, HMG improves the efficiency of its assets while decreasing operating costs.

Case Study Medical Innovation

1. Introducing the knee replacement technology

HMG has recently introduced a new innovative knee replacement program, which includes new modalities of surgical and medical techniques implemented by our orthopedic department. Knee replacement, also known as knee arthroplasty, is a surgical procedure which treats one of the most common orthopedic diseases worldwide and in the GCC.

This new program aims to achieve:

- Early mobilization of patients, with patients being able to walk a few hours after surgery, with minimal or no post-operative pain
- Early physiotherapy rehabilitation on the same day of surgery
- Early return to patient normal daily life, as well as shorter hospital stays

HMG has emerged as a leader in performing knee replacements, given the vast experience of its healthcare practitioners who perform the procedure in line with national and international guidelines. The innovative program places HMG ahead of other hospitals in the region, achieving high patient satisfaction, rapid recovery, as well as more effective pain management.

2. HMG and Siemens Healthineers shape the future of Healthcare

The Group nuclear medicine service center expanded its oncology and radiology services by opening a state-of-the-art nuclear medicine service center and MRI suite in Al Khobar. Siemens Healthineers installed their Biograph Vision PET-CT, the first to be installed in the region, which provides the fastest time-of-flight and technology for personalized PET exams. Additionally, the nuclear medicine service center includes the Symbia Intevo SPECT-CT system geared with the industry's best image quality and highest SPECT sensitivity, enabling confident diagnosis and a successful treatment strategy.

The MRI suite also includes the MAGNETOM Sola, which adjusts automatically to each patient's body, offering an extra level of comfort during scanning.

3. Upgrading and renovating all Centralized Sterilization Supply Department (CSSD) equipment

The Centralized Sterilization Supply Department (CSSD) at HMG implemented the latest management and tracking technology for surgical instruments and machines. These technologies aim to enhance sterilization efficiency, reduce infection, and reduce waste associated with the management of these tools. The system covers the full cycle of each surgical instrument or equipment, from its use to its return to the sterilization section.

The technology provides a direct integration with patient appointments and surgeries, allowing the medical staff to confirm the readiness of the surgery rooms with the necessary instruments and equipment according to the type and specialization of the surgery. Among the advantages of this technology:

- Complete archiving of all surgical instruments and equipment
- High-precision sensors, to determine whether instruments contain microscopic defects that may harm patient safety
- Performance indicators to ensure efficiency in surgical departments

4. HMG Minimally Invasive Cardiac Surgery (MICS) Program

In the field of cardiac surgery, the endoscopically assisted small-incision approach, mainly via right mini-thoracotomy, is gaining popularity as an alternative to the more invasive sternotomy approach. These techniques are generally referred to as Minimally Invasive Cardiac Surgery (MICS), although their adoption remains relatively slow. This slow adoption is related to various challenges, such as surgeon experience and confidence to operate via small incision and the steep learning curve of these procedures.

We are the first and the only healthcare in the Saudi private sector offering the MICS program. In 2020, we conducted 10+ procedures with zero stroke, wound infection, conversion to sternotomy cases and 100% repair rate of mitral valve.

View on the clinical benefits of MICS procedure:

- 1. Less bleeding and blood transfusion
- 2. Less wound infection
- 3. Less ICU stay
- 4. Faster recovery
- 5. Great psychological and spirit effect to patients
- 6. Avoiding sternotomy and its complications (bleeding, wound infection, longer and difficult recovery, pain, disfiguring scar)



Case Study

Cloud Solutions Affiliate Company

The Cloud Solutions team launched several tools to address the need for digital healthcare, supporting growth for HMG, and providing critical solutions for government and private entities.

Healthcare Technology

New technologies, medicines and approaches for treating patients have changed the way we deliver care. With a rapidly evolving healthcare landscape, HMG strives to remain at the forefront of sourcing, developing, and integrating cutting-edge solutions to deliver best in-class care in the GCC.

Our team of technology experts develop state-of-the-art digital solutions that meet gaps in the market. Our Clinical Engineering Department and highly trained healthcare practitioners also work hand in hand with technology partners to identify and deploy advanced medical technology to meet patient needs.

Radiology RIS/PACS Systems for the MoH

Implemented Radiology RIS/PACS System in 11 MoH Hospitals across the Kingdom of Saudi Arabia. Radiology Information Systems (RIS) help hospitals manage their radiology workflow in the most effective way, and provide functions to facilitate remote reporting, departmental productivity monitoring and management of multi-disciplinary meetings while also being easily tailored to suit all workflow and user needs. It increased efficiency and reduced reporting time to just 30 minutes from four hours.

VIDA - MoH (Electronic medical record in the Southern Region)

HMG has positioned itself as an industry leader in developing internationally recognized digital solutions. With the development of its Hospital Information System, VIDA, HMG has pushed the standard of healthcare by developing an end-to-end solution to drive better clinical outcomes and provide a seamless patient experience.

In 2020, Cloud Solutions implemented VIDA at several hospitals in Saudi Arabia achieving effective digital transformation in line with Saudi's 2030 Vision. With several ongoing proof-of-concept projects, and having implemented VIDA Plus and Wave 1C of VIDA HIS at MoH facilities, VIDA completed NPHIES integration with Oracle Cloud to offer clients native cloud technology that helped in reducing the reporting time for patient file creation to three minutes from 15 minutes.





HMG Mobile App

HMG mobile app is an application that keeps patients connected with their health records wherever they go, improving medical efficiency and reducing administrative costs. The iOS and Android app was developed proactively to cater to client requests. Through the app, patients can book appointments, have virtual consultations with physicians, access their medical records and request various other services, thus improving overall patient experience. 100+ services offered via the HMG app

Habib Live-Care

The newly launched Habib Live-Care service was developed to allow patients to communicate with physicians from anywhere and at any time, and to obtain medical advice remotely via video technology. Pre-Covid-19 pandemic, it was planned to launch Habib Live-Care in Q4 2020. However, HMG decided to launch the Habib Live-Care early, as a quick response to the Covid-19 pandemic, facilitating the delivery of the Group's services and contributing to the national efforts to curb the spread of Covid-19.



HMG Mobile Application in 2020

Total downloads

905,000+

Growth 59% ▲

Booked appointments

1.26 mn+

Growth 45% ▲

Active users
who logged in at least
one time

545,000

Growth 68% ▲

Transactions

321 mn+

Growth 207% ▲

Habib Live Care

35,000+
transactions

Home Healthcare

3,000+
requests

Comprehensive
Medical Checkup

910+
requests

E-Pharmacy

23,000+
transactions

All these services were
launched in 2020



VIDA Home Care Platform

We launched our Home Care platform, as a standalone platform to enable the home healthcare practitioners to manage their services and patient workflow from one platform.

Tele-Health (ER/Stroke/ICU/Radiology)

Synapses tele-health solution was designed to connect healthcare teams and patients remotely utilizing the latest cutting-edge technologies; providing convenient, cost effective and real-time communication.



Tele-ICU Center

HMG's Guinness World Record Tele-ICU program addressed concerning trends facing intensive care by continuously monitoring ICUs and supporting ICU medical teams in all connected facilities, HMG's Command and Control Center functions as a life-saving communication link that enables access to patient health data, e-consultation, replies to patient inquiries, and remote diagnostics through Virtual Clinic.

Tele Stroke program

HMG's Tele Stroke program is the first facility in the region to use artificial intelligence and telemedicine technology to respond to stroke patients. The service represents a significant breakthrough in stroke treatment, shortening the time of diagnosis, accelerating the discovery of strokes, improving the understanding of the extent of the condition – all critical factors in improved patient recovery. The 24/7 service uses HMG's tele-conference platform combined with artificial intelligence to provide neurology and emergency consultants, radiologists and nursing staff the tools to provide stroke care remotely.

Tele-Radiology

Tele-radiology facilitates the transmission of patient's radiological images, such as x-rays, C.T. scans, and MRIs, from one location to another. It is the point-to-point communication of clinical imaging for the purposes of primary reporting, radiologist advice or consultation. All reading and reporting can happen in one hub, cutting cost and better utilizing all spectrum of radiology sub-specialties.

Tele-ER

Tele-emergency provides audio and visual communication for the central emergency care center and the emergency room; for real-time emergency care consultations, ambulance tracking and remote medical devices monitoring.





Habib Voice Assistant “Msa’ed”

A voice assistance platform for users to perform requests or seek support within the VIDA mobile app.



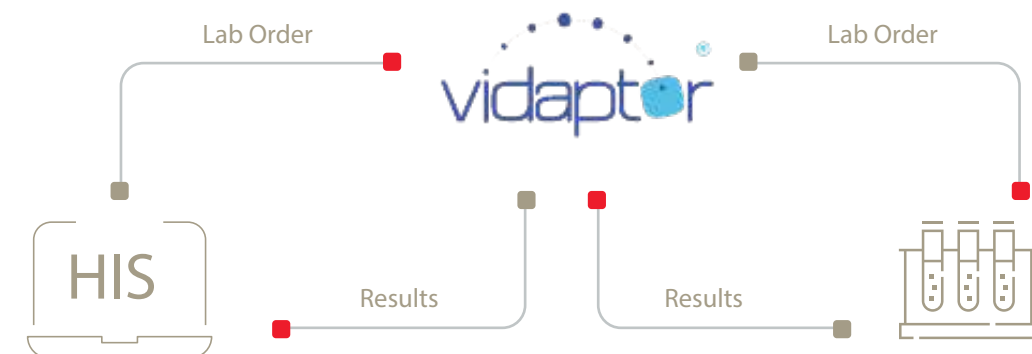
Four Robots in MoH hospitals

Cloud Solutions delivered four Robots, which helped perform virtual tours in MoH-ICUs with minimum unwanted interaction with patients. This action resulted in the MoH requesting a quote for the purchase of other robots to be used in government hospitals.



Cloud Native Laboratory

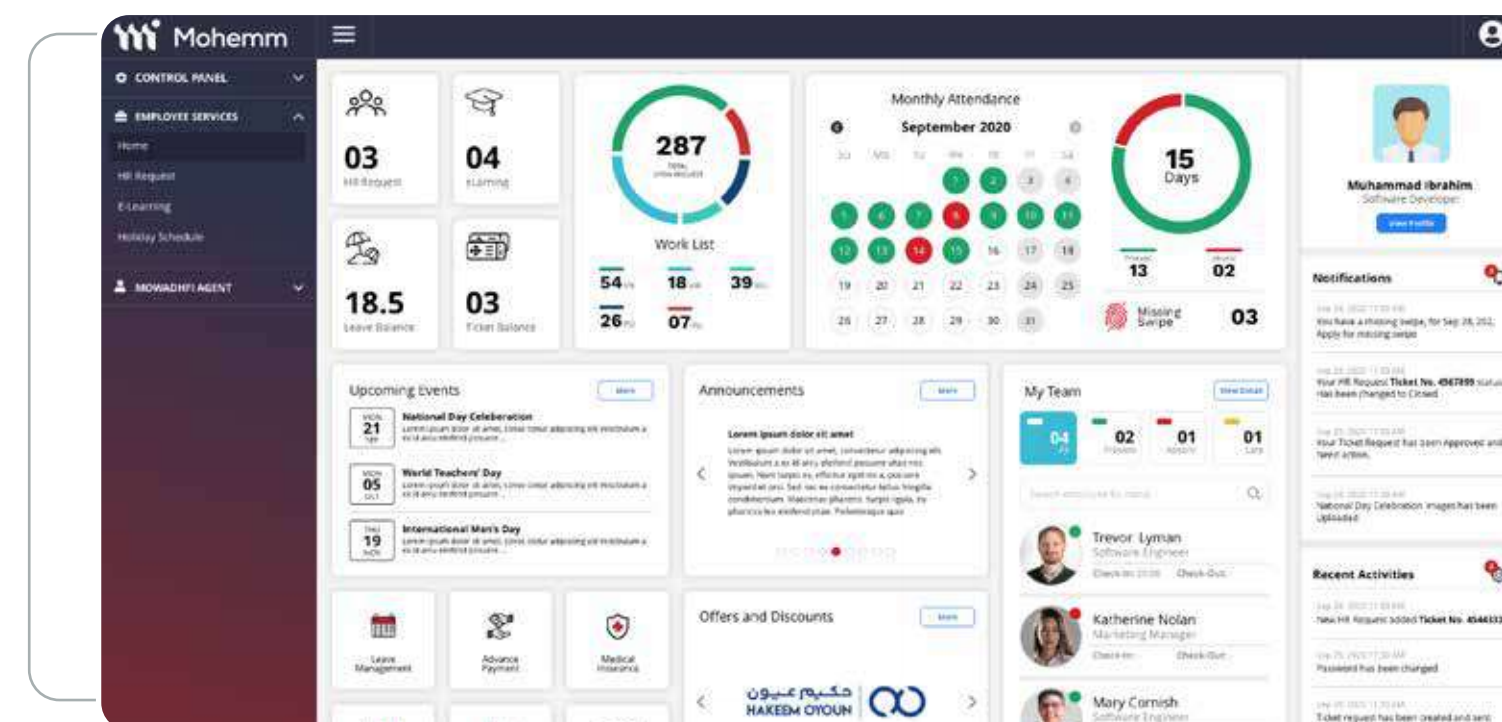
Vidaptor is a native laboratory middleware that integrates all clinical analysis to expedite the life cycle of laboratory samples and increase patient safety. The system provides enhanced sample traceability, integrates with HIS systems and laboratory analyzers, and automates laboratory processes. The second phase of the system was rolled out in 2020.



HR Solutions “Mohemm”

Cloud Solutions developed the second phase of “Mohemm”, an unmatched employee self-service app. Through this platform, employees can manage their timesheets, attendance, leave, pay slips, and many other HR related information.

The full version of Mohemm is live, this version supports multiple modules like employee relations management, ticketing system, and eLearning.



Covid-19 Impact and Group's Response

HMG played a key role in supporting the country in tackling the spread of the Covid-19 pandemic. The Group demonstrated its dynamism and resilience by rolling out several initiatives to increase testing facilities across the country, deliver healthcare services despite movement restrictions, optimize Group resources, and respond to opportunities in the market.

Maintaining Momentum

The Covid-19 pandemic affected the communities in which HMG operates. The healthcare sector is essential to combating the physical effects of the pandemic, however, the sector is not immune to its economic impact. The severity, duration and long-term impact of the pandemic and its financial repercussions on HMG's business remains uncertain, however the Group's agile and proactive response delivered a robust operating and financial performance for the year. There remains a degree of uncertainty around the future impact of the pandemic, however the Group has implemented a comprehensive action plan to address challenges by focusing on its patients and staff, innovation, its supply chain, and liquidity position.

Movement restrictions set in place to reduce the spread of the Covid-19 pandemic affected most businesses in the country. HMG faced a decrease in outpatient visits and on demand for elective procedures during the second quarter of the year. Furthermore, supply chains faced challenges with a significant surge in global demand for the medical supplies. HMG's commitment to patient and employee safety was reinforced, with measures taken to ensure no outbreaks were recorded at our facilities. Despite these challenges, HMG not only delivered resilient performance but also achieved growth.

Management employed an integrated approach to enhance patient services, including increasing the readiness of electronic services, activating remote medical consultations, the delivery of medicines and providing medical services to clients at home, in addition to the provision of new and differentiated services.

The Group obtained a license for Covid-19 testing and benefitted from its ownership of the largest intensive care remote command center, overseeing more than 796 beds 24/7 for intensive care units in the Kingdom of Saudi Arabia.

Financial performance for the year, across all divisions of the business, was ahead of the case scenarios the Group modelled and strategized from the onset of the pandemic. A proactive and early approach to maintaining HMG's liquidity position, cash and available facilities meant the Group was well placed to protect the business from potential consequences. During the first wave of the pandemic, the priority was to ensure business continuity and capacity to deal with pandemic-related operational challenges, as well as to support the Saudi government's efforts to both reduce infections and treat cases. In addition, HMG deployed 200+ medical staff at a very short notice to operate 50 ICU beds for the MoH facility in Madinah, to contribute to managing the outbreak of Covid-19.

As the situation stabilized, HMG continued to support treatment efforts as well as ramped-up testing volumes and has created an operational footing for hospitals to help combat the second wave of infections. The Group continues to play a leading role in supporting government efforts to quell the resurgence of the pandemic, as well as in rolling out vaccinations across the Kingdom.

Preparedness and Measures Taken

HMG's commitment to expanding its reach, broadening its service and focus on development of digital healthcare solutions, meant the Group was well positioned to handle obstacles emerging from the pandemic. Our existing medical facilities had the capacity to adapt to changing patient demands, our record-breaking Tele-ICU capabilities proved vital in providing wide-reaching remote care, and our existing team of digital experts and portfolio of digital tools meant we had the tools to act rapidly and roll out and expand services where they were needed most.

Treating Covid-19 patients

- Rapidly increased bed capacity to handle higher inpatient volumes created by Covid-19
- Operated 50 new beds at MoH facility in Madinah within five days of being awarded the contract (staffed by 200+ HMG employees)
- Established Covid-19 teams in all our hospitals to manage clinical outcomes and operational matters
- Increased sterilization schedules

Ensuring quality of care of all patients

- Infection control remains a high priority with zero recorded instances of outbreak at HMG facilities despite outbreaks in other hospitals
- Created designated zones within all hospital facilities for admitted Covid-19 patients to ensure prevention of outbreaks
- Rolled out first private Covid-19 testing facility in Kingdom with drive-through service for better client experience
- Reduced entry points to our hospitals and introduced stringent screening protocols across all facilities
- Reviewed and modified working practices at all patient-facing facilities
- Physical patient pathways on attending a unit were amended as appropriate to minimize avoidable risks, including the provision of screening at reception, the introduction of temperature checks, increased equipment cleaning schedules, increased PPE requirements and Covid-19 patient checklists

Providing access to services despite movement restrictions

- Accelerated digital services offering, through Solutions segment; important for boosting resilience of the business and adding value to multiple stakeholders e.g. home healthcare, e-pharmacy, LiveCare (read more on page 58)
- Starting primarily from May, HMG received mild and critical Covid-19 cases that offset pressure on outpatient volumes and cash flows
- Expanded e-pharmacy home delivery services, launched telemedicine through Live Care, expanded home care service offer
- HMG launched a Rapid Response service (RRT) by deploying a multi-disciplinary team to respond to urgent medical care within 30-minutes at patient premises
- Sufficient and appropriate availability of nurses and other frontline employees, including redeployment of employees between units and hospitals, as well as a number of initiatives focused on increasing nursing and healthcare worker capacity

Supporting group liquidity

- The Group proactively managed its financial and liquidity position by restricting capital investment to all but essential and committed projects, reducing operating expenses including third party costs, achieving supplier discounts, and reviewing its cost structure on an ongoing basis
- Participated in government private sector stimulus package
- Actively managed debtors and creditors
- Restricted non-clinical recruitment drives
- Made arrangements for stand by working capital facilities from local banks in case required

Maintaining safety of employees

- Arranged systems to allow remote access for designated staff
- Rolled out safety protocols, training sessions to ensure adherence to precautions including social distancing and infection measures
- Ensured consistent access to Personal Protective Equipment (PPE) and testing for all medical staff
- Rolled out Covid-19 treatment training
- Developed and implemented extensive guidelines covering screening, clinical care, infection prevention and PPE usage
- Revised and adapted PPE protocols in line with increasing knowledge of the disease and acquired additional PPE
- Provided vaccinations against seasonal influenza for employees and physicians

Addressing supply chain risks

- Organized teams to ensure continuity of operations and provided immediate alternative contractors to cover manpower shortages
- Coordinated a proactive response by procurement function to ensure supply of critical equipment
- Expanded supplier pool and ensured constant communication with hospitals to ensure needs were met
- Utilized HMG fleet to deliver group supplies
- Secured additional storage facilities for building group inventory for medical supplies to avoid supply disruption

Saudi Arabia's First Official Licensed Center for Covid-19 Testing

HMG was the first private healthcare group to receive a Covid-19 testing license in the Kingdom. Medical Diagnostic Labs (MDLAB), a part of HMG Solutions segment, offered Covid-19 testing to patients in the Kingdom from March 2020.

Management acted quickly in identifying an opportunity to provide further testing capacity in the Kingdom. The Group invested early in the necessary lab equipment to offer its patients lab testing. The facility rapidly became a revenue generating business for the Group.

Long-Term Strategy Remains Intact

Despite recent challenges, HMG's long-term strategy remains focused on its three key pillars, with additional focus on growing the Company's digital capabilities and innovation approach. The Group is committed to the expansion of its hospital footprint, including the North Riyadh Hospital (expected completion by end of 2023); South West Jeddah Hospital (expected completion by end of 2023); North Jeddah Hospital (expected completion by end of 2024); Maternity and Pediatric Hospital Riyadh (expected completion by end of 2024); and Diplomatic Quarter Primary Care Medical Center (soft launch in December 2020).

Cloud Solutions will continue to be a growth driver, providing technical services for healthcare providers across the region. The Group will continue to expand and roll out Tele-ICU capabilities and continue to enhance its technology platforms.

Management aims to return to pre-Covid-19 top- and bottom-line growth trajectory, margins and maintain its quarterly dividend cycle, and both Management and the Board are cautiously optimistic of improved macroeconomic conditions in 2021, as readily available and effective vaccines are rolled out in the GCC and internationally.

Risk Management

Implementing Effective Risk Management

An effective risk management framework is key to overcoming challenges and to stay on track with HMG's objectives set out for the year. An ever-changing and complex healthcare landscape means Management must have systems in place to address challenges posed by legal, political, and regulatory changes, to provide patient-centric care, financial sustainability, digital transformation, patient safety, regulatory compliance, and to grow its market share.

HMG's Risk Management framework is entrenched in its business at all levels of the Group. The Group considers the perceived risks as a challenge and has devised strategies and proactive plans to improve its processes and mitigate the impact of those risks as per the Committee of Sponsoring Organization (COSO) framework. The responsibility of establishing risk management processes and systems of internal control to address those risks lies with the Board. The Board strongly believes that implementing efficient and effective risk management benefits the Group by helping it to achieve strategic and operational objectives and to increase value and sustainability, ultimately better safeguarding their stakeholders.

This responsibility is handled by the Board by delegating it to its sub-committees, namely:

- Audit Committee
- Patient Safety and Quality of Care Committee
- Executive Committee

In 2020, our Risk Management framework was put to test, with teams rapidly being deployed to address the Covid-19 pandemic. Read more about our response on pages 62.

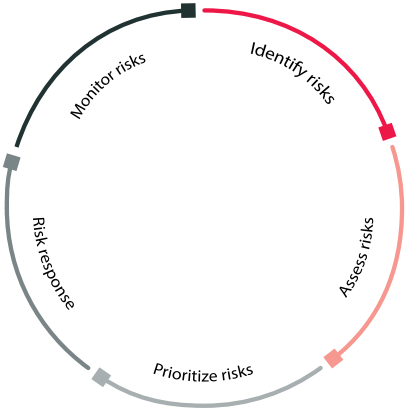
HMG's Risk Management Methodology

Enterprise risk management is an important process and therefore HMG worked proactively and systematically to establish an integrated and effective risk management framework to safeguard patient safety, market share, Group assets, brand value and accreditations.

The Group has established an integrated and effective risk management framework where significant risks are periodically:

- Identified and assessed – to ensure its relevance and severity in achieving the Group's strategy and business objectives;
- Prioritized – to ensure optimization of resources and taking well-informed decisions; and

- Responded – by either risk acceptance based on risk appetite, or taking necessary actions to either avoid, mitigate, or reduce the severity of the risk.



Three Lines of Defense

HMG has deployed the governance model with three lines of defense to create transparency and accountability through clear segregation of roles and responsibilities and reporting to respective Board Committees, as given below:

Operational Management

Responsible for establishing sound business practices and standard operating procedures (SOPs) to create employee accountability and perform day-to-day risk management activities and implementation of risk mitigation strategies in the regular course of business. The Patient Safety and Quality of Care Committee established by the Board is responsible to oversee the Operational Management and adopted clinical practices.

Senior Management

It includes corporate oversight to monitor and mitigate a wide array of risk including strategic, financial, operational, and compliance. General Counsel and other related Senior Management to oversee compliance of regulatory requirements and other support functions including IT security, financial controls, quality assurance, business strategy and human resource to ensure Group objectives are achieved while aligning with risk appetite and Group policies. The Executive Committee of the Board is responsible to supervise the Senior Management team of the Group.

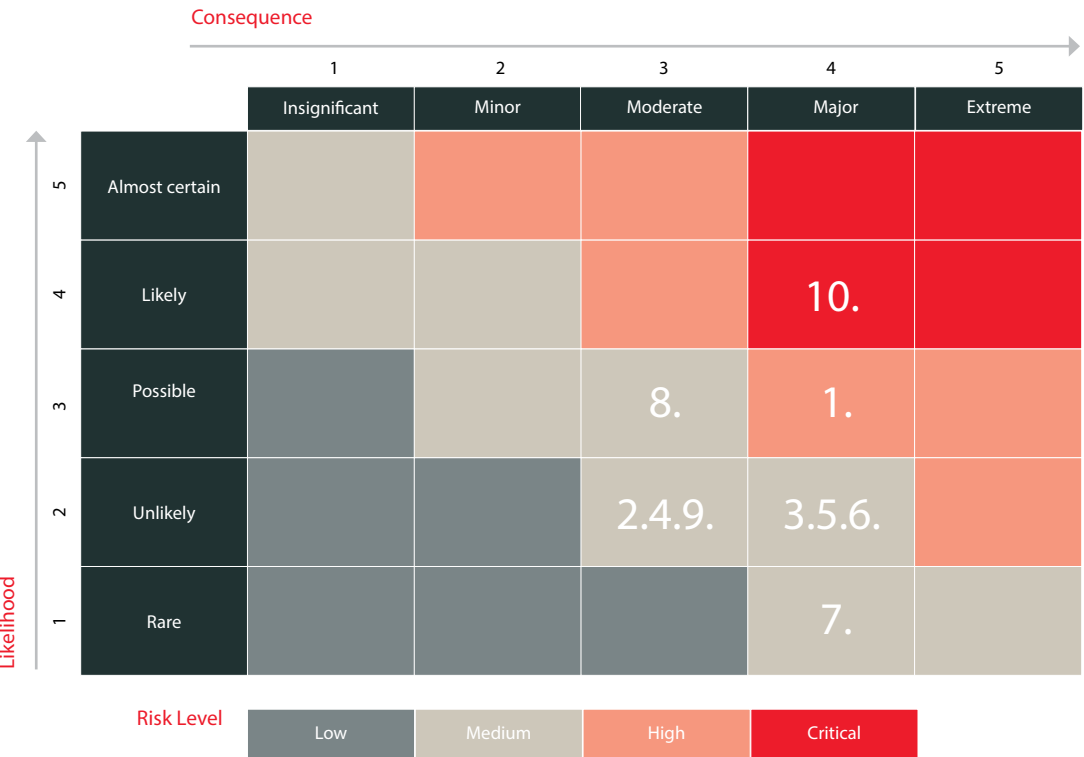
Internal and External Audit

It provides independent assurance on the effectiveness of the first and second lines of defense to the Board via the Audit Committee which comprises of Independent and Non-Executive members.

