

AI AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2019

WITH INDEPENDENT AUDITOR'S REPORT

**AL AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

(1/5)

The Shareholders
Ahsa Development Company
(A Saudi Joint Stock Company)
Al-Ahsa, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Al Ahsa Development Company, a Saudi Joint Stock Company (the "Company"), and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

INDEPENDENT AUDITOR'S REPORT - Continued

(2/5)

The Shareholders of
 Al Ahsa Development Company
 (A Saudi Joint Stock Company)
 Al-Ahsa, Kingdom of Saudi Arabia

Key Audit Matters – Continued

Key Audit Matter	How our audit addressed the key audit matter
<p>1- Impairment of Investment properties</p> <p>As of December 31, 2019, the Group has investment properties amounted to 124.4 million (2018: SR 124.5 million) which is carried at cost. Management conducts impairment review on an annual basis to assess whether there is any indication of potential impairment for the Group's Investment properties. If this review has resulted in an indication of impairment, an impairment study is performed for assessing the impairment value based on the recoverable amount as per related market indicators.</p> <p>Impairment of investment properties is valued through valuation techniques which involve professional judgement, estimates and assumptions.</p> <p>The book value of investment properties is adjusted by any long term impairment.</p> <p>Based on the materiality of the investment properties and the uncertainty associated with the judgements related to the assessment of the impairment this matter has been considered as a key audit matter.</p> <p>Refer to the note 3.14 for the accounting policies and note 4(g) for the management estimates and judgements.</p>	<ul style="list-style-type: none"> • We have obtained the valuation reports of the independent valuator who is accredited from Saudi Association of Valuators ("Taqeem"). • We performed audit procedures to test whether the basic information presented by the management to the valuator Company is appropriate and dependable. • We have verified the final valuation reports and assessed whether there was any impairment to be recorded to investment properties. • We have discussed the valuation reports with the management to assess the market data and assumptions used. • We have reviewed the valuation report and ensured that methods and assumptions used are consistent with last year. • Based on our assessment, we have ensured that the disclosure is appropriate in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT - Continued

(3/5)

The Shareholders of
 Al Ahsa Development Company
 (A Saudi Joint Stock Company)
 Al-Ahsa, Kingdom of Saudi Arabia

Key Audit Matters – Continued

Key Audit Matter	How our audit addressed the key audit matter
2- Investments in equity instruments designated at fair value through other comprehensive income	
<p>As of December 31, 2019, the Group has investments in equity instruments designated at fair value through other comprehensive income amounted to SR 222.5 million (2018: SR 208.8 million)</p> <p>These investments have been classified as investment at fair value through other comprehensive income based on the Group's business model and contractual cash flow specifications.</p> <p>This matter has been considered as a key audit matter based on the fact that IFRS 9 requires significant judgment for the business model testing and the contractual cash flow specifications.</p> <p>Refer to the note 3.17 for the accounting policy and note 4(e) for the management estimates and judgements.</p>	<ul style="list-style-type: none"> • We have checked the appropriateness of the Group classification of the financial instruments as per the Group's business model and the related contractual cash flow. • We have obtained the valuation reports of the independent valuator who is accredited from Saudi Association of Valuators ("Taqeem") to measure the fair value of financial instruments. • We performed audit procedures to test completeness and accuracy of information presented by the management to the valuator. • We have discussed the valuation reports with the management to verify market data and assumptions used. • We have reviewed the valuation report and ensured that methods and assumptions used are consistent with last year. • We have reviewed the related disclosure in the financial statements to ensure the compliance with the requirements of IFRS 9 and IFRS 7.

INDEPENDENT AUDITOR'S REPORT - Continued

(4/5)

The Shareholders of
 Al Ahsa Development Company
 (A Saudi Joint Stock Company)
 Al-Ahsa, Kingdom of Saudi Arabia

Other Information included in the group's 2019 annual report

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT - Continued

(5/5)

The Shareholders of
 Al Ahsa Development Company
 (A Saudi Joint Stock Company)
 Al-Ahsa, Kindom of Saudi Arabia

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

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

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



Ibrahim Ahmed Al Bassam
 Certified Public Accountant
 License No 337
 Al Khobar
 March 9, 2020
 14 Rajab 1441H


AL AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019 SR	2018 SR
ASSETS			
Non-current assets			
Property, plant and equipment	6	177,485,741	175,068,407
Intangible assets	7	104,540	573,448
Investments in equity instruments designated at fair value through other comprehensive income	8	222,503,460	208,820,103
Investment in an associate	9	12,851,170	-
Investment properties	10	124,355,262	124,538,937
Right-of-use assets	11	5,577,932	-
Goodwill	12	2,094,678	2,094,678
Total non-current assets		544,972,783	511,095,573
Current assets			
Inventory	13	23,798,596	20,997,521
Trade receivables, prepayments and other assets	14	91,711,581	96,583,145
Cash and cash equivalents	15	13,239,796	81,863,318
		128,749,973	199,443,984
Assets from discontinued operations		110,536	110,536
Total current assets		128,860,509	199,554,520
TOTAL ASSETS		673,833,292	710,650,093
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	490,000,000	490,000,000
Statutory reserve	16	4,627,334	4,627,334
Retained earnings		4,536,541	5,318,685
Reserve for acquisition of additional shares in a subsidiary	17	(33,332,212)	(442,483)
Fair value reserve		42,978,324	19,294,967
Reserve for re-measurement of employees' defined benefit obligations		8,115,552	6,808,889
Total equity attributable to shareholders		516,925,539	525,607,392
Non-controlling interest	31	65,239,660	99,070,091
TOTAL EQUITY		582,165,199	624,677,483
LIABILITIES			
Non-current liabilities			
Long term loan – non-current portion	18	10,000,000	11,823,353
Lease liabilities - non-current portion	11	4,352,601	-
Employees' defined benefits obligations	19	28,472,821	24,043,519
Total non-current liabilities		42,825,422	35,866,872
Current liabilities			
Long term loan – current portion	18	6,666,667	8,068,390
Trade payables, accrued expenses and other liabilities	20	33,448,011	32,733,809
Lease liabilities - current portion	11	1,085,501	-
Zakat provision	21	4,525,208	6,186,255
		45,725,387	46,988,454
Liabilities from discontinued operations		3,117,284	3,117,284
Total current liabilities		48,842,671	50,105,738
Total liabilities		91,668,093	85,972,610
TOTAL EQUITY AND LIABILITIES		673,833,292	710,650,093

The consolidated financial statements from page (6) to page (39) were approved by the board of directors, on Rajab 13, 1441H corresponding to March 8, 2020 and were signed on its behalf by:


Ahmed Ibrahim
Finance Manager


Raed Mohamed alnaeem
CEO


Abdulrahman Balghunaim
Chairman

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

AL AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 SR	2018 SR
Revenues, net	24	245,504,829	225,653,951
Cost of revenues		(176,125,579)	(172,921,546)
Gross profit		69,379,250	52,732,405
General and administrative expenses	25	(74,389,904)	(57,199,563)
Selling and marketing expenses	26	(1,293,507)	(1,413,420)
Operating loss		(6,304,161)	(5,880,578)
Finance cost	11, 18	(433,495)	-
Share of results from associate	9	(2,517,648)	-
Dividends income	27	6,125,634	14,606,534
Other income	28	8,030,756	7,445,697
Net income for the year from continuing operations		4,901,086	16,171,653
Net loss from discontinued operations		-	(26,250)
Net income before zakat		4,901,086	16,145,403
Zakat	21	(4,174,794)	(4,944,848)
Net income for the year		726,292	11,200,555
OTHER COMPREHENSIVE INCOME			
<i>Item that will not be reclassified subsequently to the profit or loss</i>			
Net movement in fair value of equity instruments designated at fair value through other comprehensive income		24,184,656	(10,641,797)
Re-measurement loss on employees' defined benefits obligations	19	(1,309,682)	11,818,299
Other comprehensive income		22,874,974	1,176,502
Total comprehensive income for the year		23,601,266	12,377,057
Net income for the year attributable to:			
Shareholders		(1,283,443)	7,221,260
Non-controlling interest		2,009,735	3,979,295
Net income for the year		726,292	11,200,555
Total comprehensive income attributable to:			
Shareholders		22,068,410	2,839,313
Non-controlling interest		1,532,856	9,537,744
Total comprehensive income for the year		23,601,266	12,377,057
Earnings per share			
(Loss) / earnings per share of net income for the year	23	(0.03)	0.15
Earnings per share of total comprehensive income for the year	23	0.45	0.06
Number of outstanding Shares		49,000,000	49,000,000