Principal Risks and Mitigation

Risk Score and Heat Map

The impact, likelihood, and classification of severity of risk is depicted in the risk heat map below along with the risk level and scores:



Principal Risk	Implication	Mitigants/Controls
1. Compliance risks Category: Regulatory Compliance		
<ul style="list-style-type: none">• Regulations relating to protection of patient information, patient and employee health and safety, and licensing requirements may become more stringent.• Regulators may increase the percentage of Saudi employees among the total employees (Saudization).• Regulators may tighten up healthcare reforms by reducing the cost of healthcare, widening the access to quality healthcare, and increasing the monitoring of quality standards.• Laws and regulations may restrict public physicians from providing services to private healthcare institutions outside the official working hours• New regulations may hinder technological developments which is a distinctive factor of the Group.• Failure to understand, implement and monitor the internationally recognized clinical guidelines and quality standards, clinical negligence, the incorrect diagnosis of medical conditions and the supply of unsuitable products• Non-compliance or business implications of regulatory changes in Zakat and VAT laws	<ul style="list-style-type: none">• Changes in existing regulations or introduction of new ones may adversely affect the business operations, revenue and profitability• Non-compliance may result in losses, fines, restrictions, or damage to reputation.• Suspension of visa applications, transfer of sponsorship of non-Saudi employees.	<ul style="list-style-type: none">• Strategic liaising with regulators• Board-level and Board Committees oversight• Wide range of in-house developed and certified continuing medical education (CME) programs for the medical professionals, to comply with the licensing requirements of various regulatory bodies• Dedicated licensing team to ensure renewal of medical license on timely basis• Legal and compliance functions support operational management, monitor regulatory developments and, where necessary, obtain expert legal advice for the effective implementation of compliance initiatives• Compliance risks identified and assessed as part of compliance management processes• Monitoring and investigating all incidents and reporting it in line with the Group's whistleblowing policy• Implemented a yearly mandatory Compliance and Ethics training course for all employees• The Group will continue to be proactive, adapt and mitigate any changes in the government regulations on best effort basis. However, certain changes by the regulator cannot be mitigated

Principal Risk	Implication	Mitigants/Controls
2. Economic and Business Environment risks Category: Strategic and Business Environment		
<ul style="list-style-type: none"> Potential slowdown in the general economy and business Macro environment may affect the affordability of healthcare for insurance companies and cash patients Global macroeconomic and geopolitical headwinds Reduction in healthcare spending from government Changes of the relative positioning between healthcare service providers and insurance companies Inability to renew or extend existing entity leases Increase in prices of utilities related services 	<ul style="list-style-type: none"> Detrimental effect on client base Loss of business due to slowdown of economic activity Lower revenue due to reduced prices Disruption of business continuity related to certain entity in case of expired leases Lower profitability 	<ul style="list-style-type: none"> Proactive monitoring and negotiation by the Group's Revenue Cycle department with insurance companies and MoH Focus on quality and continuum of care to reinforce the Group's market position Proactive and continuous efforts to monitor and renew near expiring leases well ahead of time while securing alternative sites Focus on continuous improvement in operational efficiency and cost optimization
3. Competition risks Category: Strategic and Business Environment		
<ul style="list-style-type: none"> Increase in the market competition due to emerging new hospitals and privatization of government hospitals in the Kingdom which may dilute HMG's existing market share, revenue, and overall profitability Inability to maintain HMG's competitive advantage in terms of physician quality and patient experience, may lead to potential reduction in occupancy rates, downward pricing and/or inability to increase prices, which could have an adverse impact on results of operations and financial performance 	<ul style="list-style-type: none"> Potential drop in market share Lack of business growth opportunities Lower profit margin 	<ul style="list-style-type: none"> High quality integrated healthcare with focus on innovation and cost effectiveness in delivery of services A dedicated patient relations department continuously monitor patient care in each hospital on an ongoing basis. A dedicated command center facility has been implemented for robust and timely patient care Investing in monitoring medical and technological advancements Centralized feedback mechanism for patient satisfaction Customer relationship management through dedicated departments like Media and Public Relations
4. Operational and Business Projects risks Category: Operations and Project Management		
<ul style="list-style-type: none"> Inability of the Group to maintain its reputation or infringement of intellectual property Inadaptability to evolving regulatory, and market environment Unfavorable conditions may affect successful completion of projects, including timeliness, cost, and quality Breakdown or inefficient utilization of medical technological equipment Information system failure Facility disruption including risk of interrupted electricity or water supply Fire and associated threats Disposal and management of bio-hazards waste 	<ul style="list-style-type: none"> Disrupted patient experience Reputational damage and loss of competitive advantage Financial loss in the event expected cash flows are not realized Substandard quality of service Non-compliance of regulation may result in losses, fines, restrictions, or damage to reputation 	<ul style="list-style-type: none"> Effective monitoring and oversight of operations with experienced and dedicated project management team Registered all trademarks on which it relies for its business in the Kingdom, the GCC and other countries Comprehensive insurance to deal with financial impact of potential disasters Emergency and disaster recovery plan Comprehensive agreements with contractors for maintenance of medical technological equipment, and disposal and management of bio-hazards waste In-house capacity for data backup and information system recovery Extensive firefighting and detection systems, including comprehensive maintenance processes

Principal Risk	Implication	Mitigants/Controls
5. Clinical and Infection risks Category: Clinical		
<ul style="list-style-type: none"> Provision of services in a way that may put patients at risk of harm and result in undesirable clinical outcomes including: <ul style="list-style-type: none"> Procedures performed without following the correct medical protocols Surgical and procedural adverse events Spread of multidrug resistant organisms Failure of infections control function 	<ul style="list-style-type: none"> Suboptimal quality of patient care Patient dissatisfaction Loss of brand equity and reputation Disruptive operations Legal consequences 	<ul style="list-style-type: none"> Patient Safety and Quality of Care Committee oversees the overall quality, safety, and control of healthcare facilities Comprehensive infection control strategies Group-wide clinical risk register implemented per division Accreditation processes Clinical governance processes Monitoring of clinical performance indicators through clinical audits Focus on quality management processes Regular training and awareness programs Stakeholder engagement and disclosure strategies Regular vaccinations against infections and screening tests for clinical staff to minimize hospital-borne infections Personal hygiene program Complaints monitoring and tracking Credentialing and privileging medical team Frequent testing and regular maintenance of biomedical equipment
6. Information Systems Security risks Category: Information Technology		
<ul style="list-style-type: none"> Network intrusion, security breaches, unauthorized access to the organization's data and systems resulting in reputational damage and financial damage Inability of business resumption and loss of critical information in the event of any catastrophic negative event due to absence of business continuity and disaster recovery plan Increased pressure on data privacy Inability to continuously stay abreast with new information systems security threats 	<ul style="list-style-type: none"> Unavailability of systems or system failure Manipulation or lack of data confidentiality Adverse impact on patient care Financial loss 	<ul style="list-style-type: none"> Implemented ISO 27001 standards for the information security aspects and the function is being fully complied with and accredited Conducted a vulnerability assessment and penetration testing to determine the possible threat at the network as well as application levels and appropriate controls are being implemented Adequate encryption of patient information is in place Implemented disaster recovery sites and in-house data centers. Further, Management is working towards enhancing the function as per the international standards Comprehensive information systems identity access management change and physical access controls Implementing multi-layered information security defense to identify vulnerabilities and protect against attacks Implemented a yearly mandatory Information Security training course for all employees
7. Innovation and Digitalization risks Category: Information Technology		
<ul style="list-style-type: none"> Failure to transform traditional healthcare services to adhere to new clinical and healthcare technology, and/or usage of obsolete technologies, leading to lower quality of services or missed revenue opportunity Inability to harness new innovative solutions for provision of enriched services Failure to compete in the digital health arena 	<ul style="list-style-type: none"> Loss of patients Loss of competitive advantage Loss of market leading position 	<ul style="list-style-type: none"> Benchmarking and monitoring technological advances globally, and invested in implementation of state-of-the-art medical technologies and facilities across all hospitals Competent clinical engineering team to keep up to date with developments in medical equipment and introduce new technology to maintain high technological standards and continuous investment in medical equipment Systematic training of staff for competent use of existing and new technology

Principal Risk	Implication	Mitigants/Controls
8. Human Capital risks Category: People		
<ul style="list-style-type: none">• Inability to attract, engage and retain qualified personnel• Inadequate or lack of continuous development of key personnel• Employee negligence, conflict of interest, fraudulent activities, or misappropriation	<ul style="list-style-type: none">• Adverse impact on healthcare quality culminates in dissatisfied patient experience• Ineffective service delivery• Lack of smooth operations detrimental to Group’s reputation and brand image	<ul style="list-style-type: none">• Effective sourcing strategies, highly qualified and dedicated recruitment team, employee career path, attractive and competitive salary packages, accommodation facilities and good working environment which aids towards attraction and retention of employees• Dedicated medical education function to focus on and impart extensive training and skills development program and foreign recruitment program• Succession planning for the key executives and monitoring on a periodical basis• Conduct a future leader’s program• Mandatory compliance forms to be submitted by employees including conflict of interest, gift and hospitality, and non-disclosure agreement
9. Financing, Credit, and Liquidity risks Category: Financial and Reporting		
<ul style="list-style-type: none">• Unavailability of capital to finance strategic expansion opportunities• Inability to pay the outstanding balance owing to banks and/or other lending institutions• Failure to recover outstanding amounts due from insurance companies, government and other institutions	<ul style="list-style-type: none">• Financial loss• Adverse effect on day-to-day operations• Unhealthy financial position• Disruptive cash flows	<ul style="list-style-type: none">• Long-term planning of capital requirements and cash flow forecasting• Proactive and strategic partnerships with financial institutions (governmental and non-governmental) relating to funding facilities• Strong follow-up mechanism with dedicated Revenue Cycle Management department for recovery of claims.• Efficient and effective cash management policy
10. Pandemics and Infectious Diseases		
<ul style="list-style-type: none">• Adverse clinical, operational, and business effects caused by a pandemic or infectious disease• Non-compliance with MoH guidelines regarding protocols to be followed during pandemic• Trust deficit of patient in visiting healthcare facility during and post pandemic• Increased cost of providing medical services due to shortage of healthcare supplies and equipment• Medical staff at high risk due to direct contamination• Limited availability of beds and isolation rooms	<ul style="list-style-type: none">• Penalties by regulator and impact on brand image.• Impact on GP% due to high cost of providing medical services• Decline in patient count• Shortage of available medical staff may hinder patient care	<ul style="list-style-type: none">• Invested in implementation of state-of-the-art medical technologies to support remote work, video consultations, online pharmacy, and other patient-centric healthcare services.• Comprehensive infection control strategies.• Vigilant material planning, robust database of primary and secondary suppliers, monitoring market situation to ensure smooth supply of materials at competitive price.• Staff training and rotation programs to ensure smooth reallocation of resources based on requirement.• Patients to be prioritized based on complexity of the case and beds available.



Success Partners

Our people are our greatest asset. We focus on building the best team to provide outstanding care for patients.

Our mission to provide innovative and high-quality healthcare services would not be possible without our diverse and committed workforce, who are the greatest asset our business has. The recruitment and retention of skilled and committed healthcare practitioners translates to an enhanced patient experience and positive clinical outcomes. We believe that best in-class service can be delivered only by staff who feel valued and engaged in their work, and who have the opportunity to learn and continuously develop their skills.

Our Human Resources division aims to create an environment that secures HMG's position as an employer of choice in the sector. To achieve this, the team strives to maintain a diverse, qualified, healthy, and motivated workforce that is relentlessly focused on medical excellence.

Automation tools were employed to optimize our workforce with the goal of improving utilization in future projects and provide management with tools to forecast supply and demand and maintain optimal headcount for all projects

Launch of "Mowadhafi"

A new employee relations management tool, "Mowadhafi", was developed to improve the work environment, resolve workplace issues, measure employee satisfaction and morale, improve productivity and increase communication.

This year, the HR team, in collaboration with HMG Cloud Solutions developed the Mowadhafi HR service, a comprehensive online platform to improve employee satisfaction rates, streamline HR services, support talent development, along with the launch of an e-learning platform for all staff, supporting HMG's commitment to continuous medical education and to remain connected to employees remotely.



15+

Average years' experience of physicians

100+

recruiting offices worldwide

30%

Saudization rate

4+ years

Physician retention rate

90+

nationalities

13,000

employees

"Mowadhafi" platform benefits

- Reduction of HR related costs
- Simplification of HR services
- Increased efficiency of HR services
- Tracking and monitoring
- Reduce time spent on HR requests

Platform results

1,300+

tickets serviced in the first two months

22

average service hours

Improving Processes

This year, the HR team launched several initiatives to strengthen the talent pool and optimize resources while engaging people across the organization.

Modified department structures were rolled out to enhance staff utilization, efficiency, and productivity. The newly developed structures resulted in cost optimization, improved reporting structures and set a clearer path for career progression. The promotions and salary increment cycle were automated to ensure consistent and efficient performance evaluation of staff. The automation also resulted in enhanced employee records, a defined approval authority, consistent links between rewards and results and lower operating costs.

Developing our Capabilities

We offer our employees benefits and opportunities over and above remuneration. This includes our investment in training and development, focusing on addressing the skills gap in Kingdom of Saudi Arabia. This year, an e-learning platform was launched to increase employee and improve engagement with knowledge programs. Our training programs align to our succession plans and evolving skillset required to achieve HMG's strategic objectives.

Our leadership and management development programs are focused on improving employee skills for a smooth transition to higher management in order to better manage business units and support employees.

Employee Wellness

The health and safety of HMG employees play a significant role in sustainably delivering quality care to our patients - a reality that became clearer with the outbreak of Covid-19. HMG recognizes the importance of the wellbeing of its employees and believes in building sound wellness practices and encourages a culture of safety within the workplace. This year, the HR department led several initiatives tailored to meet staff needs with the aim of improving our staff's work environment including:



- Discounted fitness and leisure packages
- Wellness educational programs
- Facilities for seamless money transfer to home countries
- Installation of vending machines and facilitation of grocery delivery to Nursing accommodation
- Participation by staff in sporting events

Remuneration and Rewards

Our remuneration philosophy rewards employees for their contribution to the Group and supports our ability to attract and retain talent at all levels of the organization. Remuneration decisions are linked to individual and team performance as well as values and behaviors that promotes patient-centric care.

A new nursing salary scale has been introduced to attract and retain nursing staff, which has become more and more challenging in a competitive market. Other incentives include a clear career path, enhancements to the working environment and recruitment campaigns. For all staff, a digital on-boarding system was set up to promote a better working environment and provide new employees all the tools they need during their first week. The paperless system expedited the hiring process, reduced onboarding time and improved recruitment efficiency.

The Way Ahead

In 2021, the Group will remain committed to empowering the HR function to implement innovative solutions to attract and retain the best talent in the market. With enhanced technology and processes now in place, the HR department will continue to implement solutions to automate all manual processes, enhance the "Mohemm" and "Mowadhafi" services and invest in e-learning for employees. The HR department also intends to conduct an internal employee survey to assess staff views on working conditions, pay, company culture and employee relations, and develop a plan to address identified gaps.

Sustainability

HMG aims to become the most trusted healthcare provider in medical excellence and patient experience globally. We are committed to the wellbeing of the communities we serve and take a broader approach to value creation by looking beyond our own facilities. By focusing on developing the skills of Saudi Arabia's healthcare workforce, participating in health initiatives around the country, providing lifesaving medical care, and advancing medical research, HMG directly contributes to the wellbeing of society in Saudi Arabia and the GCC.

Health Awareness and Pioneering Care

HMG is proud to support the communities by providing best in-class medical care. This year, we played a key role in fighting the spread of the Covid-19 virus, while also continuing to provide pioneering care and promote health awareness. In 2020, we carried out several awareness programs including a country-wide breast cancer campaign in partnership with Zahra Association and a Covid-19 campaign to improve awareness about the virus' symptoms to help reduce contagion.

Breast Cancer Awareness

In 2020, we launched the Amnesty Wellness campaign in cooperation with Zahra Association to raise awareness of breast cancer and the need for early detection. HMG donated SAR 5 million to the campaign, which was carried out at a national level through social media. We also provided mammograms, with a 77% discount extended to patients. Face masks were provided to spread awareness of the campaign, and people across the country were encouraged to support the cause by buying masks in support of breast cancer patients.

Covid-19 Awareness

HMG launched an educational campaign across the country with the aim of containing the spread of the Covid-19 virus. The campaign included educational material on how to prevent infection, symptoms to look out for, and support for infected patients. The campaign was launched through social media and HMG facilities, and was rolled out in multiple languages to ensure it was accessible to the diverse resident community in Saudi Arabia.

The Kingdom's First All-Female Paramedic Team

HMG recruited and trained Saudi Arabia's first female paramedic team, which worked alongside the Rapid Response Team to provide emergency services for urgent cases and transport female patients around the clock. The team worked in partnership with the Tele-Emergency Center to coordinate all emergency responses.

Saudi Arabia's Leader in Medical Education and Research

HMG provides regular training courses to employees and healthcare professionals across the country. We are committed to advancing medical care in the Kingdom, empowering the development of the Saudi national healthcare workforce, and addressing the existing talent gap in the market.

Continuous Medical Education (CME)

Professional development is key to our growth. Every year, HMG hosts hundreds of CME trainings that are accredited by the Saudi Commission for Health Specialties. Although the Covid-19 pandemic affected the number of CME activities conducted during the year, with the introduction of virtual trainings HMG was able to deliver on its commitment to medical education.



In 2020, HMG organized 146 CME programs for healthcare professionals across Saudi Arabia. These benefited more than 7,600 participants, giving them access to 325 hours of valuable knowledge and insights. Training and conferences include:

- The Fifth International Critical Care Conference – 36 CME hours
- Electrocardiogram Basic Course - seven lectures – 8 CME hours
- 21st Intensive Pediatric Course – 20 CME hours
- International Conference on Emergency Medicine – 25 CME hours
- International Neurology Conference – 28 CME hours
- Fourth International Conference on Patient Safety in Critical Care – 30 CME hours

Residency and Fellowship

HMG's Residency and Fellowship Program is the largest medical residency program in the Kingdom with more than 16 programs accredited by the Saudi Commission for Health Specialties. In 2020, 33 new trainees were enrolled with a total of 87 trainees currently part of the program. This year, HMG launched the first private sector ICU residency and fellowship program. The pass rate for trainees stood at 99.3%, amongst the highest scores in the country. In 2021, the program will be extended to Olaya, Takhassusi, Suwaidi and Khobar.

Cardiopulmonary Resuscitation Center

HMG's Cardiopulmonary Resuscitation (CPR) Center is accredited by the American Heart Association and Saudi Heart Association to provide courses, such as heart aid, first aid, basic life support, advanced life support, advanced life support for children and other courses. To date, the center has held more than 7,000 courses with more than 45,000 participants.

In 2020, the center held 798 courses and hosted 4,187 trainees, and also successfully completed 72 courses including 633 trainees through an agreement with the Ministry of Health. In response to the Covid-19 pandemic, the center conducted trainings online.

In 2021, the center aims to increase the adoption of online platforms for advanced CPR courses and promote awareness with the Ministry of Health hospitals and private entities regarding CPR training.

Undergraduate Training

The undergraduate training program is responsible for skills development for all students and interns from government and private universities and colleges. Through its agreements with 12 universities the program trained 824 students in 2020. This year HMG also signed an agreement with Al Farabi College to welcome its undergraduate students.

Training Center

HMG’s Training Center plays a key role in promoting the personal and behavioral development of all employees of the Group. The center is responsible for conducting personal skills and leadership skills courses, as well as English language and medical terminology courses. The center oversees cooperation agreements with well-known international companies, such as General Electric, to provide leadership training courses for health service coordinators, managers, and patient relations staff.

Health-Informatics

Cloud Solutions provided an internship training program for 26 health informatics students from nine different universities.

At the Heart of Medical Research

HMG’s research center works to contribute to global medical knowledge that is most relevant to Saudi Arabia’s people, communities, and national welfare. The center is licensed by the National Committee of Bio and Medical Ethics and follows international ethical standards through its Institutional Review Board (IRB).

In 2020, four issues of the journal were published with 34 research articles covering various areas of research. Furthermore, the research center published 10 articles and reviewed 72 research proposals.

4 Issues 34 articles published

72 submissions to Institutional Review Board 10 research papers published

SAR 31.68 million value of medical services for patients in need

In an effort to reward researchers who have contributed to Saudi Arabia’s Vision 2030 goals, HMG has launched an award for Excellence in Scientific Research. With awards ranging from SAR 150,000 to SAR 500,000 for the first place, HMG aims to recognize Saudi Arabia’s greatest scientific minds.

This year, HMG also launched an initiative to support Covid-19 research, with grants provided to researchers advancing understanding of the virus and devising methodologies to contain the pandemic.

Committed to Our Stakeholders

HMG is committed to the communities it operates in, to its patients, employees, and the environment. We are proud to be serving the communities we operate in, by deploying resources and our talented staff to improve the lives of those who are less fortunate. In 2020, HMG provided over SAR 31.68 million of medical services for critical cases, surgeries, treatments, and medications to patients in need.

In addition, HMG continued to participate and conduct many campaigns in 2020 for its stakeholders, including:

- International Epilepsy Week
- World Patient Safety Day
- International Nurses Day
- World Breastfeeding Week
- World Immunization Week
- Breast Cancer Awareness
- World Diabetes Day
- World Prematurity Day
- Heart Smart Campaign
- Super Healthy Kids Campaign
- Saudi National Day Event
- UAE National Day Event
- Corporate Partner Events

Promoting Investor Relations Best Practices

In addition to its involvement in the investor community, the IR function engaged with the local student community to promote IR best practices and share HMG’s success story to inspire young finance students.

During the year, the IR team participated in:

- **The Bloomberg and Misk Conference**
HMG formed part of the Bloomberg and Misk Academy which seeks to equip the next generation of Saudi leaders with financial expertise. The HMG IR team supported Bloomberg Player Types, a four-part webinar series that aims to introduce students to real world professionals who are currently doing the jobs they aspire to do. The IR team was involved in an educational session with students to discuss the role of IR and demonstrate how the Bloomberg terminal is used, providing students a view on real-world applications of financial tools.
- **Saudi CFA Society Research Challenge**
The CFA Society Saudi Research Challenge gave local university students the opportunity to learn best practice in equity research through hands on mentoring and intensive training in company analysis. In 2020, 10 teams from seven universities in Saudi Arabia participated in the local challenge. This year, HMG was involved as a case study company, and students were tasked with analyzing the Company and preparing an evaluation report following the methodology usually applied by sell-side analysts.

Our Future Commitment to ESG

Environmental, Social and Governance (ESG) factors are growing in significance for companies around the world and are becoming critical to investor decision-making. Global sustainability challenges

and new risk factors mean companies are reassessing their businesses and investors are re-evaluating investment approaches.

There has been an uptick in interest from investors in companies that address environmental and social issues. Funds that invest according to environmental, social and governance principles attracted net inflows of USD 71.1 billion globally between April and June 2020¹¹, pushing assets under Management in the products to a new high of just over USD 1 trillion, according to Morningstar.

The maturing ecosystem of non-financial reporting framework and data providers has made ESG comparative analysis and benchmarking increasingly feasible. Initiatives such as the United Nations Sustainable Development Goals (SDGs) and other international frameworks from the GRI, SASB, and TCFD have created a supportive environment that has aided in the development of a common language.

In 2021, HMG will take the first steps in its journey towards formally integrating ESG metrics into its business and reporting practices. During the year, we will be conducting an in-depth ESG benchmarking exercise to understand our strengths and weaknesses against local and international peers. Based on these findings, we will conduct a detailed materiality assessment on what environmental, social, and governance-related issues are most material to our internal and external stakeholders, and how we can address them in the future.

Based on these findings, we intend to establish a framework to integrate ESG into our business practices and to measure and report on our ESG performance. We look forward to providing a higher level of disclosure to stakeholders in the months and years ahead.

ESG program timeline



¹¹Morningstar data



Governance

▶ Contents

Introduction	80
HMG and its Subsidiaries	84
Board of Directors, Committees and Executive Management	87
Shareholder Information	117
Related Party Transactions	118
Dividend Policy	122
Main Transactions, Investments and Other Events	123
Statutory Payments	124
Compensation and Remuneration	125
Summary of Assets, Liabilities, and Business Results	129
Loans	130
Statement of the Board of Director’s Responsibilities	131

Governance

1. Introduction

A. Corporate Governance

HMG’s sound corporate governance framework aims to maintain the accountability and integrity of our business, in the interest of all stakeholders. Best practice governance is at the heart of our operating model, enabling the Group to attract highly qualified Board Members, as well as the most competent, experienced and visionary management team.

Our governance framework has been developed to comply with the Global Corporate Governance standards, practices and the local regulations issued by the Saudi Capital Market Authority (CMA). Effective and transparent corporate governance supports the effective delivery of HMG’s strategy, ensuring the business is run sustainably, to the highest ethical standards and with a focus on value creation.

The foundation of HMG’s corporate governance framework is regulations and policies that promote transparency, accountability, and competence, with the transparent and effective separation of company management and supervision between HMG’s Board and its four Committees.

The Board has set the Group’s governance principles, policies, supervision and review when needed, based on any amendments to regulations, global regulations or best practices; to ensure that the Group complies with relevant practices and regulations, and to protect the rights of our shareholders and stakeholders to achieve fairness, competitiveness, and transparency in the market and work environment, keeping pace with the economic development of Saudi Arabia. At the same time, it promotes the growth and sustainability of the business.

HMG has a track record of following a framework that balances financial performance with ethical business practices toward all stakeholders. The Group has responded to opportunities and challenges with the goal of keeping its position as the most trusted healthcare provider in medical excellence and patient experience in the region. We are committed to the wellbeing of our communities and have adopted initiatives that bring together a range of sustainability programs.

In line with the existing and newly developed financial, economic and investment legislation in Saudi Arabia, the Board has formed three committees to assist it in performing its duties, in addition to the Audit Committee formed by the General Assembly of the Company. The following are the formed committees in the Group:

- Audit Committee
- Executive Committee
- Nomination and Remuneration Committee
- Patient Safety and Quality of Care Committee

Further, in line with the Company objective to set adequate procedures, controls and systems that would enable the Company to achieve good governance that ensures control and accountability in relation to the activities of the Company and its employees in a manner commensurate with the risks involved in these activities, and in implementation and in compliance with the Corporate Governance Regulations and other related laws and regulations, in addition to the principles of international governance and best practices, the Company has adopted and approved the following, policies and regulations:

- Audit Committee Charter.
- Nomination and Remuneration Committee Charter.
- Remuneration Policy for the Board, Committees, and Executive Management.
- Policies, Standards and Procedures for Board Membership.
- Patient Safety and Quality of Care Committee Charter.
- Executive Committee Charter.
- Board of Directors Charter.
- Conflict of Interest Policy.
- Internal Audit Operational Manual.
- Related Parties Transactions Manual.

- Transparency and Disclosure Policy.
- Investor Relations Manual.
- Shareholders’ Manual.
- Code of Conduct.
- Social Responsibility Policy.
- Competing Business Standards.

B. Compliance Program

High standards of trust and integrity between the Group and its clients are a top priority and important pillars upon which the Group builds its reputation amongst its clients and stakeholders. The protection of this reputation in all activities carried out by the Group must be firmly rooted in the minds of the Group’s personnel. This requires them to have a high level of trust, integrity and professionalism while carrying out the tasks assigned to them, and their behavior must be committed to the letter and spirit of the laws, regulations and instructions governing the Group’s activity.

The Compliance Program is a practice driven to enhance the application of good governance that was implemented in the Group. Compliance carries out an independent function of identifying and assessing the risks of non-compliance, providing advice and guidance, monitoring and preparing reports on compliance and potential risks to the Group as a result of any failure to comply with the applicable laws, regulations, Codes of Conduct, medical standards, and sound standards and practices, and submit these reports to the competent department in the Group.