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CEO



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Chairman

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AL AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Share Capital	Statutory reserve	Retained earnings / (accumulated losses)	Reserve for acquisition of additional shares in a subsidiary	Fair value reserve	Reserve for re-measurement of employees' defined benefit obligations	Total equity attributable to shareholders of the Company	Non-controlling interest	Total equity
	SR	SR	SR	SR	SR	SR	SR	SR	SR
Balance as at January 1, 2018	490,000,000	3,905,208	(7,750,591)	(442,483)	36,506,906	549,039	522,768,079	89,532,347	612,300,426
Gain on sale of investment in equity instruments at fair value through other comprehensive income	-	-	6,570,142	-	(6,570,142)	-	-	-	-
Net income for the year	-	-	7,221,260	-	-	-	7,221,260	3,979,295	11,200,555
Other comprehensive (loss)/income	-	-	-	(10,641,797)	(10,641,797)	6,259,850	(4,381,947)	5,558,449	1,176,502
Total comprehensive income for the year	-	-	7,221,260	-	(10,641,797)	6,259,850	2,839,313	9,537,744	12,377,057
Transfer to statutory reserve	-	722,126	(722,126)	-	-	-	-	-	-
Balance as at December 31, 2018	490,000,000	4,627,334	5,318,685	(442,483)	19,294,967	6,808,889	525,607,392	99,070,091	624,677,483
Balance as at January 1, 2019	490,000,000	4,627,334	5,318,685	(442,483)	19,294,967	6,808,889	525,607,392	99,070,091	624,677,483
Gain on sale of investment in equity instruments at fair value through other comprehensive income	-	-	501,299	-	(501,299)	-	-	-	-
Net (loss) / income for the year	-	-	(1,283,443)	-	-	-	(1,283,443)	2,009,735	726,292
Other comprehensive income / (loss)	-	-	-	-	24,184,656	(832,803)	23,351,853	(476,879)	22,874,974
Total comprehensive income for the year	-	-	(1,283,443)	-	24,184,656	(832,803)	22,068,410	1,532,856	23,601,266
Transaction with shareholders in their capacity as shareholders	-	-	-	(32,889,729)	-	2,139,466	(30,750,263)	(35,363,287)	(66,113,550)
The effect of acquisition of additional shares in a subsidiary (Note 31)	-	-	4,536,541	(33,332,212)	42,978,324	8,115,552	516,925,539	65,239,660	582,165,199
Balance as at December 31, 2019	490,000,000	4,627,334	4,536,541	(33,332,212)	42,978,324	8,115,552	516,925,539	65,239,660	582,165,199

The consolidated financial statements from page (6) to page (39) were approved by the board of directors, on Rajab 13, 1441H corresponding to March 8, 2020 and were signed on its behalf by:


Ahmed Ibrahim
Finance Manager


Raed Mohamed albaeem
CEO


Abdulrahman Balghunaim
Chairman

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


AL AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2019

	2019	2018
	SR	SR
Operating activities:		
Net profit for the year before zakat	4,901,086	16,145,403
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	13,813,909	14,692,463
Depreciation expense on investment properties	183,675	183,674
Amortisation of right of use asset	1,250,514	-
Loss from disposal of property, plant and equipment	792,119	3,371
Amortization of intangible assets	468,908	632,373
Finance cost	433,495	-
Share of results from associate	2,517,648	-
Dividends income	(6,125,634)	(14,606,534)
Provision for doubtful other receivables – reversal	(1,130,000)	(1,767,386)
Impairment of investment properties – reversal	(1,867,500)	-
Impairment recognized on trade receivables	14,664,611	170,152
Defined benefits obligations for employees	5,200,460	7,926,800
	<u>35,103,291</u>	<u>23,380,316</u>
Changes in operating assets and liabilities:		
Trade receivables, prepayments and other current assets	(9,418,288)	(15,248,866)
Inventories	(2,801,075)	5,216,641
Change in assets and liabilities of discontinued operations	-	(38,000)
Trade payables, accrued expenses and other liabilities	714,202	5,125,788
Cash from operations	<u>23,598,130</u>	<u>18,435,879</u>
Defined benefits obligations for employees paid	(2,080,840)	(2,502,410)
Zakat paid	(5,835,841)	(4,651,382)
Net cash from operating activities	<u>15,681,449</u>	<u>11,282,087</u>
Investing activities		
Purchase of property, plant and equipment	(17,077,901)	(23,393,314)
Proceeds from disposal of property, plant and equipment	54,539	461,593
Proceeds of financial instruments by fair value through other comprehensive income	10,501,299	3,709,762
Cash dividends received	6,125,634	4,106,534
Acquisition of extra shares in a subsidiary	(66,113,550)	-
Additions in investment in an associate	(15,000,000)	-
Cash recovery against fully impaired investment property	1,867,500	-
Purchase of equity instruments at fair value through other comprehensive income	-	(10,000,000)
Net cash used in investing activities	<u>(79,642,479)</u>	<u>(25,115,425)</u>
Financing activities		
Lease liabilities paid	(1,329,600)	-
Finance cost paid	(107,816)	-
Loans obtained during the year	26,205,672	10,690,793
Repayment of loans	(29,430,748)	-
Net cash (used in) / from financing activities	<u>(4,662,492)</u>	<u>10,690,793</u>
Net change in cash and cash equivalents	<u>(68,623,522)</u>	<u>(3,142,545)</u>
Cash and cash equivalent as at 1 January	<u>81,863,318</u>	<u>85,005,863</u>
Cash and cash equivalents as at 31 December	<u>13,239,796</u>	<u>81,863,318</u>

Supplement information related to non-cash transaction are disclosed in note 33.

The consolidated financial statements from page (6) to page (39) were approved by the board of directors, on Rajab 13, 1441H corresponding to March 8, 2020 and were signed on its behalf by:


Ahmed Ibrahim
Finance Manager


Raed Mohamed alnaeem
CEO


Abdulrahman Balghunaim
Chairman

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

AL AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

The authorized, issued and paid up share capital amounted to SAR 490 million divided into 49 million shares with par value of SAR 10 per share.

During the year, the Company has renewed its commercial registration with Ministry of Commerce in which it changed its principal activities.

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

These Company's head office is located in Ahsa, Kingdom of Saudi Arabia.

1.1 Structure of the group

These consolidated financial statements include the financial statements of the Company and the following subsidiaries:

Company	Legal Form	Incorporation Country	Effective ownership	
			2019	2018
A. Saudi-Japanese Textile Manufacturing Company	Limited Liability	Saudi Arabia	100%	100%
B. Al-Ahsa Food Industries Company	Limited Liability	Saudi Arabia	100%	100%
C. Al-Ahsa Medical Services Company	Closed Joint Stock	Saudi Arabia	69.93%	53.61%

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

A. Saudi-Japanese Textile Manufacturing Company ("SJTMC")

Saudi-Japanese Textile Manufacturing Company is a Saudi limited liability company registered under Commercial Register No. 2257025539 dated 12 Rabea II 1419 H corresponding to August 6, 1998. On October 10, 2016 the Board of Directors approved the appointment of a liquidator to liquidate the Saudi-Japanese Textile Manufacturing Company. Management currently in the process of completing the legal requirements to cancel the commercial registration of the subsidiary.

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

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

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

Al-Ahsa Medical Services Company is a closed joint stock company under Commercial Register No. 2252025213 dated 29 Sha'ban 1420H corresponding to December 8, 1999. Al-Ahsa Medical Services Company is engaged in the establishment, management, operation and maintenance of hospitals. On May 1, 2019, The Company acquired additional 16.32% of the subsidiary's equity shares from the non-controlling interest, this resulted in an increase of the Company's ownership in the subsidiary from 53.61% to 69.93% (Note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2019

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Preparation of consolidated financial statements

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

2.3 Operational and presentation currency

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

2.4 Basis of consolidation

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

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

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

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

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

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

Consolidated and each component of other comprehensive income are attributed to the owners of the Group. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

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

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

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2. BASIS OF PREPARATION (Continued)

2.4 Basis of consolidation (Continued)

2.4.1 Changes in the Group's ownership interests in existing subsidiaries (Continued)

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

2.5 New standards and amendments

2.5.1 Standards issued and applied effective January 1, 2019

New and revised IFRSs	Description	Effective for beginning on or after
IFRS 16	Leases	January 1, 2019
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28	Amendment long-term Interests in Associates and Joint Ventures	January 1, 2019
IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 9	Amendments - Prepayment features with negative compensation & modification of financial liabilities	January 1, 2019

The Group has adopted IFRS 16 "Leases" effective January 1, 2019. The impact of the adoption of IFRS 16 is disclosed in note 3.1 and note 5. The other standards did not have any impact on the Group's accounting policies.

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

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Description	Effective for annual periods beginning on or after
IFRS 3	Amendments to definition of a business	January 1, 2020
IAS 1 and IAS 8	Amendment on the definition of material	January 1, 2020
IFRS 9, IAS 39 and IFRS 7	Amendment relating to relief on interest rate benchmark reforms	January 1, 2020

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies

IFRS 16 (Leases)

The Group has adopted IFRS 16 "Leases" effective January 1, 2019. IFRS 16 replaces IAS 17, "Leases" and IFRIC 4 "Determining whether an arrangement involves a lease" and IFRIC 15 "Operating lease - Incentives" and ex-IFRIC 27 "Valuation of the substance of transactions involving the legal form of a lease".

IFRS 16 "Leases" introduces a single accounting model included in the tenants' financial position. The lessee recognizes the right of use which represents the right to use the asset in question and the obligation of the lease that represents its obligation to pay the lease payments. There are optional exceptions to short-term leases and low-value leases. Lessor accounting remains similar to current standards - that is, lessors continue to classify leases as finance leases or operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Changes in accounting policies (Continued)

IFRS 16 (Leases) Continued

In accordance with the transition provisions mentioned in IFRS 16, the Group has adopted IFRS 16 in accordance with the revised retrospective approach and therefore the cumulative effect of applying IFRS 16 is recognized in January 1, 2019 with no comparison information adjusted. Assets and liabilities arising from a lease are initially measured on a present value basis as follows:

(a) Right of use asset

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

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

(b) Lease liabilities

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

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

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

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

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

3.2 Revenue

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

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

(a) Sale of goods

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

(b) Rendering of services

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Revenue (Continued)

(c) Income from operating leases

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

(d) Term deposit income

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

(e) Dividends

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

(f) Other

Other income is recognized on an accrual basis.

3.3 Expenses

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

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

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

3.4 Earnings per share

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

3.5 Foreign currency transactions

Presentation currency

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

Transaction and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - *Continued*
FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

3.6 Employees defined benefit obligations

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

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

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

Short-term employee benefits

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

3.7 Zakat

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

3.8 Segmental reporting

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

3.9 Property, plant & equipment

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant & equipment (Continued)

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

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

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

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

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

3.10 Intangible assets

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

An intangible asset is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Gains or losses on de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated profit or loss on de-recognition of the asset.