In application of best practices, the Group’s employees are required to disclose, via an electronic form, a conflict of interest form annually. Further, the Group’s employees, clients, or any third party can report anonymously any unethical or unlawful incidents or activities via an electronic form, and they are investigated in a manner that ensures the confidentiality of the reporter in accordance with the approved whistleblowing policy. At the Group, the current and new employees are required to familiarize themselves with the Codes of Conduct and related information technology policies and review them annually, and the Group trains its employees annually on compliance and ethics and information security, where the rules of the Code of Conduct, the whistleblowing policy, and information technology security are duly explained to ensure their application.

In the chapter that follows, information is provided on HMG’s governance framework; on the principal activities, composition and experience of the Board and the Executives; on the roles and responsibilities of its Committees; and on the Board’s operations and factors that affect the Company’s businesses.

C. Corporate Governance Statement

The Board adopted the Transparency and Disclosure Policy and procedures, which includes procedures which grant the Shareholders the right to enquire, request information and to receive answers to their enquiries provided they do not harm the interests of the Company. Further, the Board confirms that during the year, the Board did not receive any suggestions or comments about the Company or its performance from shareholders.

In line with best practice in corporate governance, and as a general rule, the Group committed to facilitate the Shareholders to exercise all their statutory rights related to shares in full, by providing suggestions or comments about the Group and its performance, as well as answering shareholders’ questions and enquiries during the Group’s General Assembly Meetings, or through shareholder affairs in the Group. Further, the Board reviews and discusses any comments or opinions that it receives.

Governance (continued)

1. Introduction (continued)

D. Implementation of Provisions of CGR

The Company implemented all provisions of the Corporate Governance Regulations issued by the Capital Market Authority, except the provisions listed below:

Article/paragraph number	Article/paragraph stipulates the following	Reason for not being implemented
Article 41: The Assessment Paragraph no. (e)	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.	Guiding article: the Company is currently evaluating and considering the selection of a competent external body to assess the performance of the Board in line with the best practice.
Article 54: Audit Committee Formation Paragraph no. (b)	The Chairman of the Audit Committee shall be an Independent Director.	Guiding paragraph: the Board considers that the formation of the Audit Committee consisting of three members, including one of the Board’s independent members, and two members from outside the Board, will achieve independence, which enhances the efficiency of the Committee’s work. It should be noted that the Committee chose a member from outside the Board as its Chairman, based on its approved Charter.
Article 70: Composition of the Risk Management Committee	The Company’s Board shall, by resolution therefrom, form a committee to be named the “Risk Management Committee.” The Chairman and the majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	Guiding article: the Board considers that there is no need for a Risk Management Committee, as its scope is covered by other committees such as the Audit Committee and the Patient Safety and Quality of Care Committee.
Article 71: Competencies of the Risk Management Committee	Competencies of the Risk Management Committee	Not applicable, as the Company has not established a Risk Management Committee.
Article 72: Meetings of the Risk Management Committee	The Risk Management Committee shall convene periodically at least once every six months, and as may be necessary.	Not applicable, as the Company has not established a Risk Management Committee.
Article 85: Employee Incentives Paragraphs no. (2) and (3)	<p>The Company shall establish programs for developing and encouraging the participation and performance of the Company’s employees. The programs shall particularly include the following:</p> <ol style="list-style-type: none">establishing a scheme for granting the Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such program; andestablishing social organizations for the benefit of the Company’s employees.	Guiding paragraphs: the Company is currently evaluating and considering the implementation of these paragraphs.
Article 88: Social Initiatives	<p>The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company, which include:</p> <ol style="list-style-type: none">establishing indicators that link the Company’s performance with its social initiatives and comparing it with other companies that engage in similar activities;disclosing the objectives of the Company’s social responsibility to its employees, and raising their awareness and knowledge of social responsibility;disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company; andestablishing awareness programs for the community to familiarize them with the Company’s social responsibility.	Guiding article: the Company undertakes many initiatives and programs in the field of social initiatives, and also discloses those programs and initiatives in the relevant reports, but the Company has not established key performance indicators that measure the Company’s social initiatives and compare it with other companies that engage in similar activities.
Article 95: Formation of a Corporate Governance Committee	If the Board forms a Corporate Governance Committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such a committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	Guiding article: the Board considers that there is no need for an independent committee for Corporate Governance, as its scope is covered by other committees and departments.

Governance (continued)

2. HMG and its Subsidiaries

The Group has been conducting its business for more than 25 years and is one of the largest providers of private healthcare services in the Kingdom and the region. The Group's principal activities are setting up, managing and operating medical facilities, pharmacies, and medical diagnostic and radiological laboratories. The Group currently conducts its business through the operation and management of seven healthcare facilities, namely: (1) Olaya Medical Complex, which consists of (a) Olaya Medical Complex, Bone, Joint and Spine Hospital, (b) Al Mustaqbal Hospital, and (c) IVF Center, (2) Dubai Hospital, (3) Suwaidi Hospital, (4) Qassim Hospital, (5) Khobar Hospital, (6) Al Rayan Hospital, and (7) Takhassusi Hospital.

The Group also provides management and operating services to third parties where it operates and manages the UMC in Bahrain. The Group also owns Al Afia Pharmacies Company and the Middle East Pharmacies Company through which the Group manages and operates pharmacies within the Group's healthcare facilities in the Kingdom and owns Pharma Choice, through which it operates and manages the Group's pharmacy in Dubai.

In addition, the Group also carries out other business areas such as home healthcare, establishing and operating diagnostic medical laboratories (MD LAB), maintenance of facilities, providing information technology systems, and operating intensive care rooms for healthcare facilities owned by others, whether from the government or private sector.

A. Main Scope of Business Segmentation for HMG, its Subsidiaries, and its Contribution to the Results

1. Healthcare facilities

The Group operates and manages six healthcare facilities in the Kingdom and one healthcare facility in Dubai, with a capacity of 1,913 beds and 1,371 outpatient clinics as of 31 December 2020. The Group also provides management and operation services to others, as it operates and manages the UMC affiliated with King Abdullah Medical City in the Kingdom of Bahrain.

2. Pharmaceutical facilities

The Group carries out pharmaceutical businesses by operating and managing 14 pharmacies in its healthcare facilities in the Kingdom and Dubai, providing more than 14,000 diverse medical and consumable products that include all kinds of medicines and medical and cosmetic supplies to cover patients' needs.

3. Solutions sector

The Group provides several other healthcare and support services to the Group and to others through the operation and management of the Diagnostic Medical Laboratory Company and the Home Healthcare Company, where it operates home healthcare services, and operates intensive care departments in six healthcare facilities of the MOH in five cities in the Kingdom, specifically in Jeddah, Medina, Buraidah and Al Kharj and Qatif. In addition, it provides health information technology systems services through its subsidiary, Cloud Solutions for Communications and Information Technology Company, which provides modern health technology systems to serve clients, improve patient experience, and increase operational efficiency.

The effect of the main activities on the Company's business, and their contribution to the results are as follows:

		Activity Revenue, in Saudi Arabian Riyals (SAR) (The numbers are rounded to the nearest million Riyals)	Percentage
Activity (1)	Healthcare Facilities	4,602	78.5%
Activity (2)	Pharmaceutical Facilities	1,001	17.1%
Activity (3)	Solutions Sector	259	4.4%
Gross		5,862	100%

B. Affiliate Companies

The Company owns shares and/or stakes in several other companies, and the following table shows the details and percentages of the Company's ownership in those companies.

No.	Affiliate Company name	Capital	Company's ownership percentage	Main scope of business	Country of operation	Country of incorporation
1	Al Afia Pharmacies for Medicines Company	SAR 500,000	100	Managing and operating pharmacies	Saudi Arabia	Saudi Arabia
2	Antab Al Riyadh for Operation and Maintenance Company	SAR 500,000	100	Ancillary maintenance and operation services in support of the Company's business	Saudi Arabia	Saudi Arabia
3	Cloud Solutions International Private Limited Company	LKR 5 million	100 (completely owned by Hulool Al Sahaba for IT & Communication Company)	Information Technology services	Sri Lanka	Sri Lanka
4	Hulool Al Sahaba for IT and Communications Company	SAR 10,000,000	100	Information Technology services	Saudi Arabia	Saudi Arabia
5	Dr. Sulaiman Al Habib Hospital FZ – LLC Company	AED 500,000	100	Private healthcare facility	United Arab Emirates	United Arab Emirates
6	Home Healthcare Company	SAR 500,000	100	Home healthcare	Saudi Arabia	Saudi Arabia
7	Sehat Al Olaya Medical Complex Company	SAR 500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
8	Gharb Jeddah Hospital Company	SAR 500,000	50	Private healthcare facility	Saudi Arabia	Saudi Arabia
9	Al Mokhtabarat Diagnostic Medical Company	SAR 500,000	100	Diagnostic laboratory	Saudi Arabia	Saudi Arabia
10	Asharq Al Awsat Pharmacies Company	SAR 500,000	100	Managing and operating Pharmacies	Saudi Arabia	Saudi Arabia
11	Al Muhammadiyah Hospital for Healthcare Company	SAR 500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
12	Pharmachoice Pharmacy	AED 100,000	100 (completely owned by Dr. Sulaiman Al Habib Hospital FZ – LLC)	Managing and operating pharmacies	United Arab Emirates	United Arab Emirates
13	Buraidah Al Takhassusi Hospital for Healthcare Company	SAR 3,704,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
14	Al Wosta Medical Limited Company	SAR 2,000,000	50	Private healthcare facility	Saudi Arabia	Saudi Arabia
15	Al Rayan for Maintenance and Operation Company	SAR 500,000	100	Ancillary maintenance and operation services in support of the Company's business	Saudi Arabia	Saudi Arabia
16	Al Rayan Hospital for Healthcare Company	SAR 31,500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
17	Shamal Al Riyadh for Healthcare Company	SAR 500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
18	Sehat Al Suwaidi Medical Company	SAR 50,000,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
19	Al Gharb Al Takhassusi for Healthcare Company	SAR 75,000,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
20	Sehat Al Sharq Medical Limited Company	SAR 100,000,000	50	Private healthcare facility	Saudi Arabia	Saudi Arabia
21	Intensive Care Company for Healthcare	SAR 500,000	100	Providing management and operation services for Critical Care facilities	Saudi Arabia	Saudi Arabia
22	Al Marakez Al Awwalyah for Health Care Company	SAR 500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
23	Rawabet Medical Company	SAR 500,000	100	Providing telemedicine services	Saudi Arabia	Saudi Arabia
24	Taswyat Management Company	SAR 3,000,000	100	Providing revenue cycle management services	Saudi Arabia	Saudi Arabia

Governance (continued)

2. HMG and its Subsidiaries (continued)

C. Associate Companies

The Company owns shares and/or stakes in several associate companies, and the following table shows the details and percentages of the Company’s ownership in those companies

No.	Associate company name	Capital (SAR)	Company’s ownership percentage	Main scope of business	Country of operation	Country of Incorporation
1	Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company	500,000	50	Managing and operating dental clinics	Saudi Arabia	Saudi Arabia
2	Serco Saudi Services LLC Company	500,000	40	Ancillary maintenance, support and operation services	Saudi Arabia	Saudi Arabia

Below are the share details for each subsidiary or associate company. There are no debt instruments issued by the subsidiary companies or associates.

No.	Associate company name	Shares/ordinary shares
1	Al Afia Pharmacies for Medicines Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
2	Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
3	Antab Al Riyadh for Operation and Maintenance Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
4	Serco Saudi Services LLC Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
5	Cloud Solutions International Private Limited Company	500,000 shares, each valued at 10 Sri Lankan Rupees (LKR 10)
6	Hulool Al Sahaba for IT and Communications Company	10,000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
7	Dr. Sulaiman Al Habib Hospital FZ – LLC Company	500 shares, each valued at one thousand Emirati Dirham (AED 1,000)
8	Home Healthcare Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
9	Sehat Al Olaya Medical Complex Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
10	Gharb Jeddah Hospital Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
11	Al Mokhtabarat Diagnostic Medical Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
12	Asharq Al Awsat Pharmacies Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
13	Al Muhammadiyah Hospital for Healthcare Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
14	Pharmachoice Pharmacy	100 shares, each valued at one thousand Emirati Dirham (AED 1,000)
15	Buraidah Al Takhassusi Hospital for Healthcare Company	3,704 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
16	Al Wosta Medical Limited Company	2000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
17	Al Rayan for Maintenance and Operation Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
18	Al Rayan Hospital for Healthcare Company	31,500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
19	Shamal Al Riyadh for Healthcare Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
20	Sehat Al Suwaidi Medical Company	50,000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
21	Al Gharb Al Takhassusi for Healthcare Company	75,000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
22	Sehat Al Sharq Medical Limited Company	100,000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
23	Intensive Care Company for Healthcare	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
24	Al Marakez Al Awwalyah for Health Care Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
25	Rawabet Medical Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
26	Taswyat Management Company	3000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)

3. Board of Directors, Committees, and Executive Management

A. Board of Directors Composition

The Company’s Board consists of nine members:



Dr. Sulaiman Abdulaziz Al Habib, Group Founder and Chairman

Membership Type

Non-Executive member

Date of Appointment (Current term)

10 December 2018

Professional Experience and Skills

Dr. Sulaiman Al Habib is the Chairman of the Board and the founder of the Group and currently serves in the following capacities:

- Member of the Board of Trustees of the National Museum since July 2020;
- Chairman of the Board of Managers at Dr. Sulaiman Al Habib Commercial Investment Company since 2007; and
- Member of the Board of Managers at Mohammad A. Al Habib & Partners Co. for Real Estate Investment since 2006;

Dr. Sulaiman Abdulaziz Al Habib has also served in the following capacities:

- Chairman of the Board of Managers at the National Pharmacies Inc. “Whites,” from 2008 to 2019.
- Head of the Medical Committee of Riyadh Chamber of Commerce from 2004 to 2008;



Mr. Mazen Abdulrazzaq Al Rumaih, Vice Chairman

Membership Type

Independent member

Date of Appointment (Current term)

10 December 2018

Professional Experience and Skills

Mr. Mazen Al Rumaih is the Vice Chairman of the Group and currently serves in the following capacities:

- Chairman of the Board and Chairman of the Executive Committee of the Saudi Fransi Bank since 2019;
- Member of the Board of Directors of the Saudi Tourism Authority since 2020;
- Member of the Board of the Local Content & Government Procurement Authority since 2020;
- Member of the Board of the Real Estate Development Fund since 2020; and
- Member of the Board of the Saudi Arabian Airlines Public Corporation since 2020;

- Head of the Department of Pediatrics at the Security Forces Hospital in Riyadh from 1988 to 1991;
- Part-time Consultant at the Ministry of Health in the Kingdom of Saudi Arabia from 1985 to 1989; and
- Chief Medical Officer at King Khalid University Hospital in Riyadh from 1986 to 1988.

Qualification

Dr. Sulaiman Al Habib earned a Bachelor’s degree in Medicine and Surgery from the College of Medicine at King Saud University in Riyadh in 1977. He has a fellowship in Pediatrics from the British Royal College of Physicians in 1984.

Committee Memberships

Not Applicable

Mr. Mazen Al Rumaih has also served in the following capacities:

- Member of the Board of Al Yamamah Steel Company from 2014 to 2015;
- Chairman of the Board of Saudi Fransi Capital from 2016 to 2020;
- Member of the Board of the Capital Market Authority (CMA) from 2009 to 2014;
- Chief Executive Officer (CEO) of Samba Capital & Investment Management Company from 2008 to 2009; and
- Director General of Corporate Finance Department at the Capital Market Authority (CMA) from 2004 to 2007.

Qualification

Mr. Mazen Al Rumaih earned a Bachelor’s degree in Accounting and Financial Management from Buckingham University in Britain in 1994.

Committee Memberships

Chairman of the Executive Committee

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)



Mr. Ubaid Abdullah Al Rasheed, Board Member

Membership Type
Independent member

Date of Appointment (Current term)
10 December 2018

Professional Experience and Skills

Mr. Ubaid Al Rasheed is a member of the Board of the Group and currently serves in the following capacities:

- Head of Retail and Private Banking Services and the Deputy Chief Executive Officer (CEO) of the Arab National Bank since 2011;
- Member of the Board of Saudi Home Loans Co. since 2010;
- Chairman of the Board of Directors of Al-Arabi Heavy Equipment Lease Co. since 2010; and
- Vice Chairman of the Saudi Chemical Company since 2013;
- Mr. Ubaid Al Rasheed has also served in the following capacities:
- Member of the Board of Tabuk Cement Company from 2005 to 2013; and

- Member of the Board of Malath Cooperative Company from 2010 to 2017,

Qualification

Mr. Ubaid Al Rasheed earned a Bachelor's degree in Business Administration from San Jose State University, California, USA in 1983.

Committee Memberships

Chairman of the Nomination and Remuneration Committee



Mr. Ziad Fouad Al Saleh, Board Member

Membership Type
Independent member

Date of Appointment (Current term)
10 December 2018

Professional Experience and Skills

Mr. Ziad Al Saleh is a member of the Board of the Group and currently serves in the following capacities:

- Chief Operations Officer of Abdul Kadir Al-Muhaidib & Sons Company since 2020;
- Member of the Board of Managers of Mayar Food Company since 2018;
- Member of the Board of J.P. Morgan Saudi Arabia Company since 2016;
- Member of the Board of Riyadh Cables Company since 2014;
- Member of the Board of Managers of Al-Romansiah Restaurant since 2014;
- Member of the Board of Managers of Dar Al Zahrawi Medical Supplies Company since 2013;
- Member of the Board of Pioneers Holding Company since 2012; and
- Board Member of Abdul Kadir Al-Muhaidib & Sons Company since 2009;

Mr. Ziad Al Saleh has also served in the following capacities:

- Vice Head of Food and Consumer Investments of Abdul Kadir Al-Muhaidib & Sons Company from 2016 to 2020; and
- Senior Manager - Private and Public Equity and Head of Merger & Acquisition Department at Abdul Kadir Al-Muhaidib & Sons Company from 2004 to 2016.

Qualification

Mr. Ziad Al Saleh earned a Master's degree in Business Administration with a financial specialization from the University of Geneva, Switzerland in 2004, and a Bachelor's degree in Business Administration from the University of Miami in the United States in 2002.

Committee Memberships

Member of the Audit Committee



Eng. Saleh Mohammed Al Habib, Board Member

Membership Type
Non-Executive member

Date of Appointment (Current term)
10 December 2018

Professional Experience and Skills

Eng. Saleh Al Habib is a member of the Board of the Group and currently serves in the following capacities:

- General Director of AlJawhara AlKubra Company since 2018;
- General Director of Jawaher Al Gharbia Real Estate Development and Investment Company since 2018;
- Board Member and Chairman of the Executive Committee of Andalus Property since 2018;
- Board Member of Al-Hayat Real Estate since 2018;
- Member of the Board of Managers of Almasa Al Khadraa Real Estate Development and Investment Company since 2018;
- Member of the Board of Managers of Manafaa Al Andalus Company since 2017;
- Chairman of the Board of Managers of Awal Energy Solutions Company since 2017;
- Member of the Board of Managers of Jawharat Al Bahr Investment Company since 2017;
- Chairman of the Board of Managers of Qawaed Modern Technology for Information Technology Company since 2017;
- Chairman of the Board of Managers of Ebdaa Taiba Real Estate Development Company since 2017;
- Member of the Board of Managers of West Jeddah Hospital since 2017;
- Chairman of the Board of Managers of Asala Elmarkz Company since 2016;
- Chairman of the Board of Managers of Araqa Elmarkz Company since 2016;
- General Director of Al-Nakheel Housing Company since 2015;
- General Director of Maalem Investment Holding Company since 2014;

- Member of the Board of Managers of Sorouh Almarakiz Company since 2014;
- Board Member and Managing Director of Mohammed Abdulaziz Al-Habib and Sons Holding Company since 2013;
- Board Member of Hamat Holding Company since 2013 and Managing Director since 2011;
- Member of the Board of Managers of Hamat Property Company since 2009, and Managing Director since 2010;
- Member of the Board of Managers of Advanced Markets Company since 2009;
- Member of the Board of Managers and Managing Director of Global Healthcare Company since 2007;
- Member of the Board of Managers and Chief Executive Officer of Mohammad A. Al-Habib & Partner Real Estate Company since 2006;
- Member of the Board of Managers of Burooj International Company since 2005; and
- Member of the Board of Managers of Qawaem for Real Estate Development Company since 2004.

Qualification

Eng. Saleh Al Habib earned a Bachelor's degree in Architecture from King Saud University in Riyadh in 2000.

Committee Memberships

Member of the Nomination and Remuneration Committee, and Member of the Executive Committee

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)



H.E. Nabeel Mohammed Al Amudi, Board Member

Membership Type
Non-executive member

Date of Appointment (Current term)
30 March 2020

Professional Experience and Skills

H.E. Nabeel Al Amudi is a member of the Board of the Group and currently serves in the following capacities:

- Chief Executive Officer (CEO) of Olayan Financing Company (OFC) since 2020;
- Member of the Board of Olayan Saudi Holding Company (OSHCO) since 2020; and
- Member of the Board, member of the Audit Committee, and the Risk and HSE Committee of Saudi Aramco since 2019;
- H.E. Nabeel Al Amudi has also served in the following capacities:
- Minister of Transport of the Kingdom and Chairman of the Board of Directors of the General Authority of Civil Aviation, Public Transport Authority, Saudi Ports Authority, Saudi Railways Organization and Saudi Railways Company from 2017 to 2019;
- Member of the Board, Chairman of the Audit Committee; member of the Nomination and Remuneration Committee at the Red Sea Development Company from 2017 to 2019;
- Member of the Board, Chairman of the Audit Committee; member of the Nomination and Remuneration Committee at Neom Company from 2018 to 2019;
- Member of the Council of Economic and Development Affairs from 2017 to 2019;
- Member of the Board of Directors of the Saudi Center for the Strategic International Partnerships from 2017 to 2019;

- Vice Chairman and President of Saudi Ports Authority from 2015 to 2017;
- Member of the Board for Hapag-Lloyd AG, a German company listed on the Frankfurt Stock Exchange, in 2017;
- Chairman of the Board of Directors of the United Arab Shipping Company from 2015 to 2017;
- Chairman of the Board of Directors of the Saudi Electronic Info Exchange Company, Tabadul from 2016 to 2017;
- President of Aramco Services Company, Houston, TX, from 2013 to 2015;
- President of Saudi Refining Inc. Houston, TX, from 2012 to 2013; and
- An employee of Saudi Aramco from 1995 to 1998, and from 2009 to 2011 during which he held a series of positions progressing through various areas of the Company.

Qualification

H.E. Nabeel Al Amudi earned a Juris Doctor (J .D) from Harvard Law School in 2001 and a B.S. in Chemical Engineering from Stanford University in 1995. H.E. Nabeel Al Amudi is a 2009 graduate of Stanford’s Graduate School of Business Executive Program.

Committee Memberships

Not Applicable



Mr. Nasser Mohammed Al Huqbani, Board Member and Group Chief Executive Officer (CEO)

Membership Type
Executive Member

Date of Appointment (Current term)
10 December 2018

Professional Experience and Skills

Mr. Nasser Al Huqbani is the Group’s President and CEO. Mr. Nasser is also a member of the Board of Directors, and the Chairman of the Boards of managers at all of the Group’s Subsidiaries. Mr. Al Huqbani currently serves in the following capacities:

- Member of the Executive Committee of the National Health Committee of the Council of Saudi Chambers since 2020;
- Member of the Health Insurance Strategic Committee since 2020
- Member of the Saudi-Russian Joint Economic Committee since 2019;
- Member of the Board of Trustees of the Saudi Commission for Health Specialties since 2017;
- Member of the Board of the Saudi Patient Safety Center since 2017;
- Member of the advisory board of the First Health Cluster in Riyadh since 2018;
- Chairman of the Board of Managers of Cloud Solutions for Communications and Information Technology Company since 2013;
- Member of the Board of Managers of Saudi Serco Services Company since 2014; and

- Member of the American College of Healthcare Executives (ACHE), an independent global organization based in the United States of America since 2010.

Mr. Al Huqbani has also served in the following capacities:

- Director of the Division of User Support of the Institute of Public Administration from 1994 to 2000; and
- Lecturer in the Institute of Public Administration from 1992 to 1994.

Qualification

Mr. Nasser Al Huqbani earned a Master’s degree in Office Management from the Institute of Public Administration in Riyadh in 1994 and a Bachelor’s degree in Administrative Sciences and Public Administration from King Saud University in Riyadh in 1992.

Committee Memberships

Member of the Executive Committee

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)



Mr. Faisal Abdullah Al Nassar, Board Member and Group Chief Financial Officer (CFO)

Membership Type
Executive Member

Date of Appointment (Current term)
10 December 2018

Professional Experience and Skills

Mr. Faisal Al Nassar is a member of the Board, and member of the Boards of managers at all of the Group’s subsidiaries. Mr. Al Nassar is the Group’s Chief Financial Officer (CFO) since 2011. Mr. Faisal Al Nassar currently serves in the following capacities:

- Member of the Board of Managers of Saudi Serco Services Company since 2014; and
- Member of the Board of Managers of Cloud Solutions for Communications and Information Technology Company since 2013.

Mr. Al Nassar has also served in the following capacities:

- CFO and Member of the Board and Executive Committee at Roiaa Investment Company (previously ACWA Holding) from 2006 to 2011; and
- Senior Manager at Samba Financial Group from 1999 to 2006.

Qualification

Mr. Faisal Al Nassar earned a Bachelor’s degree in Accounting and Information Systems from the College of Industrial Management at King Fahd University of Petroleum and Minerals in Dhahran in 2001.

Committee Memberships

Member of the Executive Committee



Mr. Hesham Sulaiman Al Habib, Board Member and Vice President of Business Development

Membership Type
Executive Member

Date of Appointment (Current term)
10 December 2018

Professional Experience and Skills

Mr. Hesham Al Habib is a member of the Board and Vice President of Business Development of the Group. Mr. Hesham currently serves in the following capacities:

- Board Member and Member of Audit Committee of Kingdom Holding Company since 2018;
- Member of the Board of Managers of Dr. Sulaiman bin Abdulaziz Al Habib Commercial Investment Company since 2014;
- Member of the Board of Managers of Saudi Serco Services Company since 2014; and
- Member of the Board of Hamat Holding Company since 2012.

Mr. Hesham has also served in the capacity of Director of Business Development in the Group from 2009 to 2014.

Qualification

Mr. Hesham Al Habib earned a Bachelor’s degree in Financial Management from the American University of Sharjah, UAE in 2009

Committee Memberships

Member of the Executive Committee

B. Non-Board Committee Members



Dr. Abdulrahman Sulaiman Al Taraigi

Membership Type
Independent member

Date of Appointment (Current term)
10 December 2018

Professional Experience and Skills

Dr. Abdulrahman Al Taraigi is the Chairman of the HMG Audit Committee, and currently serves in the following capacities:

- Member of the Board of Directors and Chairman of the Nomination and Remuneration Committee at Saudi Investment Recycling Company since 2018;
- Member of the Audit Committee in King Abdullah University of Science and Technology since 2017;
- Board Member and Member of the Audit and Risk Committee in the Agriculture Development Fund since 2015;
- Member of the Nominations and Remuneration Committee at the Arabian Agriculture Services Company (ARASCO), since 2018; and
- Member of the Audit and Risk Committee at Almarai Company since 2013.