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

	<u>Productive life</u>
Computer program	4 years
Contractual relations	5 years

3.11 Impairment of tangible and intangible assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Impairment of tangible and intangible assets (Continued)

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

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

3.12 Inventory

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

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

3.13 Provisions

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

3.14 Investment properties

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Investment in an associate

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

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

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

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

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

3.16 Borrowing cost

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

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

3.17 Financial instruments

3-17-1 Financial assets

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

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

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

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

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

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss.

The Group de-recognizes a financial asset at amortized cost when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any gain or loss on de-recognition is recognized in profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Financial instruments (Continued)

3-17-1 Financial assets (Continued)

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

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

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

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

3-17-2 Financial Liabilities

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

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

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

3-17-3 Impairment of financial assets

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

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

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

3-17-3 Effective interest method

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Discontinued operations

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

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

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

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of property, plant and equipment

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

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

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

(c) Provisions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - *Continued*
FOR THE YEAR ENDED DECEMBER 31, 2019

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

(d) **Fair value measurement**

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

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

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

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

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

(f) **Goodwill impairment**

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

(g) **Investment properties impairment**

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

(h) **Impairment of financial assets**

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

(i) **Employee end of service benefits**

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

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

(j) Impairment of inventories

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

(k) Rejections and discounts

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

5. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.5%.

A- Impact of application of IFRS 16

	January 1, 2019
	SR
Operating lease commitments at December 31, 2018	8,219,240
The lease liability recognized on January 1, 2019 (discounted using the Group's incremental borrowing rate)	6,442,023
It is divided into:	
Current lease liabilities	1,640,823
Non-current lease liabilities	4,801,200

B- The following right of use assets are included in the Group's leases:

	December 31, 2018	Re-Effect of application of IFRS 16	January 1, 2019
	SR	SR	SR
Assets right of use	-	6,828,446	6,828,446
Prepayments	386,423	(386,423)	-
Lease liabilities	-	6,442,023	6,442,023

C- Net balance of right of use assets related to the Group's leases are as follows:

	December 31, 2019	January 1, 2019
	SR	SR
Land	1,572,435	1,632,913
Buildings	4,005,497	5,195,533
	<u>5,577,932</u>	<u>6,828,446</u>

D- The lease liabilities relating to the Group's leases are as follows:

	December 31, 2019	January 1, 2019
	SR	SR
Current portion	1,085,501	1,640,823
Non-current portion	4,352,601	4,801,200
	<u>5,438,102</u>	<u>6,442,023</u>

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6. PROPERTY, PLANT AND EQUIPMENT

	Land SR	Buildings and improvements SR	Machines SR	Vehicles SR	Furniture & office equipment SR	Computers SR	Capital work- in-progress SR	Total SR
Cost								
At January 1, 2019	20,980,000	157,377,745	129,454,243	5,474,746	19,801,602	8,811,289	17,828,299	359,727,924
Transfers (Note 6.1)	-	3,812,134	2,736,183	-	-	-	(6,548,317)	-
Additions	-	2,921,128	4,317,744	212,200	994,229	382,600	8,250,000	17,077,901
Disposals	-	-	(2,440,374)	(219,560)	(294,371)	(118,138)	-	(3,072,443)
At December 31, 2019	20,980,000	164,111,007	134,067,796	5,467,386	20,501,460	9,075,751	19,529,982	373,733,382
Accumulated Depreciation								
At January 1, 2019	-	73,765,236	86,127,156	4,798,903	12,018,381	7,949,841	-	184,659,517
Charge for the year (Note 6.3)	-	4,900,472	6,703,950	421,898	1,406,418	381,171	-	13,813,909
Disposals	-	-	(1,693,046)	(213,796)	(204,875)	(114,068)	-	(2,225,785)
At December 31, 2019	-	78,665,708	91,138,060	5,007,005	13,219,924	8,216,944	-	196,247,641
Net book value								
At December 31, 2019	20,980,000	85,445,299	42,929,736	460,381	7,281,536	858,807	19,529,982	177,485,741
At December 31, 2018	20,980,000	83,612,509	43,327,087	675,843	7,783,221	861,448	17,828,299	175,068,407