Dr. Abdulrahman Al Taraigi has also served in the following capacities:

- Advisor to the Minister of Environment, Water & Agriculture in the Kingdom from 2015 to 2020;
- CEO of the Presidency of Meteorology and Environment (PME) from 2019 to 2020;
- Board Member, the Chairman of the Audit Committee and Risk Committee and member of the Nomination and Remuneration Committee in Arabian Shield Cooperative Insurance from 2013 to 2018;
- Secretary-General of the Board of Directors at Almarai Company from 2004 to 2018;
- Member of the Audit Committee and member of the Nominations and Remuneration Committee of the Arab Agricultural Services Company (ARASCO) from 2016 to 2018;
- Member of the Audit Committee of the Saudi Electricity Company from 2016 to 2018;
- Chairman of the Board of Directors of the Gulf Industrial Development Company from 2011 to 2018;

- Member of the Board of Directors and a member of the Audit Committee of Al Hassan Ghazi Ibrahim Shaker Company from 2013 to 2016;
- Assistant to the CEO at Almarai Company in New Projects from 2009 to 2010;
- General Manager of the Support Services Department in Almarai Company from 2007 to 2010;
- General Director of Human Resources department at Almarai Company from 2004 to 2007;
- Director of HR, Sales and Marketing Department at Almarai Company from 2001 to 2003;
- Director of HR, Operation Department at Almarai Company from 1999 to 2001;
- Head of Production Engineering Department at the Technical and Vocational Training Corporation from 1997 to 1999;
- Vice President of the Arab Students Association in Missouri University of Science and Technology, USA from 1993 to 1996;
- Consultant at Small Enterprise Center of Business Management Department at the University of Missouri, USA, from 1994 to 1995; and
- Associate Professor in College of Technology, affiliated to the Technical and Vocational Training Corporation, from 1986 to 1988.

Qualification

Dr. Abdulrahman Al Taraigi earned a Ph.D. in Engineering Management from the University of Missouri, USA in 1997, a Bachelor’s degree in Engineering Management from the University of Missouri, USA, in 1994, a Master’s degree in Industrial Systems Engineering from the University of Michigan, USA, in 1990 and a Bachelor’s degree in Industrial Systems Engineering from King Saud University, KSA, in 1986.

Committee Memberships

Chairman of the Audit Committee

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)



Mr. Sulaiman Nasser Al Qahtani

Membership Type
Independent member

Date of Appointment (Current term)
10 December 2018

Professional Experience and Skills

Mr. Sulaiman Al Qahtani is a member of the HMG Audit Committee, and currently serves in the following capacities:

- Member of the Board and Managing Director at Maharah Human Resources Company since 2017;
- Member of the Board, Member of the Audit Committee, and Chairman of the Nominations and Remuneration Committee of the Saudi Company for the Production of Clay Pipes since October 2020;
- Member of the Audit Committee at the Saudi Arabian Airlines Public Corporation since October 2020;
- Member of the Audit Committee at Almarai Company since 2010;
- Member of the Audit Committee at Bupa Arabia for Cooperative Insurance since 2018; and
- Member of the Audit Committee at the Saudi Research and Marketing Group since 2018;
- Member of the Board at AlHilal Saudi Club since 2018;

Mr. Sulaiman Al Qahtani has also served in the following capacities:

- Member of the Board and Chairman of the Audit Committee at Maalem Financing Company from 2016 to 2020;
- Member of the Audit Committee at Bank Albilad from 2010 to 2019;
- Member of the Board, and Chief Executive Officer (CEO) at the House of National Consulting Company (HNC) from 2008 to 2020;
- Member of the Nomination and Remuneration Committee and the Risk Committee at the Arabian Shield Cooperative Insurance Company from 2016 to 2017;
- Member of the Board at the Arabian Shield Cooperative Insurance Company from 2014 to 2017;
- Chairman of the Audit Committee at Arab Shield Cooperative Insurance Company from 2014 to 2016;

- Member of the Board of Directors and Chairman of the Audit Committee of Al-Jazirah Home Appliances Company from 2012 to 2013;
- Director of Consulting at Al-Hamid and Al-Nimer Consulting Company from 2006 to 2008;
- Trainer in the financial programs sector at the Institute of Public Administration from 1998 to 2006; and
- Assistant trainer at the Institute of Public Administration from 1994 to 1995.

Qualification

Mr. Sulaiman Al Qahtani earned a Master's degree in Professional Accounting from California State University, USA in 1998 and a Bachelor's degree in Accounting from King Saud University, Riyadh in 1994.

Committee Memberships

Member of the Audit Committee

the Royal Canadian College of Physicians and Surgeons, University of Calgary, Calgary, Canada, 1988, in addition to the American Board in pediatrics from the American Board Association, Seattle, USA, 1988.

Committee Memberships

Member of the Patient Safety and Quality of Care Committee



Prof. Abdullah Sulaiman Al Herbish

Membership Type
Executive member

Date of Appointment (Current term)
16 August 2020

Professional Experience and Skills

Prof. Abdullah Al Herbish is a medical practitioner with extensive experience in private and public healthcare. He joined HMG in 1995 as a part time medical practitioner and started to work with HMG as a full-time medical practitioner from 2009. He served as Professor and consultant at the Department of Pediatrics, Faculty of Medicine, King Saud University from 1982 to 2009

Qualification

Prof. Abdullah Al Herbish earned the Canadian Fellowship in Pediatric Endocrinology and Diabetes from the Royal Canadian College of Physicians and Surgeons, University of Toronto, Toronto, Canada, in 1989, moreover, Prof. Al Herbish earned American Board in Pediatric Endocrinology and Diabetes from the American Board Association, USA, 1989, and the Canadian Fellowship in pediatrics from



Prof. Mahmoud Shahin Al Ahwal

Membership Type
Independent member

Date of Appointment (Current term)
30 May 2019

Professional Experience and Skills

Prof. Mahmoud Al Ahwal is the Chairman of the Patient Safety and Quality of Care Committee of the Group. He is also Dean of the Faculty of Medicine at King Abdulaziz University since 2009. Prof. Mahmoud Al Ahwal currently serves in the following capacities:

- Chairman of the Saudi Medical Colleges Deans' Committee at King Abdulaziz University since 2010;
- Chairman of the Health Personnel Allowances Committee, King Abdulaziz University since 2015;
- Member of the Board of Trustees of the Saudi Commission for Health Specialties since 2015;
- Member of the Center of Innovation in Personalized Medicine since 2015;
- Member of the Center of Excellence for Osteoporosis Research, a center of King Abdulaziz University operating in the field of scientific research since 2013;
- Chairman of the Saudi Medical Colleges Deans' Committee since 2012;
- The Editor of the Saudi Journal of Internal Medicine, a journal of King Abdulaziz University operating in the field of scientific research since 2010;
- Member at the Supreme National Committee for Cancer Control since 2010;
- Member of the Board of Sheikh Mohammed Hussien Al-Amoudi Center of Excellence in Breast Cancer, an entity affiliated to the King Abdulaziz University operating in the field of medical care since 2010;

- Chairman of the Medical Board of King Abdulaziz University since 2009;
- Member of the King Fahd Center for Medical Research since 2009;
- Secretary of the Higher Supervisory Committee at the University Hospital affiliated to King Abdulaziz University since 2009;
- Member of the Board of Wadi Jeddah Company, King Abdulaziz University, since 2015;
- Acting Dean of the College of Medicine at the University of Jeddah since 2014;
- Member of the Gulf Federation for Cancer Control, a regional organization operating in the field of development and support of cancer control programs in the Arabian Gulf region since 2007;
- Local Editor for the Gulf Journal of Oncology, a reference journal in the US National Register operating in the field of scientific research since 2007;
- Professor / Consultant of Medical Oncology at the Faculty of Medicine, King Abdulaziz University since 2006; and
- Member and Founder of Al-Eman Association for the Care of Cancer Patients, a charitable association operating in the field of supporting and caring for cancer patients in need since 2004;

Prof. Al Ahwal has also served in the following capacities:

- Supervisor of the Colorectal Cancer Chair, a Chair of King Abdulaziz University operating in the field of scientific research from 2010 to 2018;

- Vice Dean of the Faculty of Medicine for Clinical Sciences, King Abdulaziz University from 2005 to 2009;
- Associate Professor at Faculty of Medicine, King Abdulaziz University from 1999 to 2006;
- Head of Internal Medicine Department, Faculty of Medicine, King Abdulaziz University from 2001 to 2005;
- Assistant in the Faculty of Medicine, King Abdulaziz University from 1992 to 1999;
- Professor and General Director of Medical Department, King Abdulaziz University from 1993 to 1994; and
- Teaching Assistant at the Faculty of Medicine, King Abdulaziz University from 1987 to 1992.
- Prof. Mahmoud has also published many scientific papers in local and international journals for more than 80 papers in the field of cancerous tumors.

Qualification

Prof. Mahmoud Al Ahwal earned a Bachelor's degree in Medicine and Surgery from King Abdulaziz University Jeddah, Saudi Arabia 1983, and the American Board in Internal Diseases in 1990. Prof. Mahmoud also earned the Canadian Fellowship in Internal Diseases from University of Alberta, Canada, in 1991, and the Canadian Fellowship in Cancer Diseases from University of Alberta, Canada, in 1994.

Committee Memberships

Chairman of the Patient Safety and Quality of Care Committee

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)



Dr. Abdulelah Mohammed Rabe Al Hawsawi

Membership Type
Independent member

Date of Appointment (Current term)
10 November 2019

Professional Experience and Skills

Dr. Abdulelah Al Hawsawi is a member of the Patient Safety and Quality of Care Committee of the Group. Dr. Abdulelah currently serves in the following capacities:

- Advisor at the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) since 2020; and
- Executive Committee Member of the Global Sepsis Alliance (GSA) since 2020;

Dr. Al Hawsawi has also served in the following capacities:

- Director General of the Saudi Patient Safety Center from 2017 to October 2020;
- Consultant HBP Surgeon and Assistant

Professor at King Abdulaziz University from 2012 to 2019;

- Assistant Director General for Technical Affairs at the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) from 2012 to 2016;
- Program Director at King Abdulaziz University from 2012 to 2015;
- Assistant Professor of Surgery at King Abdulaziz University from 2001 to 2019;
- General Surgery Resident from 2002 to 2004 and Intern from 2001 to 2002 at King Abdulaziz University Hospital;
- Transplant and HBP Surgery Fellow, Dalhousie University, New York from 2009 to 2011; and
- Chair of the Organizing Committee of the 4th Global Ministerial Summit on Patient

Safety held in KSA in Jeddah, in 2019.

- Dr. Al Hawsawi has also published many scientific papers, articles, books and chapters in international journals.

Qualification

Dr. Abdulelah Al Hawsawi earned a Bachelor's degree in Medicine and Surgery from King Abdulaziz University in 2001, and Fellowship in Canadian Board in 2009 and American Board in 2010. Dr. Al Hawsawi is also a Certified Surgeon for hepatobiliary organs since 2011.

Committee Memberships

Member of the Patient Safety and Quality of Care Committee



Mr. Ahmed Saleh Al Sudais

Membership Type
Independent member

Date of Appointment (Current term)
30 May 2019

Professional Experience and Skills

Mr. Ahmed Al Sudais is a member of the HMG Nomination and Remuneration Committee and Head of the Human Resources Group at Al-Rajhi Bank since 2019. Mr. Al Sudais also currently serves in the following capacities:

- Independent Member of the Nomination and Remuneration Committee at the Saudi Payments Company since 2020;
- Independent Member of the Nomination and Remuneration Committee at Masik Holding Company since 2018;
- Independent Member of the Nomination and Remuneration Committee at the Saudi Ground Services Company since 2018;
- Independent Member of the Nomination and Remuneration Committee at Mashroat National Program since 2018;
- Member of the Remuneration Committee at the National Development Fund (Saudi Arabia) since 2020;
- Member of the Remuneration Committee at the Tourism Development Fund since 2020;
- Member of the Remuneration Committee at the General Authority for Statistics since 2020;

- Board Member and Member of the Remuneration Committee at Abdullatif Alissa Group since 2018; and Member of the Remuneration Committee at Thakher Investment and Real Estate Development Company Ltd since 2018.

Mr. Al Sudais has also served in the following capacities:

- Vice President of Human Capital at ACWA Power Company from 2017 to 2019;
- Independent Member of the Nomination and Remuneration Committee at HSBC Holding from 2016 to 2019;
- Board Member of Al Amad Company from 2017 to 2019;
- Member of the Board and Chairman of the Nomination and Remuneration Committee at AlYusr Company from 2018 to 2019;
- General Director of Human Resources at the Saudi British Bank from 2012 to 2017;
- Head of Branches and Sales Department at Saudi British Bank from 2011 to 2012;
- Chief Operating Officer of National Air Services Company (NAS) from 2009 to 2011;

- Deputy Managing Director of Saudi Research and Publishing Company from 2006 to 2009;
- Senior Manager of the Branch Network of Saudi British Bank from 2005 to 2006;
- Regional Manager of Human Resources at Saudi British Bank from 2004 to 2005;
- Branch Manager of Saudi British Bank from 1997 to 2000;
- Privilege Officer at the Saudi British Bank for the year 1997;
- Program of new managers development for banking qualification at the Saudi British Bank from 1996 to 1997; and
- Director of Communication at Colsa International from 1992 to 1996;

Qualification

Mr. Ahmed Al Sudais earned a Bachelor's degree in Accounting from King Abdulaziz University in Jeddah in the year 1992.

Committee Memberships

Member of the Nomination and Remuneration Committee

Governance (continued)
3. Board of Directors, Committees, and Executive Management (continued)

C. Executive Management



Mr. Nasser Mohammed Al Huqbani

Position
President and Chief Executive Officer

Professional Experience and Skills

Mr. Nasser Al Huqbani is the Group’s President and CEO. Mr. Nasser is also a member of the Board of Directors, and the Chairman of the Boards of managers at all of the Group’s subsidiaries. Mr. Al Huqbani currently serves in the following capacities:

- Member of the Executive Committee of the National Health Committee of the Council of Saudi Chambers since 2020;
- Member of the Health Insurance Strategic Committee since 2020;
- Member of the Saudi-Russian Joint Economic Committee since 2019;
- Member of the Board of Trustees of the Saudi Commission for Health Specialties since 2017;

- Member of the Board of the Saudi Patient Safety Center since 2017;
- Member of the Advisory Board of the First Health Cluster in Riyadh since 2018;
- Chairman of the Board of Managers of Cloud Solutions for Communications and Information Technology Company since 2013;
- Member of the Board of Managers of Saudi Serco Services Company since 2014; and
- Member of the American College of Healthcare Executives (ACHE), an independent global organization based in the United States of America since 2010.

Mr. Al Huqbani has also served in the following capacities:

- Director of the Division of User Support of the Institute of Public Administration from 1994 to 2000; and
- Lecturer in the Institute of Public Administration from 1992 to 1994.

Qualification

Mr. Nasser Al Huqbani earned a Master’s degree in Office Management from the Institute of Public Administration in Riyadh in 1994 and a Bachelor’s degree in Administrative Sciences and Public Administration from King Saud University in Riyadh in 1992.



Mr. Faisal Abdullah Ali Al Nassar

Position
Chief Financial Officer

Professional Experience and Skills

Mr. Faisal Al Nassar is a member of the Board, and member of the Boards of managers at all of the Group’s subsidiaries, and Mr. Al Nassar is the Group’s Chief Financial Officer (CFO) since 2011. Mr. Faisal Al Nassar currently serves in the following capacities:

- Member of the Board of Managers of Saudi Serco Services Company since 2014; and

- Member of the Board of Managers of Cloud Solutions for Communications and Information Technology Company since 2013.
- Mr. Al Nassar has also served in the following capacities:
- CFO and Member of the Board and Executive Committee at Roiaa Investment Company (ACWA Holding) from 2006 to 2011; and
- Senior Manager at Samba Financial Group from 1999 to 2006.

Qualification

Mr. Faisal Al Nassar earned a Bachelor’s degree in Accounting and Information Systems from the College of Industrial Management at King Fahd University of Petroleum and Minerals in Dhahran in 2001.



Mr. Hesham Sulaiman Al Habib

Position
Vice President for Business Development

Professional Experience

Mr. Hesham Al Habib is a member of the Board and Vice President of Business Development of the Group.

Mr. Hesham currently serves in the following capacities:

- Board Member and Member of the Audit Committee of Kingdom Holding Company since 2018;

- Member of the Board of Managers of Dr. Sulaiman bin Abdulaziz Al Habib Commercial Investment Company since 2014;
- Member of the Board of Managers of Saudi Serco Services Company since 2014; and
- Member of the Board of Hamat Holding Company since 2012.

Mr. Hesham has also served in the capacity of Director of Business Development in the Group from 2009 to 2014.

Qualification

Mr. Hesham Al Habib earned a Bachelor’s degree in Financial Management from the American University of Sharjah, UAE in 2009.



Mr. Saud Abdulaziz Al Arifi

Position
Vice President, General Counsel and Secretary of the Board

Professional Experience

Mr. Saud Al Arifi serves as the Vice President, General Counsel of the Group since 2016, and Secretary of the Board of Directors. Mr. Al Arifi has served in a number of senior roles in the legal sector at several renowned institutions, including:

- Legal Researcher at the Saudi Arabian Monetary Authority (SAMA), from 2001 to 2002, and from early 2003 to the end of 2003;

- Legal Advisor at DLA Piper Middle East LLP, Dubai, United Arab Emirates from 2007 to 2009; and
- Counsel at Clyde & Co LLP, Dubai, United Arab Emirates from 2009 to 2015.

Qualification

Mr. Saud Al Arifi earned a Bachelor’s degree from Islamic Call and Media awarded by Mohammed Bin Saud Islamic University, Riyadh, in 1998, and Master’s Degree in Securities and Financial Regulations,

Georgetown University, Washington, in 2007. Mr. Al Arifi also earned a Master’s degree in Law, Duke University, Durham in 2004, and Functional Master’s degree in System Studies, Institute of Public Administration, Riyadh in 2001.

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)



Prof. Abdullah Sulaiman Al Herbish

Position

Vice President for Physician Affairs and Consultant of Pediatric Endocrinology and Diabetes

Professional Experience and Skills

Prof. Abdullah Al Herbish is a medical practitioner with extensive experience in private and public healthcare. He joined HMG in 1995 as a part time medical practitioner and started to work with HMG as a full time medical practitioner from 2009.

He served as Professor and Consultant at the Department of Pediatrics, Faculty of Medicine, King Saud University from 1982 to 2009.

Qualification

Prof. Abdullah Al Herbish earned the Canadian Fellowship in Pediatric Endocrinology and Diabetes from the Royal Canadian College of Physicians and Surgeons, University of Toronto, Toronto,

Canada. In 1989, Prof. Al Herbish earned American Board in Pediatric Endocrinology and Diabetes from the American Board Association, USA, 1989, and the Canadian Fellowship in pediatrics from the Royal Canadian College of Physicians and Surgeons, University of Calgary, Calgary, Canada, 1988, in addition to the American Board in pediatrics from the American Board Association, Seattle, USA, 1988.



Prof. Sulaiman Abdul Aziz Al Majed

Position

Vice President for Medical and Nursing Affairs, Consultant of Internal and Chest Diseases and Supervisor of diagnostic radiology, laboratory and nursing

Professional Experience and Skills

Prof. Sulaiman Al Majed has over 40 years of experience in the healthcare sector. He served in various roles including

- Professor and Consultant in the College of Medicine at King Saud University from 1988 to 2007;
- Head of Department of Chest In the College of Medicine at King Saud University from 1992 to 2007; and

- Head of the Department of Training and Recognition in Medical Specialties of Internal Medicine at the Faculty of Medicine, King Saud University from 1998 to 2006.

Qualification

Prof. Sulaiman Al Majed earned a Bachelor's degree in Medicine from King Saud University; Canadian Fellowship in Internal Diseases and Chest Diseases; Fellowship in American

Board for Internal Medicine and Chest Diseases. He was granted Associate Professor in 1992 and Professor in 1996 by King Saud University.



Mr. Abdulkarim Abdulaziz Al Rasheed

Position

Vice President for Human Resources

Professional Experience

Mr. Abdulkarim Al Rasheed has extensive experience for over 20 years. Mr. Al Rasheed has served in various roles including:

- Vice President for Business Sector (B2B) at Olayan Saudi Holding Company from 2015 to 2020;
- Member of the Board of Managers of the Arab Company for Office Equipment from 2015 to 2020;
- Member of the Board of Managers of the Arabian Automobile Company from 2015 to 2020;
- Member of the Board of Managers of Al-Shorouk Food and Commodities Company LLC from 2016 to 2020;
- Member of the Board of Managers of Atlas Industrial Equipment Company from 2017 to 2020;
- Member of the Board of Managers of ATOS Saudi Company from 2015 to 2020;
- Member of the Board of Managers of Cummins Arabia FZCO from 2017 to 2020;
- Member of the Board of Managers of Cummins Kuwait Company for Electrical Tools and Equipment Trading and Contracting from 2017 to 2020;
- Member of the Board of Managers of Cummins Saudi Arabia Company Ltd. from 2017 to 2020;
- Member of the Board of Managers of the Public Trade Company from 2017 to 2020;

- Member of the Board of Managers of Jussur Emdad International Recruitment Company from 2015 to 2020;
- Member of the Board of Managers of the National Marketing Company Ltd. from 2015 to 2020;
- Member of the Board of Managers of the Olayan Energy Company Limited from 2015 to 2020;
- Member of the Board of Managers of the Mashroat and Development Company from 2017 to 2020;
- Member of the Board of Managers of the Saudi Company for Xerox Agencies from 2015 to 2020;
- Member of the Board of Managers of the Technical Marketing Company Ltd. from 2015 to 2020;
- Member of the Board of Managers of the Arab Communications and Electronics Company from 2015 to 2020;
- Member of the Board of Managers of the General Contracting Company from 2016 to 2020;
- Member of the Saudi Institute of Electronics and Home Appliances from 2016 to 2020;
- Member of the Education for Employment Foundation (EFE) from 2014 to 2017;
- Vice President for Human Resources sector at Olayan Saudi Holding Company from 2007 to 2014;

- Member of the Board of the Qaderoon Business Disability Network from 2001 to 2013;
- Head of the Support Sector at L'azurde Group, from 2006 to 2007;
- General Manager of the Human Resources Department at Pepsi Company International from 2003 to 2006; and
- Director of Human Resources (Central Region) in Olayan Saudi Holding Company from 2001 to 2003.

Qualification

Mr. Abdulkarim Al Rasheed earned a Bachelor's degree in Computer and Information Science from King Saud University, Riyadh, Kingdom of Saudi Arabia, 1997, and Lean Six Sigma Certificate from Motorola University, and several leadership certificates from the Management Development Organization (IMD Business School) in Lausanne, Switzerland.

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)



Eng. Abdulrahman Al Mayman

Position

CEO of Cloud Solutions Company

Professional Experience and Skills

Eng. Abdulrahman Al Mayman has previously served in the position of Vice President for Information Technology in the Group from 2012 to 2018, and served in several senior positions throughout his career, including:

- Executive Director for Business Specifications, Samba Financial Group from 2011 to 2012;
- Executive Director for Banking Applications, Alinma Bank from 2007 to 2011;

- Head of American Express Systems, the Saudi Investment Bank from 2006 to 2007; and
- Programmer for the Saudi Investment Bank from 2000 to 2002; and
- General Supervisor of the main banking systems, the Saudi Investment Bank till 2006.

Qualification

Eng. Abdulrahman Al Mayman earned a Bachelor's degree in Computer Engineering from King Saud University, Riyadh, in 2000.



Dr. Riyadh Saleh Al Atiqi

Position

General Director of Pharmaceutical Facilities

Professional Experience and Skills

Mr. Riyadh Al Atiqi held several senior positions in the pharmaceutical sector including:

- Manager of the Central Region Branch of the Saudi International Trading Company from 1997 to 2008, and
- Regulatory Relations Officer, Swiss Novartis, Scientific Office Branch from 1992 to 1997.

Qualification

Dr. Riyadh Al Atiqi earned a Bachelor's degree in Pharmaceutical Sciences from King Saud University in 1991, and a Master's degree in Business Administration from King Saud University in 1996, Riyadh. Dr. Al Atiqi also holds a Diploma in International Finance, awarded by the Paris Business School in 2017.



Mr. Mustapha El Omari Al Aoui

Position

Vice President for Supply Chain

Professional Experience and Skills

Mr. Mustapha Al Aoui held several senior positions throughout his career, including:

- General Manager of Biscuiterie Moderne Zine from 2017 to 2019;
- Director of the Department of Supply and Logistics Development for Mondelez International from 2013 to 2017;
- Director of the Department of Supply, Logistics and Procurement, Bimo, Casablanca from 2010 to 2012;

- Regional Supply and Logistics Manager, Procter & Gamble (P & G Int.) from 2007 to 2009; and
- Supply and Logistics Manager, Procter & Gamble (P & G Int.) from 2000 to 2006.

Qualification

Mr. Mustapha Al Aoui is a State Engineer and a graduate of Mohammadia School of Engineers, Kingdom of Morocco in 2000.



Dr. Abdulwahab Abdullah Mohammed Al Abdulwahab

Position

Chief Operating Officer

Professional Experience

Dr. Abdulwahab Al Abdulwahab held several senior management positions within the healthcare industry, with over 18 years of experience in the sector. Previously, he served in the following capacities:

- General Manager of the Group's hospital in Rayan from 2017 to 2019;
- General Manager of Home Healthcare Company, at the Group from 2013 to 2019;
- General Manager of UMC at King Abdullah Medical City, Bahrain, a center affiliated to Arabian Gulf University from 2012 to 2019;

- General Manager of private projects (obesity center units, physical therapy divisions and skin and plastic surgery centers) at the Group from 2010 to 2019;
- Consultant of the General Directorate of Medical Services at the Ministry of Defense from 2009 to 2010;
- Consultant of the General Directorate at Prince Sultan Medical Military City from 2008 to 2009;
- Administrative Manager of the Department of Family from 2006 to 2008, and Manager of Human Resources from 2005 to 2006, and Planning Development

Officer, Human Resources department from 2002 to 2004 at Prince Sultan Medical Military City; and

- Manager of MOH rehabilitation division from 1995 to 1997.

Qualification

Dr. Abdulwahab Al Abdulwahab holds a Bachelor's degree in Applied Medical Sciences from King Saud University in 1995, and has been awarded a Master's degree in 2000, and a PhD in Healthcare Management in 2002, both awarded by the University of Wales, UK.



Mr. Vimal Subramanian

Position

Head of Internal Audit Department

Professional Experience

Mr. Vimal Subramanian is the Head of the Internal Audit Department and the Secretary of the Audit Committee at the Group since 2016. Mr. Subramanian has held a number of senior management positions in his career, including:

- Assistant Manager of Risk Consulting at KPMG Saudi Arabia from 2014 to 2015;
- Manager of Internal Audit at RSM international from 2011 to 2014;

- Senior Consultant in Protiviti from 2010 to 2011; Assistant Manager at Astral Consulting Limited from 2007 to 2010; and
- Professional Consultant at Astral Consulting Limited from 2002 to 2007.

Qualification

Mr. Vimal Subramanian earned a Bachelor's degree in Commerce – Accounting, from the University of Anamalai in India in 2002, and a Master's degree in Business Administration – Finance, from Bharathiar University in 2014. He is also a Certified

Internal Auditor (CIA), the Institute of Internal Auditors, USA, in 2009, and a Certified Fraud Examiner (CFE), the Association of Certified Fraud Examiners, USA, in 2010.