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings and	Machines	Vehicles	Furniture & office	Computers	Capital work-	Total
	SR	improvements	SR	SR	equipment	SR	in-progress	SR
Cost								
At January 1, 2018	20,980,000	156,367,065	123,503,019	6,300,553	18,619,480	8,951,910	5,052,884	339,774,911
Additions	-	1,016,080	7,814,268	220,900	1,307,677	218,974	12,815,415	23,393,314
Disposals	-	(5,400)	(1,863,044)	(1,046,707)	(125,555)	(359,595)	(40,000)	(3,440,301)
At December 31, 2018	20,980,000	157,377,745	129,454,243	5,474,746	19,801,602	8,811,289	17,828,299	359,727,924
Accumulated Depreciation								
At January 1, 2018	-	68,689,061	81,273,439	5,120,856	10,766,402	7,092,633	-	172,942,391
Charge for the year (Note 6.3)	-	5,078,425	6,474,436	596,579	1,342,323	1,200,700	-	14,692,463
Disposals	-	(2,250)	(1,620,719)	(918,532)	(90,344)	(343,492)	-	(2,975,337)
At December 31, 2018	-	73,765,236	86,127,156	4,798,903	12,018,381	7,949,841	-	184,659,517
Net book value								
At December 31, 2018	20,980,000	83,612,509	43,327,087	675,843	7,783,221	861,448	17,828,299	175,068,407

6.1 Capital work in process represents mainly the cost of constructing additional buildings for AMSC. The capitalized borrowing cost as of December 31, 2019 amounted to SR 1.48 million.

6.2 During the year, the mortgage of lands and buildings of AMSC has been released which were previously mortgaged according to the long term loan obtained from the Ministry of Finance, as the loan was repaid in full during the year. (Note 18).

6.3 Depreciation allocation

	December 31, 2019	December 31, 2018
Cost of revenues	SR 11,028,455	SR 11,241,460
General and administrative expenses (Note 25)	2,700,387	3,282,612
Selling and marketing expenses (Note 26)	85,067	168,391
	<u>13,813,909</u>	<u>14,692,463</u>

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7. INTANGIBLE ASSETS

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

	2019	2018
	SR	SR
Cost		
Balance at January 1 and December 31	<u>4,034,450</u>	<u>4,034,450</u>
Accumulated amortization		
Balance at 1 January	3,461,002	2,828,629
Charged during the year	<u>468,908</u>	<u>632,373</u>
Balance at December 31	<u>3,929,910</u>	<u>3,461,002</u>
Net book value	<u>104,540</u>	<u>573,448</u>

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

	2019	2018
	SR	SR
Cost of revenues	438,377	449,547
General and administrative expenses (Note 25)	<u>30,531</u>	<u>182,826</u>
	<u>468,908</u>	<u>632,373</u>

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

	2019	2018
	SR	SR
A) Quoted in the stock market	61,095,460	57,873,727
B) Unquoted in the stock market	<u>161,408,000</u>	<u>150,946,376</u>
	<u>222,503,460</u>	<u>208,820,103</u>

A) Quoted in the stock market

	Fair Market Value	
	2019	2018
	SR	SR
Takween Advanced Industries	12,594,280	15,176,107
Saudi Ground Services Company*	<u>48,501,180</u>	<u>42,697,620</u>
	<u>61,095,460</u>	<u>57,873,727</u>

* On October 15, 2018, the shareholders of National Aviation Ground Support Company ("NAGS") resolved to approve the transfer of its shares in the Saudi Ground Services Company to the investment portfolios of the shareholders. The Group owns 5% shares of National Aviation Ground Support Company. The Group's share of the transferred shares were 1,381,800 shares which is equivalent to 0.735% of the total issued share capital of Saudi Ground Services Company. The Group has recognized dividend income amounted to SR 10.5 million during 2018 out of this transaction.

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

B) Unquoted in the stock market

	Ownership %		2019	2018
	2019	2018		
			SR	SR
Industrialization and Energy Services Co. TAQA	1.36	1.36	113,077,000	95,832,100
Taleem Investment Co. Ltd	12.78	12.78	21,300,000	21,171,018
Arab Paper Manufacturing Co. (Warq)	4.74	4.74	21,671,000	19,563,000
National Aviation Ground Support Company	5	5	4,680,000	4,003,600
Arab Company for Industrial Fibers (Ibn Rushd)	0.42	0.42	680,000	-
Al Ahsa Tourism & Leisure Co.	7.57	7.57	-	-
Derayah Finance Company Fund	-	-	-	10,376,658
			<u>161,408,000</u>	<u>150,946,376</u>

The above investments were evaluated by an independent valuation expert who issued his report after evaluating all investments. The independent valuation expert issued his report on the value of these investments as at 31 December 2019. The earnings based method, using the earnings multiples of similar companies in GCC and other countries, was used to assess the fair value of investments except for Taleem for which free cash flows method is used. The valuation techniques used in current year are consistent with those used in last year for investment valuation.

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

	2019	2018
	SR	SR
Balance at January 1	208,820,103	202,671,662
Additions	-	57,119,380
Disposals	(10,501,299)	(33,759,000)
Change in fair value	24,184,656	(17,211,939)
Balance at December 31	<u>222,503,460</u>	<u>208,820,103</u>

The hierarchy for determining the fair value of financial instruments, valuation techniques used and key inputs for valuation is disclosed in Note 29.