Mr. Vimal is also a Certified Information Systems Auditor (CISA), the Association of Information Systems Audit and Control, USA, 2014, and a Certified Risk Management Assurance (CRMA) from the Institute of Internal Auditors, USA, 2011,

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)

D. Board of Directors Formation and Function

The Board has adopted performance standards to evaluate its actions, members and committees’ members. In the interest of the Board to ensure continuity of development and raise the efficiency of its performance, it has set standards and procedures to evaluate the performance of the Board, its members and committees’ members. The Board has also established a procedure to evaluate its work periodically.

Names of other companies of which a Board Member holds a position or membership

Member Name	Current Board Membership in Companies inside and outside of KSA	Inside / Outside the Kingdom	Legal Entity	Previous Board Membership in Companies inside and outside of KSA	Inside / Outside the Kingdom	Legal Entity
Dr. Sulaiman Abdulaziz Al Habib	Board of Trustees of the National Museum	Inside the Kingdom	Governmental Entity	National Pharmacies Inc.”Whites”	Inside the Kingdom	Limited Liability Company
	Dr. Sulaiman Al Habib Commercial Investment Company	Inside the Kingdom	Limited Liability Company			
	Mohammad A. Al Habib & Partner Co. For Real Estate Investment	Inside the Kingdom	Limited Liability Lompany			
Mr. Mazen Abdulrazzaq Al Rumaih	Banque Saudi Fransi	Inside the Kingdom	Listed Joint Stock Company	Al Yamamah Steel Company	Inside the Kingdom	Listed Joint Stock Company
	Ministry of Tourism of Saudi Arabia	Inside the Kingdom	Governmental Entity	Saudi Fransi Capital	Inside the Kingdom	Closed Joint Stock Company
	Local Content & Government Procurement Authority	Inside the Kingdom	Governmental Entity	Capital Market Authority (CMA)	Inside the Kingdom	Governmental Entity
	Real Estate Development Fund	Inside the Kingdom	Governmental Entity			
	Saudi Arabian Airlines Public Corporation	Inside the Kingdom	Governmental Entity			
Eng. Saleh Mohammed Al Habib	Al Jawhara Al Kubra Company	Inside the Kingdom	Limited Liability Company			
	Jawaher Al Gharbia Real Estate Development and Investment Company	Inside the Kingdom	Limited Liability Company			
	Andalus Property	Inside the Kingdom	Listed Joint Stock Company			
	Al Hayat Real Estate	Inside the Kingdom	Closed Joint Stock Company			
	Almasa Al Khadraa Real Estate Development and Investment Company	Inside the Kingdom	Limited Liability Company			
	Manafaa Al Andalus Company	Inside the Kingdom	Limited Liability Company			
	Awal Energy Solutions Company	Inside the Kingdom	Limited Liability Company			
	Jawharat Al Bahr Investment Company	Inside the Kingdom	Limited Liability Company			
	Qawaed Modern Technology for Information Technology Company	Inside the Kingdom	Limited Liability Company			
	Ebdaa Taiba Real Estate Development Company	Inside the Kingdom	Limited Liability Company			
	West Jeddah Hospital	Inside the Kingdom	Limited Liability Company			
	Asala Elmarkz Company	Inside the Kingdom	Limited Liability Company			
	Araqa Elmarkz Company	Inside the Kingdom	Limited Liability Company			
	Al Nakheel Housing Company	Inside the Kingdom	Limited Liability Company			
	Maalem Investment Holding Company	Inside the Kingdom	Limited Liability Company			
	Sorouh Almarakiz Company	Inside the Kingdom	Limited Liability Company			
	Mohammed Abdulaziz Al Habib and Sons Holding Company	Inside the Kingdom	Closed Joint Stock Company			
	Hamat Holding Company	Inside the Kingdom	Closed Joint Stock Company			
	Hamat Property Company	Inside the Kingdom	Limited Liability Company			
	Advanced Markets Company	Inside the Kingdom	Limited Liability Company			
	Global Healthcare Company	Inside the Kingdom	Limited Liability Company			
	Mohammad A. Al-Habib & Partner Real Estate Company	Inside the Kingdom	Limited Liability Company			
	Burooj International Company	Inside the Kingdom	Limited Liability Company			
	Qawaem for Real Estate Development Company	Inside the Kingdom	Limited Liability Company			

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)

Member Name	Current Board Membership in Companies inside and outside of KSA	Inside / Outside the Kingdom	Legal Entity	Previous Board Membership in Companies inside and outside of KSA	Inside / Outside the Kingdom	Legal Entity
Mr. Hesham Sulaiman Al Habib	Kingdom Holding Company	Inside the Kingdom	Listed Joint Stock Company		.	
	Dr. Sulaiman bin Abdulaziz Al Habib Commercial Investment Company	Inside the Kingdom	Limited Liability Company			
	Saudi Serco Services Company	Inside the Kingdom	Limited Liability Company			
	Hamat Holding Co.	Inside the Kingdom	Closed Joint Stock Company			
H.E. Nabeel Mohammed Al Amudi	Olayan Saudi Holding Company (OSHCO)	Inside the Kingdom	Closed Joint Stock Company	Saudi Ports Authority	Inside the Kingdom	Governmental Entity
	Saudi Aramco Company	Inside the Kingdom	Listed Joint Stock Company	HAPAG-LLOYD Authority	Germany	Listed Joint Stock Company
	General Authority of Civil Aviation (GACA), Transport General Authority, Saudi Port Authority (Mawani), Saudi Railway Company (SAR) / Saudi Railway Organization (SRO)	Inside the Kingdom	Governmental Entity	United Arab Shipping Agencies Co	United Arab Emirates	Limited Liability Company
	The Red Sea Development Company	Inside the Kingdom	Limited Liability Company	The Saudi Company for Electronic Information Exchange (Tabadul)	Inside the Kingdom	Closed Joint Stock Company
	Neom Development Company	Inside the Kingdom	Limited Liability Company			
	Council of Economic and Development Affairs	Inside the Kingdom	Governmental Entity			
Mr. Nasser Mohammed Al Huqbani	Saudi Commission for Health Specialties	Inside the Kingdom	Governmental Entity			
	Saudi Patient Safety Center	Inside the Kingdom	Governmental Entity			
	Cloud Solutions for Communication and Information Technology Company	Inside the Kingdom	Limited Liability Company			
	Saudi Serco Services Company,	Inside the Kingdom	Limited Liability Company			
Mr. Ubaid Abdullah Al Rasheed	Saudi Home Loans	Inside the Kingdom	Closed Joint Stock Company			
	Al Arabi Heavy Equipment Lease Co.	Inside the Kingdom	Closed Joint Stock Company			
	Saudi Chemical Company	Inside the Kingdom	Listed Joint Stock Company			
Mr. Ziad Fouad Al Saleh	J.P. Morgan Saudi Arabia Company	Inside the Kingdom	Closed Joint Stock Company			
	Riyadh Cables Company	Inside the Kingdom	Closed Joint Stock Company			
	Al Romansiah Restaurant Company	Inside the Kingdom	Limited Liability Company			
	Mayar Foods Company	Inside the Kingdom	Limited Liability Company			
	Pioneers Holding Company	Egypt	Listed Joint Stock Company			
	Dar Al Zahrawi Medical Supplies Company	Inside the Kingdom	Limited Liability Company			
	Abdul Kadir Al Muhaidib & Sons Company	Inside the Kingdom	Closed Joint Stock Company			
Mr. Faisal Abdullah Al Nassar	Saudi Serco Services Company	Inside the Kingdom	Limited Liability Company			

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)

i. Board of Directors’ Meetings and Attendance

No. Member name		Four meetings			
		First meeting 27 April 2020	Second meeting 16 August 2020	Third meeting 25 October 2020	Fourth meeting 15 December 2020
1	Dr. Sulaiman Abdulaziz Al Habib	✓	✓	✓	✓
2	Mr. Mazen Abdulrazzaq Al Rumaih	✓	✓	✓	✓
3	Mr. Hesham Sulaiman Al Habib	✓	✓	✓	✓
4	H.E. Nabeel Mohammed Al Amudi	✓	✓	✓	✓
5	Mr. Nasser Mohammed Al Huqbani	✓	✓	✓	✓
6	Mr. Ubaid Abdullah Al Rasheed	✓	✓	✓	✓
7	Mr. Ziad Fouad Al Saleh	✓	✓	✓	✓
8	Mr. Faisal Abdullah Al Nassar	✓	✓	✓	✓
9	Eng. Saleh Mohammed Al Habib	✓	✓	✓	✓

Last meeting of the General Assembly was on 10 May 2020

ii. Annual General Assembly Meetings

No. Member name	Extraordinary General Assembly Meeting 10 May 2020
1 Dr. Sulaiman Abdulaziz Al Habib	✓
2 Mr. Mazen Abdulrazzaq Al Rumaih	✓
3 Mr. Hesham Sulaiman Al Habib	✓
4 H.E. Nabeel Mohammed Al Amudi	✓
5 Mr. Nasser Mohammed Al Huqbani	✓
6 Mr. Ubaid Abdullah Al Rasheed	✓
7 Mr. Ziad Fouad Al Saleh	✓
8 Mr. Faisal Abdullah Al Nassar	✓
9 Eng. Saleh Mohammed Al Habib	✓

E. Audit Committee

The Audit Committee represents and assists the Group’s Board in fulfilling its oversight responsibility of the integrity of the financial statements and internal control of the Group, through the supervision of both the internal and external auditors, and their independence and effectiveness by:

- Examining the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems and risk management.
- Reviewing arrangements established by management for compliance with regulatory and financial reporting requirements.
- Performing, monitoring and reviewing, on behalf of the Board, compliance with the requirements relating to the audit of the Group in accordance with the Laws and Regulations of the KSA.
- Overseeing and evaluating the performance of the Group’s external auditors, including a review and evaluation of the external auditors’ qualifications and independence.
- Supervising the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.

- Reviewing, together with the external auditor, the audit plan and make any comments thereon.
- Reviewing the external auditor’s comments on the financial statements and follow up on the actions taken.
- Reviewing the interim and annual financial statements prior to presentation to the Board; and to give opinion and recommendations with respect thereto.

The duties of the Committee shall particularly include:

External Audit

- To recommend to the Board the appointment, dismissal and the remuneration of external auditors.
- Verify the independence of the external auditors, their objectivity, fairness and effectiveness of the audit activity, taking into account the relevant rules and standards.
- To supervise and assess the plan and activities of the external auditors, ensure that the auditor does not provide any technical or administrative work beyond their scope, and recommend to the Board the approval or denial of any activity beyond the scope of the audit work assigned to the external auditors during the performance of their duties.
- To review the external auditors’ reports and their comments on the financial statements and follow up the actions taken about them.
- Respond to queries from the Group’s external auditors.
- Get to know the lead external audit partner and meet periodically.
- Review the external auditors’ proposed audit plan, scope and approach, including coordination of audit effort with internal audit.
- Review with the external auditors any problems or difficulties, and management’s response.
- Review the external auditors’ report (Auditors’ Report on the Financial Statements), review and discuss report on management’s internal controls (Management Letter Points), from the time that such reports are prepared, and hold timely discussions with the external auditors regarding the following:
 - All critical accounting policies and practices;
 - All alternative treatments of financial information that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and
 - Other material written communications between the external auditors and management, including, but not limited to, the management letter and schedule of unadjusted differences. The Committee shall follow up on the actions taken about the comments raised by the external auditors.
- Apply the instructions and directives of the Ministry of Commerce and Investment, Saudi Organization for Certified Public Accountants and Capital Market Authority – releasing updates from time to time, with respect to the appointment of the external auditors.

Internal Audit

- Examine and review the Group’s internal and financial control systems and risk management system.
- Analyze internal audit reports and follow up on the implementation of corrective measures with respect to remarks made in such reports.
- Supervise the Group’s Internal Audit Department (including outsourced internal auditor, if any) to ensure its effectiveness in executing the activities and duties specified by the Board.
- Review and advise on the selection or removal of the Head of Internal Audit. The Internal Audit Department shall report to the Board via the Committee.
- Monitor and oversee the performance and activities of the Internal Audit Department of the Company to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
- Provide a recommendation to the Board on appointing the Head of the Group’s Internal Audit Department, and suggest their remuneration, benefits, and assessment of performance.
- Monitor and review the effectiveness of the internal audit function. This includes reviewing the internal audit procedure and preparing a written report on such audit and its recommendation with respect to it; and pursue the implementation of the corrective measures in respect of the comments included in such internal audit.
- Periodically review with the Internal Audit Department any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the Department’s work.

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)

Compliance

- Review the findings of the reports of supervisory authorities and ensure that the Company has taken the necessary actions in connection therewith.
- Ensure compliance with relevant laws, regulations, policies and instructions.
- Review the contracts and proposed related party transactions and provide recommendations to the Board in connection therewith.

Overseeing Accounting and Financial Reporting

- Analyze the Group’s interim and annual financial statements before presenting them to the Board, and provide opinions and recommendations thereon to ensure their integrity, fairness, and transparency.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas.
- Review estimates in respect of significant matters that are contained in the financial reports.
- Review accounting policies followed by the Group and provide its opinion and recommendations to the Board thereon.
- Review recent professional and regulatory pronouncements and initiatives, and understand their impact on the financial statements.
- Understand how management develops quarterly and annual financial information, and the nature and extent of internal and external auditor involvement.
- Review and discuss annual and quarterly financial statements with management and the external auditors, as applicable, especially before filing with the Board and follow-up actions. Consider whether the financial reports are complete and consistent with the information known to the Audit Committee members and to give an opinion and recommendations with respect thereto to ensure their integrity fairness, and transparency.
- Provide its technical opinion, at the request of the Board, regarding whether the Board’s report and Group’s financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Group’s financial position, performance, business model and strategy.
- Accurately investigate any issues raised by the Group’s Chief Financial Officer (or any person assuming such duties), compliance officer, or external auditor.
- Review management responses to CMA inspection reports and management representations declared during audit activities.
- Receive and review any disclosure from the Group’s executive management made in connection with the Group’s quarterly and annual reports on:
 - All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are likely to adversely affect the Group’s ability to record, process, summarize, and report financial data; and
 - Material fraud cases that involve management or other employees who have a significant role in the Group’s internal controls.
- Review analysis prepared by management and the external auditors setting forth significant or non-familiar financial reporting issues and judgments made in connection with the preparation of the financial statements.
- In consultation with the external and internal auditors, review the integrity of the Group’s financial reporting processes (both internal and external), and the internal control structure (including disclosure controls and procedures and internal control over financial reporting).
- Review with the external auditors, internal auditors and management the extent to which changes or improvements in financial or accounting practices have been implemented.
- Understand key controls and reporting risk areas as assessed by financial management, the internal auditors, and the external auditor, as well as the mitigating controls and safeguards.

Overseeing Controls over the Group’s Operations

- Ensure the existence of an effective and efficient system of internal controls over operations of the Group.
- Monitor the application of documented and approved policies and procedures. This includes monitoring the adherence to policies and procedures manuals, and their continuous update.
- Review the process for communicating the Code of Conduct to Group personnel, and for monitoring compliance therewith.
- Establish procedures for the receipt, retention, and treatment of complaints regarding operational matters, accounting matters, operational and accounting internal controls, and auditing matters. This includes establishing procedures for the confidential, anonymous submission by Group employees regarding questionable management practices.
- Institute and oversee special investigations as needed, such as fraud cases.

Group Board

- The Audit Committee maintains direct organizational and reporting relation to the Board.
- Report as often as it determines, but not less frequently than quarterly, to the Group’s Board about the Audit Committee’s activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Group’s Board.
- If there is a conflict between the recommendations of the Audit Committee and the Board’s decisions, or if the Board refuses to accept the recommendation of the Committee regarding the appointment of the Company’s auditor, his dismissal, the determination of his fees, the performance evaluation or the appointment of the Internal Auditor, the Board report shall include the Committee’s recommendation and justifications and reasons for not taking it.

The Committee members shall not be less than three (3) members and not more than five (5); and shall be composed of Independent, Non-Executive Board members or shareholders or others, at least one of whom shall be an independent member and shall not include any of the executive members or any of the senior executives in the Company; with at least one of whom is competent in financial and accounting matters.

The Audit Committee members and meetings attendance is provided in the table below:

	Member name	Nature of membership	Seven meetings						
			First meeting 27 February 2020	Second meeting 30 April 2020	Third meeting 13 August 2020	Fourth meeting 27 September 2020	Fifth meeting 22 October 2020	Sixth meeting 09 December 2020	Seventh meeting 17 December 2020
1	Dr. Abdulrahman Sulaiman Al Turaigi	Chairman	✓	✓	✓	✓	✓	✓	✓
2	Mr. Sulaiman Nasser Al Qahtani	Member	✓	✓	✓	✓	✓	✓	✓
3	Mr. Samer Saeed Jundi *	Ex-member	✓	N/A	N/A	N/A	N/A	N/A	N/A
4	Mr. Ziad Fouad Al Saleh	Member	✕	✓	✓	✓	✓	✓	✓

*Mr. Samer Saeed Jundi departed from the Audit Committee on 30 March 2020

Results of the Annual Review of the Effectiveness of the Internal Control Procedures of the Company and the Opinion of the Audit Committee with Respect to the Adequacy of the Company’s Internal Control System

The Company’s management is responsible for establishing an adequate and effective internal control system that includes policies, procedures/operations, and information systems as approved by the Board of Directors in order to facilitate the achievement of efficient and highly effective operations. The internal control system guarantees the quality of external and internal reports, maintaining appropriate records and procedures, and adherence to internal rules, regulations and policies regarding the workflow.

The Internal Audit Department – independently and objectively – evaluated the adequacy and effectiveness of the Company’s internal control system, focusing on significant risks that could affect the Company’s business process using the risk-based audit methodology. The Company’s operations, during 2020, were subject to periodic audits and follow-ups, as per the Internal Audit plan approved by the Audit Committee. The recommendations were largely implemented by the Executive Management of the Company in accordance with the approved plan.

The Audit Committee studies and reviews periodic reports prepared by the Company’s internal audit department in addition to the Company’s external auditor’s observations regarding the evaluation of the Company’s internal control procedures in terms of their design and implementation. During 2020, based on the audit reports and the evaluation by the Audit Committee in relation to the adequacy of internal controls, and the results of the annual audit of the effectiveness of the control procedures, the Company did not show any significant deficiencies or any fundamental change in the internal control systems, and the evaluation confirmed that it is, to a large extent, effective to prevent and discover material errors, and that no material breach or breach of internal control systems have occurred during the year 2020.

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)

F. Board of Directors’ Committees

i. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for nominating members to the Board and the Senior Executive Management, defining rules and setting the remuneration policy for the Board and the Senior Executive Management. The duties and responsibilities of the Nomination and Remuneration Committee include the following:

Nomination

- Recommend clear policies and standards for Board membership, Executive Management and the Group’s representatives in subsidiaries and associates.
- Annual review of membership requirements for the Board and Executive Management, and the preparation of a description of the required remuneration capabilities and qualifications for such membership.
- Determining the time a Board member should allocate to the work of the Board.
- Review the structure and composition of the Board, Board committees, and the Group’s executive management, and provide recommendations regarding changes.
- The Committee can recommend appointing new members to the Board or Board Committees to fill vacancies as needed.
- Provide job descriptions for executive, non-executive, independent Board members and senior executive management.
- Set procedures to be followed if the position of a member of the Board or a senior executive becomes vacant.
- Assess performance of the Board in terms of strengths and weaknesses, and recommend necessary solutions in the best interests of the Company through proposing the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using KPIs linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company, through assisting the Board in its responsibility toward carrying out the necessary arrangements to obtain an assessment of its performance from a competent third-party every three years.
- Provide recommendations to the Board for the nomination and re-nomination of its members in accordance with approved policies and standards, taking into account that nominations shall not include any person convicted of a crime involving moral turpitude or dishonesty.
- Ensure on an annual basis the independence of independent directors and ensure the absence of any conflicts of interest if a Board member also acts as a member of the Board of another company.
- Study and review the CEO’s recommendations concerning the appointment and termination of the Executive Management team.
- Study and review succession plans for the Company in general and for the Board, CEO and Executive Management in particular.
- Provide an appropriate level of training and introduce new Board and committee members to the Company’s businesses and assistance to enable them to perform their role effectively and efficiently.
- Develop the necessary mechanisms for Board members and the Executive Management to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.
- Ensure that the Group publishes the Board nomination announcements on the websites of the Group and Tadawul, and through any other medium specified by the CMA to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least one month from the date of the announcement.

Remuneration

- Prepare a clear remuneration policy for Board members, its committees and the Executive Management, which enhances management team motivation and helps in retaining employees. The Committee should present such policy to the Board in preparation for approval by the General Assembly Meeting, provided that such policy follows standards that are linked to performance and disclosing and ensuring the implementation of such policy.
- Clarify the relation between the paid remunerations and the adopted remuneration policy and highlight any material deviation from that policy.
- Review periodically the remuneration policy and assess its effectiveness in achieving its objectives.
- Provide recommendations to the Board in respect of the remunerations of its members, the committees’ members and senior executives, in accordance with approved policy.

- Take into consideration situations where remuneration should be suspended or reclaimed if it is determined that such remuneration was set based on inaccurate information provided by a member of the Board or the Executive Management, in order to prevent abuse of power to obtain unmerited remunerations.
- Provide recommendations with respect to the grant of Company shares to the Board members and the Executive Management, whether newly issued or purchased by the Company.
- Review the Executive Management remunerations, including long- and short-term incentives, set the Executive Management KPIs, and recommend to the Board in this regard.
- Review and approve the CEO’s recommendations concerning the general guidelines of the Executive Management remuneration and other benefits, which the CEO implements in light of the remuneration policy.
- Committee members shall be knowledgeable, with competence, work experience, as well as have thorough understanding of qualifications, roles and responsibilities of directors and executives, and shall be able to devote adequate time to their duties.

The Nomination and Remuneration Committee consists of the following members:

	Member name	Nature of membership	Two meetings	
			First meeting 27 January 2020	Second meeting 31 December 2020
1	Mr. Ubaid Abdullah Al Rasheed	Chairman	✓	✓
2	Eng. Saleh Mohammed Al Habib	Member	✓	✓
3	Mr. Ahmad Saleh Al Sudais	Member	✓	✓

ii. Executive Committee

The main purpose of the Executive Committee is to provide support and advice to the Board on matters as the Board may delegate from time to time to the Committee. The Committee, to the extent permitted by law, exercises the powers delegated to it to manage the business and affairs of the Company and all operational matters where implementation requires input and guidance from the Board. The Committee’s duties include the following:

- Track the long-term, medium-term and short-term plans of the Company’s strategy, update them and review them from time to time.
- Meet with division heads, internal and external auditors, and whoever is charged with monitoring business and financial performance of the Company and its divisions.
- Track the execution of Company budgets, analyzing deviation thereof – if noticed – and submitting recommendations in that respect.
- Recommend entering into new investments and develop existing activities, both vertically and horizontally.
- Track and review all significant issues that are related to legal proceedings and establish insurance and risk strategies and contracts.
- Establish relationships with banks and other financial institutions, and define the terms and conditions under which the relationship will operate.
- Approve credit facilities necessary to operate the business on a day-to-day basis.
- Approve real estate transactions such as the sale, purchase and lease of land and/or facilities.
- Obtain advice and assistance from internal or external legal, accounting or other advisors.
- Form and delegate authority to sub-committees when appropriate.
- Periodically review and reassess the adequacy of the Charter and recommend any proposed changes to the Board for approval.
- Annually review its own performance.

The Committee members shall be knowledgeable, with competence, work experience from diverse professional backgrounds, as well as have a thorough understanding of the Group’s scope of business along with rapid knowledge in the healthcare industry and shall be able to devote adequate time to their duties.

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)

The Executive Committee consists of the following members:

	Member name	Nature of membership	Five meetings				
			First meeting 26 April 2020	Second meeting 16 July 2020	Third meeting 13 August 2020	Fourth meeting 23 October 2020	Fifth meeting 13 December 2020
1	Mr. Mazen Abdulrazzaq Al Rumaih	Chairman	✓	✓	✓	✓	✓
2	Mr. Nasser Mohammed Al Huqbani	Member	✓	✓	✓	✓	✓
3	Mr. Faisal Abdullah Al Nassar	Member	✓	✓	✓	✓	✓
4	Eng. Saleh Mohammed Al Habib	Member	✓	✓	✓	✓	✓
5	Mr. Hesham Sulaiman Al Habib	Member	✓	✓	✓	✓	✓

iii. Patient Safety and Quality of Care Committee

The Patient Safety and Quality of Care Committee is responsible for developing the Group's strategies for improving overall quality, safety, and control of its healthcare facilities. The Patient Safety and Quality of Care Strategy will allow the Group to improve its services to its patients and increase patient's satisfaction.

The following represents the duties and responsibilities of the Patient Safety and Quality of Care Committee (PSQC):

Strategy and performance

- Create a vision for quality of healthcare services for the Group, with long-term performance measures and goals.
- Advise the Group's clinical leadership on competitive strategies in clinical practices to be assessed and implemented, if deemed appropriate.
- Monitor the Group's clinical performance against internal and external benchmarks.
- Oversee the effectiveness of the Group's plans for improving clinical practice performance and quality of healthcare.
- Make recommendations to the Board on the Group's overall quality of care and patient safety, and suggest performance improvement initiatives.
- Provide coordination and oversight of the Group's plan to improve the quality of care and patient safety in the Group's healthcare facilities.
- Help the Group develop, implement, and evaluate its plan to improve the quality of care and patient safety.
- Review reports and minutes of meetings of all Quality Improvement Committees in Group healthcare facilities.
- Grant approval to quality improvement initiatives suggested by Quality Improvement Committees in Group healthcare facilities.
- Review patient satisfaction scores, on a quarterly basis, in Group healthcare facilities.
- Review sentinel events and root cause analysis; and recommend corrective action.
- Review the findings from the analysis of significantly adverse outcomes to approve or recommend actions designed to mitigate re-occurrence.
- Monitor disclosure mechanisms related to critical incidents and quality indicators concerning hospital acquired infections, mortality and any others as required and/or deemed advisable.

Communication

- Enhance awareness of the Group's clinical performance to the Management and other external stakeholders via the appropriate communication channels.
- On a quarterly and annual basis, report to the Board statistical data on the Group's healthcare performance and clinical performance, and quality improvement plans.
- Develop quarterly and annual reports to disclose clinical performance and quality improvement plans.
- Receive quality reports and provide feedback to the relevant stakeholder.
- Review strategic objectives on quality improvement and patient safety to provide feedback and approval.

Policies

- Carry out annual reviews of the policies and procedures developed by the corporate medical departments in relation to healthcare quality and patient safety, including those in relation to errors and injuries.
- Review the development of internal systems and controls to implement the Group's safety and quality standards and policies.
- Develop risk mitigation strategies from a patient safety and quality of care perspective.
- Develop policies on full transparency about data on patient safety and quality of care to emphasize respectful practice, disclosure, support and resolution.

Operations

- Suggest mechanisms to link incentives and compensation for senior management to quality metrics.
- Ensure the attainment of all relevant accreditations including, CBAHI, JCI, etc.
- Committee members shall be knowledgeable, with competence and work experience, as well as have a thorough understanding of the Group's policies and procedures in connection with the delivery of medical care service with quality and safety to patients, and shall be able to devote adequate time to their duties.