9. INVESTMENT IN AN ASSOCIATE

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

	2019	2018
	SR	SR
Cost of investment	15,368,818	-
Share of result from associate *	(2,517,648)	-
Balance at December 31	<u>12,851,170</u>	<u>-</u>

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

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9. INVESTMENT IN AN ASSOCIATE (Continued)

The summarized financial information of associate is as follows:

	<u>2019</u>
	SR
Current assets	23,000,281
Non-current assets	33,854,951
Current liabilities	23,660,854
Non-current liabilities	2,313,146
Revenue	52,900,940
Net loss before zakat for the year	(9,945,847)
Total comprehensive loss	(10,070,590)

10. INVESTMENT PROPERTIES

	<u>Land</u>	<u>Building</u>	<u>Total</u>
	SR	SR	SR
Cost			
Cost at January 1, 2019	149,459,040	6,070,596	155,529,636
Recovery against cost of fully impaired investment property	(1,867,500)	-	(1,867,500)
Less: impairment of investment properties	<u>(26,252,660)</u>	<u>-</u>	<u>(26,252,660)</u>
Balance at December 31, 2019	<u>121,338,880</u>	<u>6,070,596</u>	<u>127,409,476</u>
Accumulated depreciation			
Balance at January 1, 2019	-	2,870,539	2,870,539
Charged during the year	<u>-</u>	<u>183,675</u>	<u>183,675</u>
Balance at December 31, 2019	<u>-</u>	<u>3,054,214</u>	<u>3,054,214</u>
Net book value			
At December 31, 2019	<u>121,338,880</u>	<u>3,016,382</u>	<u>124,355,262</u>
At December 31, 2018	<u>121,338,880</u>	<u>3,200,057</u>	<u>124,538,937</u>
	<u>Land</u>	<u>Building</u>	<u>Total</u>
	SR	SR	SR
Cost			
Cost at January 1, 2018	149,459,040	6,070,596	155,529,636
Less: impairment of investment properties	<u>(28,120,160)</u>	<u>-</u>	<u>(28,120,160)</u>
Balance at December 31, 2018	<u>121,338,880</u>	<u>6,070,596</u>	<u>127,409,476</u>
Accumulated depreciation			
Balance at January 1, 2018	-	2,686,865	2,686,865
Charged during the year	<u>-</u>	<u>183,674</u>	<u>183,674</u>
Balance at December 31, 2018	<u>-</u>	<u>2,870,539</u>	<u>2,870,539</u>
Net book value			
As at December 31, 2018	<u>121,338,880</u>	<u>3,200,057</u>	<u>124,538,937</u>

The fair value of investment properties amounted to SR 132.5 million as of December 31, 2019 (SR 139.7 million as of December 31, 2018) and was determined based on the evaluation by an independent certified real estate valuer. The fair value of the properties has been determined based on the prevailing market prices for similar investment properties.

Rental income recognized from the lease of investment properties by Al Ahsa Medical Services Company as of December 31, 2019 amounts to SR 2.6 million (2018: SR 2.4 million) (Note 28).

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10. INVESTMENT PROPERTIES (Continued)

Movement in impairment of investment properties is as follows:

	2019	2018
	SR	SR
Balance at January 1	28,120,160	28,120,160
Reversal	(1,867,500)	-
Balance at December 31	<u>26,252,660</u>	<u>28,120,160</u>

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

	2019	2018
	SR	SR
Operating lease receivables	<u>2,525,000</u>	<u>2,275,000</u>

11. RIGHT OF USE ASSET AND LEASE LIABILITIES

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

	Land	Building	Total	
			2019	2018
	SR	SR	SR	SR
Cost				
Balance at January 1 (Note 5)	1,632,913	5,195,533	6,828,446	-
Additions	-	-	-	-
Balance at December 31	<u>1,632,913</u>	<u>5,195,533</u>	<u>6,828,446</u>	<u>-</u>
Accumulated depreciation				
Balance at January 1 (Note 5)	-	-	-	-
Charge for the year	60,478	1,190,036	1,250,514	-
Balance at December 31	<u>60,478</u>	<u>1,190,036</u>	<u>1,250,514</u>	<u>-</u>
Net book value	<u>1,572,435</u>	<u>4,005,497</u>	<u>5,577,932</u>	<u>-</u>

Lease liabilities are as follows:

	2019	2018
	SR	SR
Non-current portion		
Lease liabilities	<u>1,085,501</u>	<u>-</u>
	<u>1,085,501</u>	<u>-</u>
Current portion		
Lease liabilities	<u>4,352,601</u>	<u>-</u>
	<u>4,352,601</u>	<u>-</u>

During the year, interest expense amounting to SR 325,679 is charged to finance cost.