The Patient Safety and Quality of Care Committee consists of the following members:

	Member name	Nature of membership	Four meetings			
			First meeting 14 July 2020	Second meeting 18 August 2020	Third meeting 20 October 2020	Fourth meeting 24 December 2020
1	Prof. Mahmoud Shaheen Al Ahwal	Chairman	✓	✓	✓	✓
2	Mr. Nasser Mohammed Al Huqbani*	Ex-Member	✓	N/A	N/A	N/A
3	Dr. Sulaiman Ibrahim Al Towiyan**	Ex-Member	✓	✓	✓	N/A
4	Dr. Abdulelah Mohammed Rabe Al Hawsawi	Member	✓	✓	✓	✕
5	Prof. Abdullah Sulaiman Al Herbish***	Member	N/A	✓	✓	✓

* Mr. Nasser Mohammed Al Huqbani departed from the Patient Safety and Quality of Care Committee on 16 August 2020.

** Dr. Sulaiman Ibrahim Al Towiyan departed from the Patient Safety and Quality of Care Committee on 03 December 2020.

*** Prof. Abdullah Sulaiman Al Herbish was appointed as a member of the Patient Safety and Quality of Care Committee on 16 August 2020.

Governance (continued)

3. Board of Directors, Committees, and Executive Management (continued)

G. Share Direct Ownership of Board Members, Senior Executives, their wives and minor children

i. The following table shows any interest of the Board members, their wives and minor children in the shares of the Company and any change in that interest or those rights during the fiscal year 2020.

Name of person to whom the interest, contractual securities or rights issue belongs	Beginning of the year	End of the year	Net change	Percentage change	Debt instruments
	Number of shares	Number of shares			
1. Dr. Sulaiman Abdulaziz Al Habib	157,488,333	140,106,000	(17,382,333)	(11.03)	Not Available
2. Mr. Hesham Sulaiman Al Habib	7,000,000	7,000,000	-	-	Not Available
3. Mr. Mazen Abdulrazzaq Al Rumaih	-	70,500	70,500	100%	Not Available
4. Mr. Ubaid Abdullah Al Rasheed	-	22,200	22,200	100%	Not Available
5. Mr. Nasser Mohammed Al Huqbani	-	100,000	100,000	100%	Not Available
6. Eng. Saleh Mohammed Al Habib	-	-	-	-	Not Available
7. H.E. Nabeel Muhammad Al Amudi	-	-	-	-	Not Available
8. Mr. Faisal Abdullah Al Nassar	-	-	-	-	Not Available
9. Mr. Ziad Fouad Al Saleh	-	-	-	-	Not Available

ii. The following table shows any interest of the Senior Executives, their wives and minor children in the shares of the Company and any change in that interest or those rights during the fiscal year 2020.

Name of person to whom the interest, contractual securities or rights issue belongs	Beginning of the year	End of the year	Net change	Percentage change	Debt instruments
	Number of shares	Number of shares			
1. Mr. Nasser Mohammed Al Huqbani	-	100,000	100,000	100%	Not Available
2. Mr. Hesham Sulaiman Al Habib	7,000,000	7,000,000	-	-	Not Available
3. Prof. Sulaiman Abdulaziz Al Majed	-	46,516	46,516	100%	Not Available

iii. Description of any interest in a class of voting shares held by major shareholders (other than the Company's Directors, Senior Executives, their wives and minor children) according to Article (68) of the rules for offering securities and continuing obligations during the fiscal year 2020.

No.	Name of person to whom the interest belongs	Number of shares at the beginning of the year	Number of shares at the end of the year	Net change	Percentage change
1	Mohammed Abdulaziz Al Habib and Sons Holding Company	152,903,333	118,136,666	(34,766,667)	(22.73%)

4. Shareholder information and Shareholders' Register

A. Major Shareholder

HMG's Major Shareholders	As of 31 December 2020	
	Percentage of Direct Ownership	Number of Shares
Dr. Sulaiman Abdulaziz Al Habib	40.03%	140,105,000
Mohammed Abdulaziz Al Habib and Sons Holding Company	33.75%	118,136,666
Total	73.78%	258,241,666

B. Requests for the Shareholders' Register

	Request date	Request reason
1	02 December 2020	The Company Procedures
2	02 November 2020	Dividend Entitlement
3	02 November 2020	The Company Procedures
4	13 September 2020	The Company Procedures
5	24 August 2020	Dividend Entitlement
6	06 July 2020	Dividend Entitlement
7	30 June 2020	The Company Procedures
8	02 June 2020	The Company Procedures
9	29 April 2020	The Company Procedures
10	23 March 2020	The Company Procedures
11	19 March 2020	The Company Procedures

Governance (continued)

5. Related Party Transactions

During its normal business cycle, the Company deals with Related Parties, and these transactions are done under the same terms applied to the transactions being done with other parties, and the following is the information relating to any business or contract to which the Company is a party and in which a Director of the Company, a Senior Executive or any person related to any of them have interest in, or any transaction between the Company and any Related Party.

A. Statement of the business or contract to which the Company is a party and in which a Director of the Company, a Senior Executive or any person related to any of them have an interest in:

During the fiscal year 2020, some contracts continued, to which the Company was a party, and in which a Director of the Company has an interest in and some of these contracts were agreed upon in previous years and come as an extension of continuous relations that began before the fiscal year 2020:

S.No	Related party	Related party's relationship type with the Company	Type of interest	Contract/purchase order party	Transaction type/contract/purchase order nature	Transaction conditions/terms	Contract/transaction duration	Contract / purchase order value (Saudi Riyal "SAR")	Transaction value during 2020 (Saudi Riyal "SAR")
1.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A contract of contracting for Structural Works for North Riyadh Hospital Project	There are no preferential terms for the local market	A contract for a period of one year and eight months	348,876,588.90	185,999,500.31
	Hesham Sulaiman Al Habib	Board Member	Indirect						
2.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	Purchase Orders of general contracting for buildings of multiple projects	There are no preferential terms for the local market	Not Applicable	2,709,124.02	144,312.86
	Hesham Sulaiman Al Habib	Board Member	Indirect						
3.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	Purchase Orders of general contracting for buildings of North Riyadh Hospital Project	There are no preferential terms for the local market	Not Applicable	37,937,229.02	-
	Hesham Sulaiman Al Habib	Board Member	Indirect						
4.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	Purchase Orders of general contracting for buildings of North Riyadh Hospital Project	There are no preferential terms for the local market	Not Applicable	2,241,419.00	-
	Hesham Sulaiman Al Habib	Board Member	Indirect						
5.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Namaraa Specialized for Trading Est.	Purchase Orders of electrical tools and supplies for multiple projects	There are no preferential terms for the local market	A contract for a period of three years from the date of signing the agreement, and it will be renewed automatically annually thereafter.	720,621.10	354,578.33
	Hesham Sulaiman Al Habib	Board Member	Indirect						
6.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Muhammed Abdulaziz Al Habib and his partners for real-estate investment Company	Brokerage fees for the purchase of land	There are no preferential terms for the local market	Not Applicable	1,047,835.72	1,047,835.72
	Hesham Sulaiman Al Habib	Board Member	Indirect						
	Muhammad Abdulaziz Al Habib and sons company	Substantial Shareholder	Indirect						
	Eng. Saleh Muhammad Al Habib	Board Member	Indirect						
7.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Direct	Dr. Sulaiman Abdulaziz Al Habib	A lease contract of warehouse	There are no preferential terms for the local market	A contract for a period of one year and to be renewed on an annual basis thereafter	52,091.42	52,091.42
	Hesham Sulaiman Al Habib	Board Member	Indirect						
8.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Direct	Dr. Sulaiman Abdulaziz Al Habib	A lease contract of warehouse	There are no preferential terms for the local market	A contract for a period of one year and to be renewed on an annual basis thereafter	104,182.84	104,182.84
	Hesham Sulaiman Al Habib	Board Member	Indirect						
9.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Direct	Dr. Sulaiman Abdulaziz Al Habib	A lease contract of the Medical Center	There are no preferential terms for the local market	A contract for a period of 10 years starting from 02/10/2019	56,155,000.00	5,105,000.00
	Hesham Sulaiman Al Habib	Board Member	Indirect						
10.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Rawafed Health International Company	Purchase Orders of medical tools, supplies and Devices and furniture for the hospitals	There are no preferential terms for the local market	A contract for a period of one year and to be renewed on an annual basis thereafter, The value of the contract is linked to Purchase Orders	34,452,763.16	22,979,823.70
	Hesham Sulaiman Al Habib	Board Member	Indirect						

Governance (continued)

S.No	Related party	Related party's relationship type with the Company	Type of interest	Contract/purchase order party	Transaction type/contract/purchase order nature	Transaction conditions/terms	Contract/transaction duration	Contract / purchase order value (Saudi Riyal "SAR")	Transaction value during 2020 (Saudi Riyal "SAR")
11.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Mohammed Abdulaziz Al Habib and his partners for real-estate Investment Company	A rental contract of residential complex for the employees	There are no preferential terms for the local market	A contract for a period of 15 years from the date of 01/12/2012 and to be auto-renewed	24,000,000.00	1,600,000.00
	Eng. Saleh Muhammad Al Habib	Board Member	Indirect						
	Hesham Sulaiman Al Habib	Board Member	Indirect						
	Muhammad Abdulaziz Al Habib and Sons Company	Substantial Shareholder	Indirect						
12.	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Al Andalus Property Company	A partnership, design, development, management and operation contract for West Jeddah Hospital	There are no preferential terms for the local market	A contract for a period of 99 years from the date of 30/10/2014 and to be auto-renewed	Not Applicable	7,944,971.00
	Eng. Saleh Muhammad Al Habib	Board Member	Indirect						
	Hesham Sulaiman Al Habib	Board Member	Indirect						
13.	H.E. Nabeel Muhammad Al Amudi	Board Member	Indirect*	Arabian Health Care Supply Company (AHCSC)	Purchase Orders of supply of consumable medical and pharmaceutical supplies	There are no preferential terms for the local market	Not Applicable	4,362,787.81	2,171,289.88
14.	H.E. Nabeel Muhammad Al Amudi	Board Member	Indirect*	Olayan Kimberly-Clark Saudi Co. LTD.	Purchase orders of supply of pharmaceutical supplies to Middle East Pharmacy Company	There are no preferential terms for the local market	Not Applicable	249,605.73	235,474.09
15.	H.E. Nabeel Muhammad Al Amudi	Board Member	Indirect*	Baxter Company Limited (BCL)	Purchase Orders of supply of intravenous fluids and pharmaceutical products for multiple projects	There are no preferential terms for the local market	Not Applicable	323,919.00	285,224.00
16.	H.E. Nabeel Muhammad Al Amudi	Board Member	Indirect*	Arabian Business Machines Company (ABM)	Purchase Orders of repair charges and supply of IT equipment for multiple projects	There are no preferential terms for the local market	Not Applicable	168,889.00	167,477.95
17.	H.E. Nabeel Muhammad Al Amudi	Board Member	Indirect*	Arabian Medical Products Manufacturing Company (ENAYAH)	Purchase Orders of supply of medical supplies and uniforms for multiple projects	There are no preferential terms for the local market	Not Applicable	566,234.20	510,210.20
18.	H.E. Nabeel Muhammad Al Amudi	Board Member	Indirect*	Schindler Olayan Elevator Co. Ltd. (SCHINDLER)	Purchase Orders of supply of maintenance equipment and accessories for multiple projects	There are no preferential terms for the local market	Not Applicable	399,091.70	332,966.70
19.	H.E. Nabeel Muhammad Al Amudi	Board Member	Indirect*	General Trading Company (GTC)	Purchase Orders of supply of pharmaceutical supplies for Middle East Pharmacy Company	There are no preferential terms for the local market	Not Applicable	523,579.48	514,167.31

* Indirect interest as a Board Member at the Holding Company that owns this Company and as the Chief Executive Officer (CEO) to the Company that owns the Holding Company.

B. Any Transaction between the Company and any Related Party:

During the fiscal year 2020, some contracts continued, to which the Company / its affiliates was a party, some of these contracts were agreed upon in previous years and were actually started before the fiscal year 2020:

No.	Related party	Related party's relationship type with the Company	Transaction type/contract nature	Transaction conditions/terms	Transaction duration	Transaction value during 2020 (SAR)
1	Serco Saudi Services Company	Associate	Purchases and services	There are no preferential terms for the local market	A contract for a period of three years from the date of 01/01/2013 and to be auto-renewed	47,737,400
2	Dr. Abdulaziz Ibrahim Ajaji Dental Clinics Company	Associate	Revenue	There are no preferential terms for the local market	A contract for a period of 15 years from the date of 24/04/2014 and to be auto-renewed	38,260,862

Governance (continued)

6. Dividend Policy

The shares give their holders the right to obtain the profits announced by the Company, and the Company intends to distribute annual dividends to its shareholders in order to enhance the value obtained by the Shareholders in line with the Company’s profits, its financial situation and the restrictions that distribution of profits are subject to, according to financing and debt agreements, and the results of the Company’s business activities, the Company’s current and future cash needs, expansion plans, the Company’s investment requirements, and other factors including analysis of investment opportunities, the Company’s investment requirements, monetary and capital requirements, trade expectations, and the impact of any distribution of profits on any of the legal or regulatory considerations. The dividend policy can also change from time to time.

Although the Company intends to distribute annual profits to its shareholders, there are no guarantees for an actual distribution of profits, and there is no guarantee regarding the amounts to be paid in any year.

As per the Company’s by-laws, the Company’s annual net profits will be distributed as follows:

- 10% of net income shall be retained from net profit to form a statutory reserve. In this regard, the Ordinary General Assembly may decide that such retention be discontinued when the total of such reserve becomes equivalent to 30% of the paid-up capital.
- A percentage of the profit allocated to the Preferred Shares shall be distributed to the holders of such shares.
- A percentage of net income shall be retained to form an additional reserve allocated to such purposes as may be suggested by the Board and approved by the Ordinary General Assembly. The Ordinary General Assembly may decide to form other reserves, to the extent that it is in the interest of the Company or to ensure that fixed profits are distributed as much as possible to shareholders. The aforementioned assembly may also deduct from the net profits sums to establish social institutions for the Company’s employees or to assist the existing ones.
- From the remaining net income balance, a first installment of the dividends equivalent to 5% of the paid capital shall be distributed to the Shareholders.
- Subject to the provisions stipulated in the 22nd Article of the Company’s Bylaws, and the 76th Article of the Companies Law, a percentage of no more than 10% shall be allocated to the remuneration of the Board, provided that the entitlement to this remuneration is proportional to the number of sessions attended by the Member.
- The remaining is then distributed to the Shareholders as additional profits.

The Company may, after fulfilling the controls set by the competent authorities, distribute semi-annual and quarterly profits.

Based on the authorization to distribute interim profits to shareholders on a semi-annual or quarterly basis for the fiscal year 2020 granted to the Board by the Extraordinary General Assembly No. (8) that was held on Sunday 17/09/1441 AH (according to Umm Al-Qura calendar) corresponding to 10 May 2020, the Board announced the recommendation to distribute a dividend of a total amount of SAR 525,000,000, which represents SAR 1.50 per share to shareholders for the first, second and third quarters of 2020, as follows:

- On 25 June 2020, the Board of Directors announced the recommendation to distribute interim dividends of SAR 175 million at (SAR 0.50) only 60 Halala, Riyal, per share for the first quarter of 2020.
- On 15 August 2020, the Board of Directors announced the recommendation to distribute interim dividends of SAR 140 million at (SAR 0.40) only 40 Halala, per share for the second quarter of 2020.
- On 24 October 2020, the Board of Directors announced the recommendation to distribute interim dividends of SAR 210 million at (SAR 0.60) only 60 Halala, per share for the third quarter of 2020.

The following is a summary of the dividends that the Company announced and paid to its shareholders during the financial year 2020:

Fiscal year 2020	Distributed dividends during 2020			Proposed Dividends to be distributed by end of 2020	Total Dividends
Distribution date	20 July 2020	06 September 2020	15 November 2020	To be defined later	-
Dividend per share (%)	5%	4%	6%	6%	21%
Total distributed dividends	175,000,000	140,000,000	210,000,000	210,000,000	735,000,000*

*On 20 February 2021, the Board of Directors also recommended to the General Assembly to distribute dividends for the fourth quarter of 2020, amounting to SAR 210 million, the equivalent of SAR 0.60 per share . The total final and proposed dividends for 2020 will be SAR 735 million or SAR 2.1 per share.

There are no agreements or arrangements to waive any rights to dividends by any of the Shareholders.

7. Main Transactions, Investments and Other Events

A. Future Projects

The Group is currently planning to establish five private healthcare facilities in the Kingdom: (1) Shamal Al Riyadh Hospital, which is located on King Fahd Road in Al Sahafa District in Riyadh, (2) South West Jeddah Hospital, which is located on Prince Majed Road in Al Faiha’a District in Jeddah, (3) North Jeddah Hospital, which is located on Prince Sultan Road in Al Muhammadiyah District in Jeddah, (4) Maternity and Pediatric Hospital, which is located at the intersection of Al Takhassusi Street with King Abdullah Road in Al Rahmaniyah district in Riyadh, and (5) Medical Center at the Diplomatic Quarter (AlSafarat District), which is located on Altawqi Street in Diplomatic Quarter in Riyadh.

South West Jeddah Hospital

South West Jeddah Hospital is located on King Abdulaziz Square at the junction of King Abdullah Road with Prince Majed Road in Jeddah in the Western Province in KSA, and owned 50% by the Group. The hospital will be built on an area of 30,251.08 m² and an estimated total built-up area of 211,679m². The Group aims to make South West Jeddah Hospital an integrated hospital to provide healthcare services through 245 clinics and 330 beds. The Group has obtained a building permit from Jeddah Municipality and the MOH initial approval on project designs and plans. Further, the Company awarded the structure construction contract of SAR 194.0 million to United Standards Co. during the fiscal year 2019. The Group announced the signing of a Murabaha financing agreement with Sharia compliance for the Gharb Jeddah Hospital Project, with the Saudi British Bank “SABB” by SAR 1.24 billion. The Group expects to complete the project and commence operationsby the end of 2023..

North Riyadh Hospital

Shamal Al Riyadh Hospital is located on King Fahd Road in Al Sahafa District, in the city of Riyadh, in the central region of the Kingdom. North Riyadh Hospital will be built on an area of 43,601m² owned by the Group and an estimated total built-up area of 353,371m². The Group aims to make North Riyadh Hospital an integrated hospital to provide healthcare services through 300 clinics and 500 beds. The Group has obtained a building permit from Riyadh Municipality and an initial approval on the project designs and plans from the MOH. The project will include building a tower for the Group’s headquarters. Further, the Company awarded the structure construction contract of SAR 348.9 million to Masah Contracting Company (a related party) during the fiscal year 2019. The Group intends to finance the project through a Ministry of Finance loan and Sharia-compliant loans from local banks, and its internally generated cash flows. The Group intends to complete the project and commence operations by the end of 2023. The Group announced the signing of a Murabaha financing agreement with Sharia compliant for the North Riyadh Hospital Project, with the Saudi British Bank (SABB) by SAR 2.17 billion.

North Jeddah Hospital

North Jeddah Hospital is located on Prince Sultan Street in Al Muhammadiyah District in Jeddah City in the western region of the Kingdom. North Jeddah Hospital will be built on an area of 24,128m² owned by the Group with an estimated total built-up area of 233,970m². The Group aims to make North Jeddah Hospital an integrated hospital to provide healthcare services through 270 clinics and 350 beds. The project is still at the engineering design phase. Therefore, the Group has not completed the final engineering and operational project studies. The Group intends to finance the project through a Sharia-compliant loans from local banks, and its internally generated cash flows. The Group intends to complete the project and commence operations by the end of 2024.

Maternity and Pediatric Hospital

Maternity and Pediatric Hospital is located at the intersection of Al Takhassusi Street with King Abdullah Road in Al Rahmaniyah district in Riyadh, in the central region of the Kingdom. Maternity and Pediatric Hospital will be built on an area of 7,170m² owned by the Group with an estimated total built-up area of 62,274m². The Group aims to make Maternity and Pediatric Hospital an integrated hospital to provide healthcare services for women and children through 100 clinics and 145 beds. The Group has obtained a building permit from Riyadh Municipality and an initial approval on the project designs and plans from the MOH. The Group expects that a contract to build the structural work will be awarded during the fiscal year 2021. The Group intends to finance the project through long-term Sharia-compliant loans and its internally generated cash flows. The Group intends to complete the project and commence operations by the end of 2024.

Medical Center at the Diplomatic Quarter (AlSafarat District)

The Medical Center is located on Altawqi Street in Diplomatic Quarter in Riyadh, in the central region of the Kingdom. The Medical Center’s built-up area is 1,815m². The Medical Center will be an integrated medical center to provide primary healthcare services for the residents of the Diplomatic Quarter and others, through 17 clinics, procedure rooms, emergency services and pharmacy open for 24/7. The Group intends to to start the commercial operation in January 2021.

Governance (continued)

8. Statutory Payments

Except as provided below, there is no material punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Capital Market Authority or any other supervisory, regulatory or judiciary authority. The following table shows a summary of the violations that were imposed on the Company in 2020 and the corrective measures taken by the Company in relation to these violations and the steps taken to avoid their recurrence:

No.	Punishment, penalty, precautionary procedure or preventive measure (SAR)	Reasons for non-compliance	The imposing authority	The measures undertaken to remedy and avoid such non-compliance in the future
1	70,000	Violation of the Law of Private Health Institutions	The Committee of the Violations of the Law of Private Health Institutions	The Company has paid the fine, and corrective actions were taken by the Company at the time, and the commitment of the competent department to the Regulatory Requirements was confirmed.
2	100,000	Violation of the Law of Private Health Institutions	The Committee of the Violations of the Law of Private Health Institutions	The Company has paid the fine, and corrective actions were taken by the Company at the time, and the commitment of the competent department to the Regulatory Requirements was confirmed.
3	1,000	Violation of Labor Law	Ministry of Labor and Social Development	The Company has paid the fine, and corrective actions were taken by the Company at the time, and the commitment of the competent department to the Regulatory Requirements was confirmed.
4	1,000	Violation of Labor Law	Ministry of Labor and Social Development	The Company has paid the fine, and corrective actions were taken by the Company at the time, and the commitment of the competent department to the Regulatory Requirements was confirmed.

A. Statutory Payments

The numbers are rounded to the nearest million in SAR.

Statement	2020		A brief description of the statutory payment	Reasons statement
	Paid	Outstanding and have not been paid until the end of the annual financial period		
Zakat	79.7	101.1	Zakat on income	Annual Zakat declaration
Taxes	293.8	35.0	VAT, withholding tax	VAT on supplies of goods and services, as well as withholding tax on foreign service providers and non-Saudis
General Organization for Social Insurance (GOSI)	58.9	5.8	Social Insurance	The monthly insurance payable for Saudi and non-Saudi workers
Visa and passport costs	78.1	-	Visas of the employees	First time entry visas, exit and re-entry visas for employees
Labor office fees	7.6	-	Other governmental payments	Other governmental payments regarding employees

9. Compensation and Remuneration

The Board, based on the recommendation of the Nomination and Remuneration Committee, determines the remuneration of each member of the Board, and a member of the Committee from members of the Board, and a member of the Committee who are not members of the Board and Executive Management, in accordance with the policy approved by the Board and the Remuneration Policy for Board, Committees, and Executive Management, approved by the General Assembly of the Company.

A. Remuneration Policy

The Remuneration policy for the Board, Committees, and Executive Management aims to stipulate and clearly outline the remuneration for the Board and its committee members and Executive Management in line with the requirements of the Companies Law and CMA regulations. In addition, the policy aims to attract talented professionals to work on the Group’s Board, its committees, and Executive Management through adapting performance-related motivational plans and programs for remuneration, which contributes to improve the performance of the Group to achieve the best results for its shareholders. This policy is prepared in coordination with the Nomination and Remuneration Committee.

B. Principles and Standards Regulating the Remuneration

In light of the provisions regulating the remuneration of the Board and its sub-committees set forth in the Companies Law, the Corporate Governance Regulations, the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies, and the by-laws of the Company, the remuneration of the members of the Board and its sub-committees and senior executives shall be in accordance with the following principles and criteria:

- The remuneration to be proportionate to Group activities and the required skills for its management;
- The variable part of the remuneration shall be linked to long-term performance;
- Remuneration shall be consistent with the strategy, objectives, the magnitude, nature, and level of risks faced by the Group;
- Benchmarking shall be used to take into consideration the remuneration practices by other companies and the market, and shall avoid unjustifiable increases in remuneration and compensations;
- Remuneration shall be determined on the basis of job level, duties and responsibilities, educational qualifications, practical experience, skills, and level of performance;
- Remuneration shall be fair and proportionate to the Board or committees members’ activities carried out and responsibilities borne by the Board or committees’ members, in addition to the objectives set out by the Board to be achieved during the financial year;
- Take into consideration the sector in which the Group operates, its size, and experience of its Board members;
- Remuneration shall be reasonably sufficient to attract and retain highly qualified and experienced Board members and employees; and
- The remuneration shall be suspended if it has been determined that such remuneration was based on inaccurate information provided by a member of the Board or the Executive Management, in order to prevent abuse of power and prevent such individuals from obtaining unmerited remunerations.

C. Remuneration of Board Members

- The remuneration of HMG Board members may consist of: a specified sum; an attendance fee; expense fees; other in-kind benefits; a certain percentage of the net profits; or a combination of two or more of those benefits. The remuneration of a Board member shall not exceed the limit stated in the Companies Law, and shall be in line with the Remuneration Policy for the Board, Committees, and Executive Management, and any amendments that may take place in the future to be approved in line with relevant regulations.
- Where the remuneration represents a certain percentage of HMG’s profits, provisions of Article 76, Item No. 2 of the Companies’ Law shall be taken into consideration, in addition to Article 22 of HMG’s by-law. In no event may the total amount of any compensation and remuneration, whether it be cash or in-kind benefits received by a Board member be greater than SAR 500,000 annually.
- The remuneration of Independent Board members shall not be a percentage of the profits that are realized by HMG, nor shall it be based directly or indirectly on HMG’s profitability.

Governance (continued)

9. Compensation and Remuneration (continued)

D. Remuneration of the Committees' Members

- The Board shall determine and approve its committees' remuneration – excluding the Audit Committee and Nomination and Remuneration Committee remuneration – attendance fees and other benefits based on a recommendation from the Nomination and Remuneration Committee.
- Committee member remuneration shall comprise an annual remuneration (a lump sum) and attendance fees, and other benefits as defined in the Policy for the Board, Committees, and Executive Management.
- Audit Committee and Nomination and Remuneration Committee members' remuneration shall be governed by its charters that are approved by the General Assembly of the Company as per the regulations.
- When forming any Board committee, the number of seats that are occupied by each Board member shall be taken into consideration as the total amount paid for his/her membership on both the Board and committees shall not exceed the statutory limit defined in the Companies' Law.

E. Remuneration of the Executive Management

The Nomination and Remuneration Committee shall review and approve the salary scale and the incentive scheme for all employees and executive management, on a regular basis, based on the Management's recommendations. The Executive Management remuneration includes:

- Basic salary (to be paid on a monthly basis at the end of each Gregorian month).
- Allowances that include, for example, (and not limited to) housing, transportation, children's education/school fees, and phone allowances.
- Medical insurance benefits for all employees and executive management and their families.
- Life insurance policy (including events of partial or permanent disability, and death at workplace).
- Annual bonus, based on KPI objectives associated with individual annual appraisal evaluation.
- Short-term incentive plans linked with extraordinary/exceptional performance and long-term incentive plans, such as stock programs (whenever exists).
- Other benefits included, but are not limited to, annual leave, annual air tickets, and end of service benefits according to Labor Law and HR policies adopted by the Company.

F. Remuneration During 2020

The annual remuneration for the members of the Board is paid after the approval of the General Assembly of the Company. Below is the total remuneration paid or allocated by the Company to the members of the Board, committee Chairs and members, and senior executive for the fiscal year ending 31 December 2020.

i. Remuneration of the Board Members⁽¹⁾ (SAR)

Member name	Fixed remuneration						Variable remuneration									
	Specific amount	Allowance for attending Board meetings	Total allowance for attending Committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	End of service award	Aggregate amount	Expenses allowance
1. Non-Executive Directors																
Dr. Sulaiman Abdulaziz Al Habib	200,000	12,000	–	–	–	–	212,000	–	–	–	–	–	–	–	212,000	–
Eng. Saleh Mohammed Al Habib	200,000	12,000	21,000	–	–	–	233,000	–	–	–	–	–	–	–	233,000	–
H.E. Nabeel Mohammed Al Amudi	200,000	12,000	-	–	–	–	212,000	–	–	–	–	–	–	–	212,000	–
Total	600,000	36,000	21,000	–	–	–	657,000	–	–	–	–	–	–	–	657,000	–
2. Executive Directors																
Mr. Nasser Mohammed Al Huqbani	200,000	12,000	18,000	–	–	–	230,000	–	–	–	–	–	–	–	230,000	–
Mr. Faisal Abdullah Al Nassar	200,000	12,000	15,000	–	–	–	227,000	–	–	–	–	–	–	–	227,000	–
Mr. Hesham Sulaiman Al Habib	200,000	12,000	15,000	–	–	–	227,000	–	–	–	–	–	–	–	227,000	–
Total	600,000	36,000	48,000	–	–	–	684,000	–	–	–	–	–	–	–	684,000	–
3. Independent Directors																
Mr. Mazen Abdulrazzaq Sulaiman Al Rumaih	200,000	12,000	15,000	–	–	–	227,000	–	–	–	–	–	–	–	227,000	–
Mr. Ubaid Abdullah Al Rasheed	200,000	12,000	6,000	–	–	–	218,000	–	–	–	–	–	–	–	218,000	–
Mr. Ziad Fouad Al Saleh	200,000	12,000	18,000	–	–	–	230,000	–	–	–	–	–	–	–	230,000	–
Total	600,000	36,000	39,000	–	–	–	675,000	–	–	–	–	–	–	–	675,000	–
4. Non-Executive Directors resigned during 2020																
Mr. Samer Saeed Jundi	–	–	3,000	–	–	–	3,000	–	–	–	–	–	–	–	3,000	–
Total	–	–	3,000	–	–	–	3,000	–	–	–	–	–	–	–	3,000	–

⁽¹⁾The annual remuneration for the Board membership for the year 2020 will be paid after the approval of the General Assembly.

Governance (continued)

9. Compensation and Remuneration (continued)

ii. Remuneration of Senior Executive's for the Financial Year ended 31 December 2020 (SAR):

The numbers are rounded to the nearest million in SAR.

Capacity	Fixed remuneration					Variable remuneration					End of service award	Total remuneration for Board executives, if any	Grand total
	Salaries	Allowances	In-kind benefits	Total	Periodic remuneration	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares	Total			
Top five senior executives who received the highest remuneration from the company, including the CEO and CFO	2.7	8.6	–	11.3	18.5	–	–	-	–	18.5	0.7	0.6	31.1

iii. Remuneration of Committee Members for the Financial Year ended 31 December 2020 (SAR):

Committee member name		Fixed remuneration (excluding the allowance for attending Committee meetings)	Allowance for attending Committee meetings	Total
1. Audit Committee members				
1	Dr. Abdulrahman Sulaiman Al Turaigi	149,999	21,000	170,999
2	Mr. Sulaiman Nasser Al Qahtani	150,000	21,000	171,000
3	Mr. Ziad Fouad Fahad Al Saleh	128,572	18,000	146,572
Total		428,571	60,000	488,571
2. Nomination and Remuneration Committee				
1	Mr. Ubaid Abdullah Al Rasheed	50,000	6,000	56,000
2	Eng. Saleh Mohammed Al Habib	50,000	6,000	56,000
3	Mr. Ahmad Saleh Al Sudais	50,000	6,000	56,000
Total		150,000	18,000	168,000
3. Patient Safety and Quality of Care Committee				
1	Prof. Mahmoud Shahi Al Ahwal	50,000	12,000	62,000
2	Prof. Abdullah Sulaiman Al Herbish	37,500	9,000	46,500
3	Dr. Abdulelah Mohammed Rabe Al Hawsawi	37,500	9,000	46,500
Total		125,000	30,000	155,000
4. Executive Committee				
1	Mr. Mazen Abdulrazzaq Sulaiman Al Rumai	50,000	15,000	65,000
2	Mr. Nasser Mohammed Abdulaziz Al Huqbani	50,000	15,000	65,000
3	Mr. Faisal Abdullah Al Nassar	50,000	15,000	65,000
4	Eng.. Saleh Mohammed Al Habib	50,000	15,000	65,000
5	Mr. Hesham Sulaiman Abdulaziz Al Habib	50,000	15,000	65,000
Total		250,000	75,000	325,000
5. Audit Committee members resigned during 2020				
1	Mr. Samer Saeed Jundi	21,428	3,000	24,428
Total		21,428	3,000	24,428
6. Patient Safety and Quality of Care Committee members resigned during 2020				
1	Mr. Nasser Mohammed Al Huqbani	12,500	3,000	15,500
2	Dr. Sulaiman Ibrahim Al Towiyan	37,500	9,000	46,500
Total		50,000	12,000	62,000

There are no agreements or arrangements to waive any remuneration by any of the Company's Board members or a Senior Executive.

10. Summary of Assets, Liabilities, and Business Results

The table below shows the Company's assets, liabilities, and its business results of the past five fiscal years:

A. Assets and Liabilities Comparison:

The numbers are rounded to the nearest million SAR.

Particulars	2020	2019	2018	2017	2016
Current assets	3,849.6	3,285.0	3,210.7	3,293.7	3,227.5
Non-current assets	5,631.5	5,182.3	4,330.5	3,705.8	3,492.3
Total assets	9,481.1	8,467.3	7,541.2	6,999.5	6,719.8
Current liabilities	1,693.7	1,495.3	1,364.2	1,303.1	1,221.5
Non-current liabilities	2,698.9	2,381.2	1,619.7	1,147.4	1,084.3
Total liabilities	4,392.6	3,876.5	2,983.9	2,450.5	2,305.8

B. Profit and Loss Comparison:

The numbers are rounded to the nearest million SAR.

Particulars	2020	2019	2018	2017	2016
Revenue	5,861.6	5,016.3	4,587.6	4,379.0	4,617.2
Cost of revenue	3,997.2	3,492.7	3,225.6	3,113.6	2,974.2
Gross profit	1,864.4	1,523.6	1,362.0	1,265.4	1,643.0
Operating income	1,114.9	867.7	801.5	655.3	930.3
Net income	1,055.5	870.2	801.3	656.2	1,015.6

Clarification of any material differences in the operational results compared with the preceding year's results, or any expectations announced by the Company:

The numbers are rounded to the nearest million SAR.

Particulars	2020	2019	Change (+) or (-)	Percentage change
Revenue	5,861.6	5,016.3	845.3	16.9%
Cost of revenue	3,997.2	3,492.7	504.5	14.4%
Gross profit	1,864.4	1,523.6	340.8	22.4%
Operating expenses	749.5	655.9	93.6	14.3%
Operating income	1,114.9	867.7	247.2	28.5%
Net income	1,055.5	870.2	185.3	21.3%

C. Geographical Analysis of the Company's, and its Affiliates', Gross Revenue

The numbers are rounded to the nearest million SAR.

Year	Gross revenue	The eastern geographic region (Al Khobar)	The central geographic region (Riyadh)	The central geographic region (Qassim)	The external geographic region (United Arab Emirates)	The external geographic region (Bahrain)
2020	5,861.6	503.4	4,466.6	426.5	461.1	4.0

Governance (continued)

11. Loans

The Group has used a variety of banking facilities, along with cash flows from operating activities, to meet the capital expenditure requirements. The Group intends to continue its strategy of leveraging cash flows from operating activities and long-term loans from banks to maintain an ideal financing structure. It is worth noting that all the bank facilities obtained by the Company are in accordance with the provisions of Islamic Sharia and are approved by the Shariah committees inside the banks.

Loans as of 31 December 2020 (numbers are rounded to the nearest million SAR):

	The creditor name	The amount of the principal loan	The loan term	Amounts paid by the Company in repayments of loans during the year	The remaining amount	Statement of the total indebtedness of the Company and its affiliates
a.	Loans from local banks	2,789.0		242.8	1,933.8	1,933.8
1.	Saudi British Bank	971.3		115.2	668.6	668.6
	Loan #1	608.3	Last installment due in 2022	115.2	305.6	305.6
	Loan #2	263.0	Last installment due in 2033	-	263.0	263.0
	Loan #3	100.0	Last installment due in 2030	-	100.0	100.0
2.	National Commercial Bank	1,817.7		127.6	1,265.2	1,265.2
	Loan #1	536.3	Last installment due in 2021	91.2	36.5	36.5
	Loan #2	9.4	Last installment due in 2020	5.2	-	-
	Loan #3	25.8	Last installment due in 2022	3.2	22.5	22.5
	Loan #4	40.0	Last installment due in 2020	28.0	-	-
	Loan #5	1,206.2	Last installment due in 2030	-	1,206.2	1,206.2
b.	Ministry of Finance	627.3		24.2	502.2	502.2
	Loan #1	20.8	Last installment due in 2026	1.3	7.8	7.8
	Loan #2	37.1	Last installment due in 2028	2.3	20.9	20.9
	Loan #3	44.1	Last installment due in 2026	2.8	19.3	19.3
	Loan #4	50.0	Last installment due in 2027	3.1	21.9	21.9
	Loan #5	75.3	Last installment due in 2028	4.7	42.3	42.3
	Loan #6	200.0	Last installment due in 2039	10.0	190.0	190.0
	Loan #7	200.0*	Last installment due in 2041	-	200.0	200.0
	Total Loans	3,416.3		267.0	2,436.0	2,436.0

*This amount represents the remaining balance of the loans granted by the Ministry of Finance, which is divided into loans and Government grants where both included in the consolidated financial statements and presented as per IAS 20 according standards requirements.

12. Statement of the Board of Directors' Responsibilities

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards and the interpretations issued by the International Accounting Standards Board, as endorsed in the Kingdom of Saudi Arabia and other standards and publications endorsed by the Saudi Organization for Certified Public Accountants (collectively referred to as "International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia").

The External Auditor's report has not contained any reservations on the Annual Financial Statements. There is no recommendation from the Board to replace the external auditor before the end of its term.

There was no recommendation by the Audit Committee regarding the need to appoint an Internal Auditor because the Company already has an Internal Audit Department.

The Board confirms the following:

- Proper books of accounts have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no significant doubts concerning the Company's ability to continue its activity.
- There was no recommendation by the Audit Committee which conflicts with Board resolutions, or any recommendation relating to the appointment, dismissal, determining the remuneration and assessment of the performance of an external auditor to the Company, or appointment of an internal auditor.
- No convertible debt instruments, contractual securities, preemptive right or similar rights were issued or granted by the Company during the year 2020.
- No conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights were issued or granted by the Company during the year 2020 or any preceding years.
- No debt instruments were issued by the Company or its affiliates. Consequently, the Company did not purchase, redeem or cancel any debt instruments or such securities mentioned above.
- No investments have been made and no reserves have been set up for the benefit of the employees of the Company.

Consolidated Financial statements

▶ Contents

Independent Auditor's Report	134
Consolidated Statement of Financial Position	137
Consolidated Statement of Income	138
Consolidated Statement of Comprehensive Income	139
Consolidated Statement of Changes in Equity	140
Consolidated Statement of Cash Flows	141
Notes to the Consolidated Financial Statements	142

Independent Auditor’s Report

To the Shareholders of Dr. Sulaiman Al Habib Medical Services Group Company (Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dr. Sulaiman Al Habib Medical Services Group Company and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition <p>During the year ended 31 December 2020, the Group recognized revenue of SAR 5.9 billion (2019: SAR 5 billion).</p> <p>The Group recognizes revenue upon satisfaction of performance obligations attached to medical and related services at the fair value of consideration received or receivable, net of variable consideration.</p> <p>Certain contracts with customers include variable considerations in the form of prompt payment discount or any expected discounts for some of the services provided. Significant accounting judgments, estimates and assumptions are made by the management to determine the variable consideration.</p> <p>Revenue recognition is considered as a key audit matter due to the existence of risks associated with the amount of revenues related to the controls and judgments that mainly depend on management’s estimates when the amount of revenue is recognized.</p> <p><i>Refer to note 4.4 for the accounting policy related to revenue recognition and note 5.1 for estimates and assumption used in revenue recognition.</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none">Assessed the appropriateness of the Group's revenue recognition.Assessed the appropriateness of significant accounting judgments, estimates and assumptions made by the management to determine the variable consideration.Assessed the design and tested (on a sample basis) the operating effectiveness of relevant controls in relation to revenue recognition.Involved our IT experts in testing the applied IT controls and the internal control around them.Performed analytical procedures by comparing the expectations with actual revenue and analysing the variances.Performed tests (on a sample basis) of settlements, claims and collections made with major clients of the group.Assessed the adequacy of relevant disclosures in the consolidated financial statements.

Other information included in the Group’s 2020 Annual Report

Other information consists of the information included in the Group’s 2020 annual report, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information in its annual report. The Group’s 2020 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 Group’s 2020 annual report, if we 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies’ Law 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 International Standards on Auditing 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 International Standards on Auditing 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.
- 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.

Independent Auditor’s Report
To the Shareholders of Dr. Sulaiman Al Habib Medical
Services Group Company (Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements (continued)

- 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, actions taken to eliminate threats or safeguards applied.

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

For Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
License No. (354)



Riyadh: 9 Rajab 1442H
(21 February 2021)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 SAR	31 December 2019 SAR
Assets			
Current assets			
Cash and cash equivalents	7	2,339,263,767	1,196,660,642
Accounts receivable	8	844,329,440	1,507,139,583
Advances to suppliers and contractors		8,325,335	16,583,711
Prepaid expenses and other assets	9	277,818,447	268,741,036
Inventories	10	379,910,293	295,866,976
Total current assets		3,849,647,282	3,284,991,948
Non-current assets			
Investments in associates	11	39,869,789	40,032,012
Property and equipment	12	5,591,656,122	5,142,278,772
Total non-current assets		5,631,525,911	5,182,310,784
Total assets		9,481,173,193	8,467,302,732
Liabilities and equity			
Liabilities			
Current liabilities			
Current portion of long-term loans	28.1	330,020,751	239,884,588
Accounts payable	13	628,162,484	655,968,945
Advances from customers		37,334,621	43,457,118
Accrued expenses and other liabilities	15	555,075,323	415,455,083
Zakat payable	16	101,144,451	88,031,626
Current portion of government grant	17	3,670,596	3,068,006
Current portion of lease liabilities	28.2	38,320,170	49,413,705
Total current liabilities		1,693,728,396	1,495,279,071
Non-current liabilities			
Long-term loans	28.1	2,029,640,764	1,780,258,784
Government grant	17	74,458,835	64,872,136
Lease liabilities	28.2	232,519,658	268,788,177
Employees’ end-of-service benefits	18	362,296,404	267,310,792
Total non-current liabilities		2,698,915,661	2,381,229,889
Total liabilities		4,392,644,057	3,876,508,960
Equity			
Issued and paid-up share capital	19	3,500,000,000	3,500,000,000
Statutory reserve	20	573,420,806	467,872,574
Retained earnings		838,322,887	426,004,145
Equity attributable to equity holders of the parent		4,911,743,693	4,393,876,719
Non-controlling interests		176,785,443	196,917,053
Total equity		5,088,529,136	4,590,793,772
Total liabilities and equity		9,481,173,193	8,467,302,732

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

Consolidated Statement of Income

For the year ended 31 December 2020

	Notes	2020 SAR	2019 SAR
Revenue		5,861,604,636	5,016,280,105
Cost of revenue		(3,997,193,532)	(3,492,741,134)
Gross profit		1,864,411,104	1,523,538,971
Selling and marketing expenses	22	(214,669,584)	(181,005,415)
General and administrative expenses	23	(534,885,033)	(474,813,532)
Operating income		1,114,856,487	867,720,024
Share of (loss) income of associates	11	1,837,777	1,543,832
Finance costs	24	(48,495,019)	(27,962,390)
Other income, net	25	59,602,357	61,971,253
Income before zakat		1,127,801,602	903,272,719
Zakat	16	(92,787,895)	(65,677,664)
Income for the year		1,035,013,707	837,595,055
Attributable to:			
Equity holders of the parent		1,055,482,320	870,231,171
Non-controlling interests		(20,468,613)	(32,636,116)
		1,035,013,707	837,595,055
Earnings per share:	26		
<i>Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent</i>		3.02	2.49

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 SAR	2019 SAR
Income for the year		1,035,013,707	837,595,055
Other comprehensive income			
<i>Items that will not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement loss on employees' end-of-service benefits	18	(12,278,343)	(4,060,518)
Other comprehensive loss for the year		(12,278,343)	(4,060,518)
Total comprehensive income for the year		1,022,735,364	833,534,537
Attributable to:			
Equity holders of the parent company		1,042,866,974	865,854,421
Non-controlling interests		(20,131,610)	(32,319,884)
		1,022,735,364	833,534,537

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity holders of the parent					
	Issued and paid-up share capital SAR	Statutory reserve SAR	Retained earnings SAR	Total SAR	Non-controlling interests SAR	Total equity SAR
As at 1 January 2019	3,500,000,000	380,849,457	447,172,841	4,328,022,298	229,236,937	4,557,259,235
Income for the year	-	-	870,231,171	870,231,171	(32,636,116)	837,595,055
Other comprehensive income (loss)	-	-	(4,376,750)	(4,376,750)	316,232	(4,060,518)
Total comprehensive income (loss)	-	-	865,854,421	865,854,421	(32,319,884)	833,534,537
Transfer to statutory reserve	-	87,023,117	(87,023,117)	-	-	-
Dividends (note 21)	-	-	(800,000,000)	(800,000,000)	-	(800,000,000)
As at 31 December 2019	3,500,000,000	467,872,574	426,004,145	4,393,876,719	196,917,053	4,590,793,772
Income for the year	-	-	1,055,482,320	1,055,482,320	(20,468,613)	1,035,013,707
Other comprehensive loss	-	-	(12,615,346)	(12,615,346)	337,003	(12,278,343)
Total comprehensive income (loss)	-	-	1,042,866,974	1,042,866,974	(20,131,610)	1,022,735,364
Transfer to statutory reserve	-	105,548,232	(105,548,232)	-	-	-
Dividends (note 21)	-	-	(525,000,000)	(525,000,000)	-	(525,000,000)
As at 31 December 2020	3,500,000,000	573,420,806	838,322,887	4,911,743,693	176,785,443	5,088,529,136

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 SAR	2019 SAR
Operating activities			
Income before zakat		1,127,801,602	903,272,719
Non-cash adjustments to reconcile income before zakat to net cash flows:			
Depreciation	12	317,823,000	255,919,370
Share of income of associates	11	(1,837,777)	(1,543,832)
Allowance for expected credit losses	8 & 22	132,749,706	104,708,352
Finance costs	24	48,495,019	27,962,390
Employees' end-of-service benefits	18	115,535,500	57,754,135
		1,740,567,050	1,348,073,134
Working capital adjustments:			
Accounts receivable		530,060,437	(322,562,829)
Advances to suppliers and contractors		8,258,376	(2,357,942)
Due to related parties, net		-	48,298,937
Inventories		(83,968,935)	(28,159,666)
Prepaid expenses and other assets		(12,232,825)	(78,755,166)
Accounts payable		(27,806,461)	139,102,987
Advances from customers		(6,122,497)	25,109,423
Accrued expenses and other liabilities		141,750,377	14,366,009
Cash generated from operations		2,290,505,522	1,143,114,887
Zakat paid	16	(79,675,070)	(56,781,845)
Employees' end-of-service benefits paid	18	(32,828,231)	(27,241,236)
Net cash from operating activities		2,178,002,221	1,059,091,806
Investing activities			
Purchase of property and equipment		(757,692,282)	(732,889,490)
Deposits transferred with respect to transfer of a subsidiary		-	(2,772,641)
Dividends from associates	11	2,000,000	5,000,000
Net cash used in investing activities		(755,692,282)	(730,662,131)
Financing activities			
Proceeds from long-term loans, net		349,707,432	471,173,537
Finance costs paid		(50,625,156)	(25,099,666)
Lease liabilities paid		(53,789,090)	(43,600,978)
Dividends paid		(525,000,000)	(903,360,353)
Net cash used in financing activities		(279,706,814)	(500,887,460)
Net increase (decrease) in cash and cash equivalents		1,142,603,125	(172,457,785)
Cash and cash equivalents at the beginning of the year	7	1,196,660,642	1,369,118,427
Cash and cash equivalents at the end of the year	7	2,339,263,767	1,196,660,642
Non-cash transactions:			
Recognition of right-of-use assets	12	12,838,743	393,574,642
Recognition of lease liabilities	28.2	12,838,743	372,394,992

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

Notes to the Consolidated Financial Statements

31 December 2020

1. Corporate information and activities

Dr. Sulaiman Al Habib Medical Services Group Company (the “Company”) (a Saudi joint stock company) is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993). The registered office is located at Olaya District, P.O. Box 301578, Riyadh 11372, KSA and the Company was listed In the Saudi Stock Exchange (Tadawul) on 22/07/1441H (corresponding to 17 March 2020).

The activities of the company and its following subsidiaries (collectively referred to as “the Group”),are to provide private health services and ancillary services for its operations in the Kingdom and the region through the establishment, management and operation of hospitals, general and specialized medical complexes, day surgery centers, pharmaceutical facilities, and other ancillary areas, which include providing services. Home medical care, specialized medical laboratories, technology services, information systems, and facility maintenance services.

The Company has two branches, the first in Riyadh, Kingdom of Saudi Arabia “Branch of Dr. Sulaiman Al Habib Medical Services Group Company” (“the Branch”) under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The objectives of the Branch include trading in wholesale and retail of cosmetics and maintenance of medical equipment. The second one in the Kingdom of Bahrain “Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch” (“the Foreign Branch”) under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the Foreign Branch include activities of head offices or Management offices.

The consolidated financial statements include the financial information of the branches mentioned above and subsidiaries mentioned in note 3.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants (collectively referred to as “IFRS” as endorsed in Kingdom of Saudi Arabia”).

These consolidated financial statements are prepared on a historical cost basis unless otherwise stated in the accounting policies below. The consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.

3. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (collectively referred to as “the Group”), mainly domiciled in Kingdom of Saudi Arabia (“KSA”) and United Arab Emirates (“UAE”) as at 31 December 2020 and 31 December 2019:

	Country of incorporation and business	Activities	Ownership %	
			31 December 2020	31 December 2019
Sehat Al Olaya Medical Complex Company	KSA	Hospital	100%	100%
Asharq Alawsat Pharmacies Company	KSA	Pharmacy	100%	100%*
Dr. Sulaiman Al Habib Hospital FZ – LLC	UAE	Hospital	100%	100%
Buraidah Al Takhassusi Hospital for Healthcare Company	KSA	Hospital	100%	100%
Al Rayan Hospital for Healthcare Company	KSA	Hospital	100%	100%
Home Healthcare Company	KSA	Home Healthcare services	100%	100%
Antab Al Riyadh for Operation and Maintenance Company	KSA	Anciliary services	100%	100%
Al Gharb Al Takhassusi Hospital for Healthcare Company	KSA	Hospital	100%	100%
Al Mokhtabarat Diagnostic Medical Company	KSA	Laboratory services	100%	100%
Sehat Al Suwaidi Medical Company	KSA	Hospital	100%	100%
Hulool Al Sahaba for IT & Communication Company	KSA	IT Support services	100%	100%
Al Rayan for Maintenance and Operation Company	KSA	Anciliary services	100%	100%
Al Afia Pharmacies for Medicines Company	KSA	Pharmacy	100%	100%*
Intensive Care Company for Healthcare	KSA	Medical services	100%	100%
Sehat Al Sharq Medical Limited Company	KSA	Hospital	50%	50%
Al Wosta Medical Limited Company	KSA	Hospital	50%	50%
Gharb Jeddah Hospital Company	KSA	Hospital	50%	50%
Shamal Al Riyadh for Healthcare Company	KSA	Hospital	100%	100%
Al Muhammadiyah Hospital for Healthcare Company	KSA	Hospital	100%	100%
Taswyat Management Company	KSA	Revenue cycle management	100%	-
Al Marakez Al Awwalyah for Health Care Company	KSA	Medical Primary Healthcare centers	100%	-
Rawabet Medical Company	KSA	Telemedicine services	100%	-

*During 2020, the other partner (other party) has assigned his share to the benefit of the Company (which is 1%).

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020

3. Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

4. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

4.1 Business combination

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

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

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the

net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

4.2 Investments in associates

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

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

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

The aggregate of the Group's share of income of an associate is shown on the face of the consolidated statement of income outside operating profit and represents income after zakat and tax wherever applicable.

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

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

4.3 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.

Notes to the Consolidated Financial Statements (continued)

31 December 2020

4. Summary of significant accounting policies (continued)

4.3 Fair value measurement (continued)

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

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

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

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

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

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

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

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

4.4 Revenue recognition

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

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

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

- a. The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs.
- b. The Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c. The Group’s performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

Patient services

The patient services revenue is recognized when the services are rendered to the patient net off for any discount or rebates expected at the time of providing services to the patients.

Sale of goods

The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net off any discount or rebates expected at the time of delivery of goods to the patients.

Rental income

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

Others

All other revenues are recognized on an accrual basis.

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

4.5 Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income, if material.

The results and financial position of the Group’s entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the reporting date.
- Statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gains or losses on sale.

Notes to the Consolidated Financial Statements (continued)

31 December 2020

4. Summary of significant accounting policies (continued)

4.6 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.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

4.7 Property and equipment

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

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

	Years
Buildings	10 – 33
Leasehold improvements	The estimated useful life or lease period whichever is lower
Medical and general equipment	5 – 10
Motor vehicles and ambulances	4 – 10
Furniture, fixtures and office equipment	4 – 6.67
Right of use Assets	The estimated useful life or lease period whichever is lower

Capital work-in-progress is stated at cost. 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 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.

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 income 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 income 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 and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.

4.8 Impairment of non-financial assets

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

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

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

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

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

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

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

Lease liabilities

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020

4.9 Leases (continued)

Lease liabilities (continued)

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value (i.e., below SAR 20,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

Classification

The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification depends on the Group's contractual terms of the financial assets cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial liabilities are not reclassified.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through profit or loss and other comprehensive income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the profit or loss are expensed in the consolidated statement of income and other comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the profit or loss or other comprehensive income (irrevocable election at the time of recognition).

De-recognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income and other comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

For accounts receivables, the Group recognizes expected credit losses based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date.

Objective evidence that financial assets are impaired may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.12 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.

4.13 Inventories

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items, near to expiry items and damages. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

4.14 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. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are 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 income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Notes to the Consolidated Financial Statements (continued)

31 December 2020

4. Summary of significant accounting policies (continued)

4.15 Employees' end-of-service 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 plan is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in consolidated statement of income on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Past service costs are recognized in consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

4.16 Zakat and Value Added Tax (VAT)

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

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

The subsidiary registered in free zone - Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.

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

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

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

4.17 New and amended standards and interpretations

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

Amendments to IFRS 3: Definition of a Business

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

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

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

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

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

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

4.18 Standards issued but not yet effective

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020

4. Summary of significant accounting policies (continued)

4.18 Standards issued but not yet effective (continued)

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

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

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

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

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

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

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

5. Significant accounting judgments, estimates, assumptions

5.1 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 concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. 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.

Revenue Recognition

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

- Satisfaction of performance obligations

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

- Determination of transaction prices

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

- Transfer of control in contracts with customers

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

Allowance for expected credit losses

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

Employees' end-of-service benefits

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020

5. Significant accounting judgments, estimates, assumptions (continued)

5.1 Estimates and assumptions (continued)

Impairment of non-financial assets

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

Useful lives of property and equipment

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

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

Provision for inventories

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Fair value measurement of financial instruments

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

5.2 Critical judgements in applying accounting standards

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Component parts of property and equipment

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

Determination of control and significant influence

Management's judgement in assessing control over consolidated subsidiaries

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

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

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

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

Significant judgement 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 has the option, under some of its leases to lease the assets for additional terms of 5 to 15 years. The Group applies judgement 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).

6. Segment Information

Operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM").

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Group.

The identified key segments are Hospitals/Healthcare Facilities, Pharmacies and HMG Solutions/Others.

HMG Solutions/Others include operations with respect to laboratories, healthcare services at doorstep projects and operating projects related to critical care units, in addition to, IT solutions, ancillary services and tele-medicine services.

Notes to the Consolidated Financial Statements (continued)

31 December 2020

6. Segment Information (continued)

The segment results for the year ended 31 December 2020 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

Year ended 31 December 2020	Hospitals / Healthcare Facilities	Pharmacies	HMG Solutions / Others	Total
SAR' millions				
Saudi Arabia:				
Revenue	4,155	987	255	5,397
Gross profit	1,350	330	101	1,781
Outside Saudi Arabia:				
Revenue	447	14	4	465
Gross profit	77	2	4	83
Total				
Revenue	4,602	1,001	259	5,862
Gross profit*	1,427	332	105	1,864
Unallocated income (expenses)				
Selling and marketing	-	-	-	(215)
General and administrative	-	-	-	(535)
Operating income	-	-	-	1,114
Share of income of associates	-	-	-	2
Finance costs	-	-	-	(48)
Other income	-	-	-	60
Income before zakat	-	-	-	1,128
Zakat	-	-	-	(93)
Income for the year	-	-	-	1,035
As at 31 December 2020				
Saudi Arabia:				
Total assets	6,328	304	2,289	8,921
Total liabilities	3,168	326	782	4,276
Outside Saudi Arabia				
Total assets	536	15	9	560
Total liabilities	100	15	2	117
Total				
Total assets	6,864	319	2,298	9,481
Total liabilities	3,268	341	784	4,393

Year ended 31 December 2019	Hospitals Healthcare Facilities	Pharmacies	HMG Solutions / Others	Total
SAR' millions				
Saudi Arabia:				
Revenue	3,583	846	157	4,586
Gross profit	1,130	281	61	1,472
Outside Saudi Arabia:				
Revenue	418	8	4	430
Gross profit	47	1	4	52
Total				
Revenue	4,001	854	161	5,016
Gross profit*	1,177	282	65	1,524
Unallocated income (expenses)				
Selling and marketing	-	-	-	(182)
General and administrative	-	-	-	(475)
Operating income	-	-	-	867
Share of income of associates	-	-	-	2
Finance costs	-	-	-	(28)
Other income	-	-	-	62
Income before zakat	-	-	-	903
Zakat	-	-	-	(66)
Income for the year	-	-	-	837
As at 31 December 2019				
Saudi Arabia:				
Total assets	6,431	252	1,131	7,814
Total liabilities	2,542	264	955	3,761
Outside Saudi Arabia				
Total assets	609	8	36	653
Total liabilities	103	10	3	116
Total				
Total assets	7,040	260	1,167	8,467
Total liabilities	2,645	274	958	3,877

*Cost of revenue includes employees' cost amounting to SAR 2,142.0 million (2019: SAR 1,893.9 million).

Notes to the Consolidated Financial Statements (continued)

31 December 2020

7. Cash and cash equivalents

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Short-term deposits with banks	1,673,445,113	517,892,829
Cash at banks	658,181,842	670,406,992
Cash on hand	7,636,812	8,360,821
	2,339,263,767	1,196,660,642

8. Accounts receivable

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Accounts receivable – trade	960,028,010	1,567,457,233
Less: allowance for expected credit losses	(115,698,570)	(60,317,650)
	844,329,440	1,507,139,583

The movement in the allowance for expected credit losses is as follows:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
At the beginning of the year	60,317,650	122,450,006
Charge for the year (note 22)	132,749,706	104,708,352
Disposal of a subsidiary	-	(3,979,052)
Write-off during the year	(77,368,786)	(162,861,656)
At the end of the year	115,698,570	60,317,650

As at 31 December, the ageing analysis of unimpaired trade receivables is as follows:

	Total SAR	Less than one year SAR	Greater than one year SAR
31 December 2020	844,329,440	836,945,793	7,383,647
31 December 2019	1,507,139,583	1,378,692,102	128,447,481

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. As at 31 December 2020 accounts receivable of SAR 115,698,570 (as at 31 December 2019: SAR 60,317,650) were impaired and fully provided for. Amounts written off during the year relate to accounts that are considered to be irrecoverable.

As at 31 December 2020, approximately 94% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2019: SAR 93%).

The Group's credit terms require receivables to be repaid within 30-90 days of the claim date 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 accounts receivable are neither past due nor impaired.

9. Prepaid expenses and other assets

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Prepaid expenses	119,455,486	109,052,838
Advances to employees	68,952,684	53,708,913
Advances to purchase land	57,505,550	39,978,296
Others	31,904,727	66,000,989
	277,818,447	268,741,036

10. Inventories

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Inventories	385,746,703	298,292,032
Less: provision for inventories	(5,836,410)	(2,425,056)
	379,910,293	295,866,976

Cost of inventories recognized in the consolidated statement of income for the year ended 31 December 2020 amounted to SAR 1,200,725,576 (2019: SAR 1,021,320,572).

11. Investments in associates

The Group investment in associates comprise of:

- 50% interest in Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013). Ajaji Dental objectives include establishment and management of hospitals, dentistry centers and laboratories tests and x-rays centers, dentistry colleges and institutes and import and distribute medical equipment.
- 40% interest in Serco Saudi Services Company ("SERCO"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013). Antab objectives include works and maintenance to buildings construction, electricity, mechanical, cooling systems, and building cleaning.

Notes to the Consolidated Financial Statements (continued)

31 December 2020

11. Investments in associates (continued)

The Group’s interest in its associates is accounted for using the equity method in the consolidated financial statements. The financial information of the associates are not material at the Group level therefore, summarized financial information of the associates have not been presented.

During the year, the movement of investments in associates is as follows:

	Opening balance SAR	Share of income SAR	Dividends SAR	Ending balance SAR
2020				
Ajaji Dental	30,447,858	3,629,888	(2,000,000)	32,077,746
SERCO	9,584,154	(1,792,111)	-	7,792,043
Total	40,032,012	1,837,777	(2,000,000)	39,869,789
2019				
Ajaji Dental	33,850,963	1,596,895	(5,000,000)	30,447,858
SERCO	9,637,217	(53,063)	-	9,584,154
Total	43,488,180	1,543,832	(5,000,000)	40,032,012

12. Property and equipment

	Land SAR	Buildings and leasehold improvements SAR	Medical and general equipment SAR	Motor vehicles and ambulances SAR	Furniture, fixtures and office equipment SAR	Right of use Assets SAR	Capital work-in- progress* SAR	Total SAR
Cost								
At 1 January 2019	1,571,832,004	1,555,911,662	1,027,703,835	10,215,660	427,758,188	-	902,548,307	5,495,969,656
Additions	139,180,750	7,883,922	65,572,884	888,457	38,019,812	393,574,642	483,960,580	1,129,081,047
Disposals/transfers	-	1,060,667,065	94,157,304	(875,000)	11,238,054	(15,494,300)	(1,178,161,498)	(28,468,375)
At 31 December 2019	1,711,012,754	2,624,462,649	1,187,434,023	10,229,117	477,016,054	378,080,342	208,347,389	6,596,582,328
Additions	320,253,530	4,195,017	68,721,194	192,878	38,335,593	12,838,743	334,496,649	779,033,604
Disposals/transfers	-	54,877,306	27,241,129	(371,550)	49,206,458	(14,936,733)	(147,489,469)	(31,472,859)
At 31 December 2020	2,031,266,284	2,683,534,972	1,283,396,346	10,050,445	564,558,105	375,982,352	395,354,569	7,344,143,073
Depreciation								
At 1 January 2019	-	354,046,655	575,272,634	8,516,560	271,110,808	-	-	1,208,946,657
Charge for the year	-	58,293,519	97,223,820	648,206	49,868,397	49,885,428	-	255,919,370
Disposals/transfers	-	77,658	(3,965,103)	(862,625)	(3,599,381)	(2,213,020)	-	(10,562,471)
At 31 December 2019	-	412,417,832	668,531,351	8,302,141	317,379,824	47,672,408	-	1,454,303,556
Charge for the year	-	92,169,612	109,717,983	599,960	60,739,432	54,596,013	-	317,823,000
Disposals/transfers	-	(809,232)	(3,576,975)	(373,500)	(6,370,358)	(8,509,540)	-	(19,639,605)
At 31 December 2020	-	503,778,212	774,672,359	8,528,601	371,748,898	93,758,881	-	1,752,486,951
Net book value								
At 31 December 2020	2,031,266,284	2,179,756,760	508,723,987	1,521,844	192,809,207	282,223,471	395,354,569	5,591,656,122
At 31 December 2019	1,711,012,754	2,212,044,817	518,902,672	1,926,976	159,636,230	330,407,934	208,347,389	5,142,278,772

*Capital work-in-progress represents cost incurred to date on different hospital projects of the Group.
** Property and equipment include land, building and medical equipment amounting to the extent of SAR 627,254,500 (2019: SAR 583,708,500) pledged against the loans obtained from the Ministry of Finance (note 28).

The depreciation charge has been allocated in the consolidated statement of income as follows:

	For the year ended	
	31 December 2020 SAR	31 December 2019 SAR
Cost of revenue	269,382,148	214,273,522
General and administrative expenses (note 23)	45,911,796	39,710,491
Selling and marketing expenses (note 22)	2,529,056	1,935,357
	317,823,000	255,919,370

13. Accounts payable

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Accounts payable*	595,078,874	521,316,188
Contractors’ payables and retentions	27,743,084	132,785,752
Others	5,340,526	1,867,005
	628,162,484	655,968,945

*Included in the accounts payable are balances payable to related parties amounting to SAR 52,449,559 (2019: SAR 72,886,465).

14. Related party disclosures

Related parties represent shareholders, Directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group’s management.

Related party transactions

Significant transactions and balances with related parties in the ordinary course of business which are included in the consolidated financial statements are summarized as follows:

Nature of transaction	Related party	Relationship	2020 SAR	2019 SAR
Capital work-in-progress	Masah Contracting Company	Other related party	186,143,813	26,300,196
Capital work-in-progress	Namara Specialist Establishment for Trading	Other related party	354,578	2,074,693
Purchases and services	Serco Saudi Services Company	Associate	47,737,400	55,124,697
Purchases and services	Rawafed Al Seha International Company	Other related party	39,658,427	25,132,894
Revenue	Dr. Abdulaziz Ibrahim Ajaji Dental Clinics Company	Associate	38,260,862	36,697,724
Purchases and services	Members of the Board of Directors	Affiliates	20,070,891	8,295,057

Notes to the Consolidated Financial Statements (continued)

31 December 2020

14. Related party disclosures (continued)

Compensation of key management personnel of the Group

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

	For the year ended	
	31 December 2020 SAR	31 December 2019 SAR
Short-term employee benefits	11,280,000	11,280,000
Post-employment and medical benefits	674,500	297,500
Board of Directors and its committees remuneration	3,130,999	1,935,000
	15,085,499	13,512,500

The board of directors has also approved during 2020 remuneration to senior executives for the year ended on 31 of December 2019 by SAR 14.7 million.

15. Accrued expenses and other liabilities

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Accrued employees' salaries and benefits	408,827,200	299,666,562
Accrued expenses	93,743,541	94,805,168
Others	52,504,582	20,983,353
	555,075,323	415,455,083

16. Zakat payable

The Group's Zakat provision for the year ended 31 December 2020 amounted to SAR 92,787,895 (2019: SAR 65,677,664) which is charged to the consolidated statement of income in accordance with the GAZT regulations.

a. Zakat base

The principal elements of the Zakat base are as follows:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Shareholders' equity	4,070,372,574	3,984,649,457
Non-current assets	(5,815,184,275)	(5,363,332,140)
Non-current liabilities	3,946,521,231	2,861,594,816
Adjusted net income	1,398,907,272	1,065,697,258
Zakat base	3,600,616,802	2,548,609,391

b. Zakat provision

The movement in Zakat provision as of 31 December is as follows:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Balance at the beginning of the year	88,031,626	79,135,807
Charge for the year	92,787,895	65,677,664
Paid during the year	(79,675,070)	(56,781,845)
	101,144,451	88,031,626

c. Zakat status

The Company has filed its consolidated zakat returns (for the Company and fully owned subsidiaries) to GAZT and obtained zakat certificates for all years up to 31 December 2019. The final Zakat assessments have been received for all years up to 2018 and the Company has recorded all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments.

Asharq Alawsat Pharmacies Company has obtained Zakat certificate up to 2019. The final Zakat assessments have been received for all years up to 2016 and all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments. Al Afia Pharmacies Company have obtained the Zakat certificates up to 2019. During 2020, both Asharq Alawsat Pharmacies Company and Al Afia Pharmacies Company has been added to the consolidate Zakat Pool, and become as part of the consolidate Zakat assessment and returns.

Sehat Al Sharq Medical Limited Company, Gharb Jeddah Hospital Company and Al Wosta Medical Limited Company have obtained the Zakat certificates up to 2019. Sehat Al Sharq Medical Limited Company has received the final Zakat assessments for all the years upto 2016.

17. Government grant

The movement of the government grant during the year ending December 31 is shown as follows:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
As at 1 January	67,940,142	50,140,095
Received during the year	13,661,050	20,424,051
Amortised during the year	(3,471,761)	(2,624,004)
As at 31 December	78,129,431	67,940,142
Current	3,670,596	3,068,006
Non-current	74,458,835	64,872,136
	78,129,431	67,940,142

The grant represents the difference between the fair value and carrying value of the interest free loans obtained in 2019 and 2020 from Ministry of Finance to fund the construction of the new hospital and the purchase of medical and non-medical equipment. The conditions and contingencies included in the grant have been met.

Notes to the Consolidated Financial Statements (continued)

31 December 2020

18. Employees' end-of-service benefits

a. Net defined benefit expense recognized in profit or loss

	For the year ended	
	31 December 2020 SAR	31 December 2019 SAR
Current service cost	102,784,775	46,649,613
Interest cost on defined benefit obligation	12,750,725	11,104,522
Net defined benefit expense	115,535,500	57,754,135

b. Changes in the present value of the defined benefit obligation:

	SAR
Employees' end-of-service benefits as at 1 January 2019	234,052,516
Interest cost on defined benefit obligation	11,104,522
Current service cost	46,649,613
Actuarial loss on the defined benefit obligation recognized in OCI	4,060,518
Benefits paid	(27,241,236)
Transfer of a subsidiary (Note 31)	(1,315,141)
Employees' end-of-service benefits as at 31 December 2019	267,310,792
Interest cost on defined benefit obligation	12,750,725
Current service cost	102,784,775
Actuarial loss on the defined benefit obligation recognized in OCI	12,278,343
Benefits paid	(32,828,231)
Employees' end-of-service benefits as at 31 December 2020	362,296,404

c. Significant assumptions

	31 December 2020 %	31 December 2019 %
Discount rate	3.36	4.77
Future salary increases	3.00	3.00

Sensitive analysis:

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 December 2020:

31 December 2020	Impact on employees' end-of-service benefits			
	Change in assumption	Base value SAR	Increase in assumption SAR	Decrease in assumption SAR
Discount rate	1%	362,296,404	348,131,511	377,270,082
Future salary increases	1%	362,296,404	373,866,033	351,035,536

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation because of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

19. Issued and paid-up share capital

The Company's authorised, issued and paid-up share capital comprise of 350,000,000 shares of SAR 10 each amounting to SAR 3,500,000,000.

20. Statutory reserve

In accordance with Saudi Regulations for Companies and the Group's bylaws, the Company is establishing the statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders currently.

21. Dividend distribution

During the year 2020, the Board of Directors decided to distribute interim dividends of SAR 525,000,000 at SAR 1.50 per share for the first, second and third quarters of 2020, based on the authorization to distribute interim dividends to the shareholders, quarterly or semi-annually, for the fiscal year 2020, which is granted to the Board of Directors by the Extraordinary General Assembly No. (8), which was held on Sunday 17 Ramadan 1441 AH (corresponding to 10 May 2020), as follows:

- On 25 June 2020, the Board of Directors decided to distribute interim dividends of SAR 175 million at SAR 0.50 per share for the first quarter of 2020.
- On 15 August 2020, the Board of Directors decided to distribute interim dividends of SAR 140 million at SAR 0.40 per share for the second quarter of 2020.
- On 24 October 2020, the Board of Directors decided to distribute interim dividends of SAR 210 million at SAR 0.60 per share for the third quarter of 2020.

Total interim dividends for the year 2020 is SAR 525,000,000, at SAR 1.50 per share (2019: dividend of SAR 800,000,000 of 2.29 riyals per share). The interim dividend will be presented for approval during the next meeting of the General Assembly of Shareholders.

The interim dividends that were distributed during the year ending on 31 December 2019 were approved at the General Assembly meeting held on 20/04/1441 AH (corresponding to 17 December 2019).

Notes to the Consolidated Financial Statements (continued)

31 December 2020

22. Selling and marketing expenses

	For the year ended	
	31 December 2020 SAR	31 December 2019 SAR
Allowance for expected credit losses (note 8)	132,749,706	104,708,352
Employees' salaries, wages and other related benefits	51,937,235	42,389,287
Promotion and advertisement	17,798,159	24,594,011
Depreciation (note 12)	2,529,056	1,935,357
Others	9,655,428	7,378,408
	214,669,584	181,005,415

23. General and administrative expenses

	For the year ended	
	31 December 2020 SAR	31 December 2019 SAR
Employees' salaries, wages and other related benefits	297,542,023	282,494,732
Directors' remuneration and management incentive	52,447,206	45,110,775
Depreciation (note 12)	45,911,796	39,710,491
Utilities and communication	15,190,141	22,151,963
Licenses and government fees	13,437,312	11,240,781
Repair and maintenance	11,619,567	8,843,930
Housekeeping	8,490,468	10,089,154
Rent	7,089,262	8,645,785
Consultation and professional fees	6,302,830	5,945,822
Fees and subscriptions	5,936,753	2,359,448
Bank charges and commissions	5,640,754	6,903,657
Travel expenses	1,888,187	5,841,654
Others	63,388,734	25,475,340
	534,885,033	474,813,532

24. Finance charges

	For the year ended	
	31 December 2020 SAR	31 December 2019 SAR
Related to long-term loan	37,041,722	19,765,848
Related to lease liability	11,453,297	8,196,542
	48,495,019	27,962,390

25. Other income, net

	For the year ended	
	31 December 2020 SAR	31 December 2019 SAR
Finance income	13,051,957	20,509,367
Rental income	19,742,728	15,801,938
Scientific support from suppliers	17,092,752	8,046,412
HRDF receipts	10,885,657	1,518,856
Others	(1,170,737)	16,094,680
	59,602,357	61,971,253

26. Earnings per share

Basic and diluted earnings per share ("EPS") is calculated by dividing the income for the year attributable to ordinary equity holders 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 operating income, income for the year and share data used in the basic and diluted EPS computations:

	2020 SAR	2019 SAR
Income for the year attributable to equity holders of the parent	1,055,482,320	870,231,171
Weighted average number of ordinary shares	350,000,000	350,000,000
Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent	3.02	2.49

27. Commitments and contingencies

Capital commitments

The Group has capital commitment for construction of hospitals, as follows:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Capital commitments	329,625,922	410,170,952

Letter of credits and guarantees

The Group has guarantees related to, as follows:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Letters of credit	52,492,739	86,216,664
Letters of guarantee	91,412,986	104,976,258
	143,905,725	191,192,922

Notes to the Consolidated Financial Statements (continued)

31 December 2020

28. Financial assets and liabilities

28.1 Long-term borrowings

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Current-portion of loans and borrowings:		
Loans from local banks (i)	305,817,344	215,681,180
Loans from Ministry of Finance (ii)	24,203,407	24,203,408
	330,020,751	239,884,588
Non-current portion of loans and borrowings:		
Loans from local banks (i)	1,628,013,057	1,392,205,402
Loans from Ministry of Finance (ii)	401,627,707	388,053,382
	2,029,640,764	1,780,258,784

i) Loans from local banks

The Group is financed through Islamic facilities in the form of long-term and short-term loans (Murabaha / Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes.

Aggregate maturities of loans from local banks are as follows:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Within one year	305,817,344	215,681,180
After one year but not more than five years	696,541,590	826,711,330
More than five years	931,471,467	565,494,072
	1,933,830,401	1,607,886,582

ii) Loans from Ministry of Finance (MoF)

The Group's long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the Company and its subsidiaries. The loan repayment instalments are settled on equal yearly installments. Certain assets are pledged against the loans obtained from the MoF (note 12).

Aggregate maturities of loans from MoF are as follows:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Within one year	24,203,407	24,203,408
After one year but not more than five years	136,590,094	138,455,378
More than five years	265,037,613	249,598,004
	425,831,114	412,256,790

28.2 Lease Liabilities

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
As at 1 January 2020	318,201,882	209,036,772
Additions during the year	12,838,743	163,358,220
Disposal -net	(6,411,707)	(10,592,132)
Payments	(53,789,090)	(43,600,978)
As at 31 December 2020	270,839,828	318,201,882

Following is the aggregate maturities of lease liabilities:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Within one year	49,705,313	60,959,975
After one year but not more than five years	144,909,850	155,310,163
More than five years	142,188,750	178,402,250
	336,803,913	394,672,388

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Future minimum lease payment	336,803,913	394,672,388
Less: un-amortized finance charges	(65,964,085)	(76,470,506)
Present value of minimum lease payment	270,839,828	318,201,882
Less: current-portion of lease payment	(38,320,170)	(49,413,705)
	232,519,658	268,788,177

Majority of the lease contracts relate to leased buildings for the Group's employee accommodation, in addition to administrative offices lease contracts.

28.3 Risk management

The Group's principal financial liabilities mainly comprise long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into hedging activities.

Notes to the Consolidated Financial Statements (continued)

31 December 2020

28. Financial assets and liabilities (continued)

28.3 Risk management (continued)

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 or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commission rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loan.

Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Group’s exposure to the risk of changes in market commission rates relates primarily to the Group’s long-term borrowings and short-term deposits with floating commission rates. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The Group analysis its commission rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of defined markup shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions. The Group is not exposed to any significant commission rate risk.

Currency risk

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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.

Credit risk

Credit risk is the risk a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalents, term deposits and accounts receivables as follows:

	As at 31 December 2020 SAR	As at 31 December 2019 SAR
Accounts receivable	844,329,440	1,507,139,583
Short-term deposits with banks	1,673,445,113	517,892,829
Cash at banks	658,181,842	670,406,992
	3,175,956,395	2,695,439,404

Accounts receivable

Receivables credit risk is managed subject to the Group’s established policy, procedures and control defined to mitigate the credit risk. Receivables of the Group comprise primarily of Insurance Companies, Government and its related ministries and others. The Group seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups. The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group’s standard payment terms and conditions are offered. The credit terms are extended to customers where the Group does not expect any inability to pay.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Group evaluates the concentration of risk with respect to receivables as low, as its customers are located in various regions across GCC.

Short-term deposits with banks and cash at banks

Credit risk from balances with banks and financial institution is managed by the Group’s treasury department in accordance with the Group’s policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Group maintains sufficient liquidity. Senior management continuously reviews information on the Group’s liquidity developments.

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations.

The Group’s terms of sales and services require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

The table below summarizes the maturities of the Company’s financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

As at 31 December 2020	On demand SAR	Within one year SAR	One to five years SAR	More than five years SAR	Total SAR
Long-term loans	-	330,020,751	833,131,684	1,196,509,080	2,359,661,515
Accounts payable	628,162,484	-	-	-	628,162,484
Accruals and other liabilities	555,075,323	-	-	-	555,075,323
Lease liability	-	49,705,313	144,909,850	142,188,750	336,803,913
	1,183,237,807	379,726,064	978,041,534	1,338,697,830	3,879,703,235

As at 31 December 2019	On demand SAR	Within one year SAR	One to five years SAR	More than five years SAR	Total SAR
Long-term loans	-	239,884,588	965,166,708	815,092,076	2,020,143,372
Accounts payable	655,968,945	-	-	-	655,968,945
Accruals and other liabilities	415,455,083	-	-	-	415,455,083
Lease liability	-	60,959,975	155,310,163	178,402,250	394,672,388
	1,071,424,028	300,844,563	1,120,476,871	993,494,326	3,486,239,788

Notes to the Consolidated Financial Statements (continued)

31 December 2020

29. Capital management

For the purpose of the Group’s capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group’s capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

30. Fair values

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents and accounts receivable. Financial liabilities consist of long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values at reporting date largely.

31. Transfer of a subsidiary

On 1 January 2019, the Company has transferred Rawafed Al Seha International Company to a related party at net book value.

Following is the financial information of the subsidiary at date of transaction:

	SAR
Total assets	86,126,174
Total liabilities	72,364,200
Net assets disposed	13,761,974
Net cash flow from arising on transfer of the subsidiary	
Cash and cash equivalents disposed	(2,772,641)

32. Significant event

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), causing disruptions to many businesses and economic activities.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be reliably predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of issuance of these consolidated financial statements. These developments may impact the Group’s future financial results, cash flows and financial condition.

33. Subsequent Events

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2020 that would have a material impact on the financial position or financial performance of the Group.

34. Approval of Consolidated Financial Statements

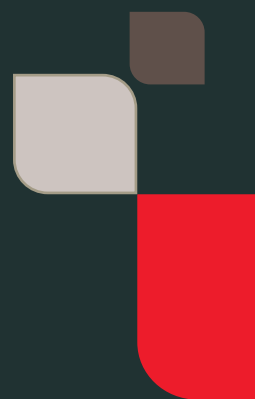
The consolidated financial statements of the Group for the year ended 31 December 2020 were approved for issuance by the Board of Directors on 08 Rajab 1442 H (corresponding to 20 February 2021).

35. Comparative information

Certain comparative information has been reclassified to align with current year presentation.for the year ended 31 December 2020.

compassionate

professional healthcare



Dr. Sulaiman Al Habib Medical Services Group Company

King Fahad Road, Olaya District
P.O. Box: 91877, Riyadh 11643,
Kingdom of Saudi Arabia

Business Tel: + 966 (11) 5259999

Fax: + 966 (11) 2174980

Email: investor.relations@drsulaimanalhabib.com

hmg.com