12. GOODWILL

Goodwill resulted from the Group's control at the time of acquisition over the Al-Ahsa Medical Services Company, after completing the purchase of additional interest in the company during the year 2015, in which control was achieved. According to the requirements of the International Financial Reporting Standards, the Group's management are required to annually measures the impairment of goodwill mentioned above. The Group's management carried out impairment assessment for the year ended December 31, 2019. The recoverable amount has been determined on the basis of the value in use. The two main assumptions used in the measurement are the discount rate and expected future cash flows from the business, which are as follows:

- Discount rate used to discount future cash flows is 9.1%
- Profit before zakat, interest, depreciation and amortization is expected to grow at 5% over the next 5 years

As per the above rates, recoverable amount, determined based on value in use model, is more than the book value, therefore there are no impairment losses for goodwill to be recorded for the year ended December 31, 2019.

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12. GOODWILL (Continued)

Sensitivity to changes in assumptions used

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

13. INVENTORIES

	<u>2019</u>	<u>2018</u>
	SR	SR
Medical consumables	10,236,802	8,765,313
Medicines	6,309,768	5,484,222
Dates and others	6,377,017	6,125,474
Medical supplies and spare parts	979,804	727,307
	<u>23,903,391</u>	<u>21,102,316</u>
Allowance for slow moving inventories	(104,795)	(104,795)
	<u>23,798,596</u>	<u>20,997,521</u>

There were no movement in the provision for slow moving inventory during the year ended December 31 2019, 2018.

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	<u>2019</u>	<u>2018</u>
	SR	SR
Trade receivables	94,028,507	87,136,673
Due from a related party (Note 22)	471,499	-
Prepayments and other receivables	13,522,395	12,222,681
	<u>108,022,401</u>	<u>99,359,354</u>
Less: provision for impairment of receivables	(16,310,820)	(2,776,209)
	<u>91,711,581</u>	<u>96,583,145</u>

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

	<u>2019</u>	<u>2018</u>
	SR	SR
Balance at January 1	2,776,209	4,373,443
charge for the year	14,664,611	170,152
Reversal	(1,130,000)	(1,767,386)
Balance at December 31	<u>16,310,820</u>	<u>2,776,209</u>

Aging of trade receivables and due from a related party

	<u>2019</u>	<u>2018</u>
	SR	SR
Within 3 month	72,403,764	57,596,013
from 3 to 6 months	4,177,120	4,557,967
Over 6 months	17,447,623	24,982,693
	<u>94,028,507</u>	<u>87,136,673</u>

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

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits and highly liquid investments that mature within three months or less. As of December 31, 2019 and 2018. Cash and cash equivalents in full included cash and bank balances and short term bank deposits.

	<u>2019</u>	<u>2018</u>
	SR	SR
Cash with banks - current account	13,046,099	25,699,210
Short term bank deposits	-	56,000,000
Cash on hand	193,697	164,108
	<u>13,239,796</u>	<u>81,863,318</u>

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16. STATUTORY RESERVE

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

17. RESERVE FOR ACQUISITION FOR ADDITIONAL SHARES IN A SUBSIDIARY

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

18. LOANS

	<u>2019</u>	<u>2018</u>
	SR	SR
Loan from commercial bank (Note 18.1)	-	15,764,472
Loan from commercial bank (Note 18.2)	16,666,667	-
Loan from Ministry of Finance (Note 18.3)	-	4,127,271
	<u>16,666,667</u>	<u>19,891,743</u>

18.1 During 2017, AMSC, entered into a Murabha facility agreement with a local bank amounted to SR 25 million, it withdrew SR 17.5 million as of December 31, 2019. The loan is to be paid in quarterly installments starting from April 2019. The loan is subject to financial expenses at the prevailing market prices It is guaranteed by a promissory note from one of the shareholders of AMSC. During the year, AMSC repaid the full amount of the loan in addition to finance charges amounted to SR 1.6 million of which SR 1.4 million have been capitalized to capitalized work in progress (Note 6).

18.2 During the year, a subsidiary, AMSC, obtained a Tawarrouq facility from a local bank amounted to SR 30 million out of which AMSC has withdrawn SR 24 million to finance its capital work in progress. The facility is guaranteed by personal guarantees from one of the shareholders of AMSC, assignment of proceeds from one of the customers and provision of real estate mortgage as of the date of consolidated financial statements, however, AMSC has not provided the real estate mortgage. The withdrawn amount is repayable in 12 equal quarterly installments of SAR 1.66 million each, starting from August 2019 and it also carries financing charges according to the prevailing market rates. The outstanding balance as at December 31, 2019 amounted to SAR 16.66 million (2018: Nil) including the current portion of SAR 6.66 million (2018: Nil). As per facility agreement, the company has to maintain certain covenants with respect to obtaining new facilities from other banks. The finance cost related to this facility amounted to SR 0.38 million which has been capitalized in capital work in progress during the year.

18.3 In previous years, AMSC, obtained a long-term loan from the Ministry of Finance amounted to SR 49.5 million, the loan was secured against the mortgage and is not subject to any interest. The loan is to be paid in annual payments of SR 4.13 million. During the year, the Group repaid the last installment of the loan, and accordingly, Ministry of Finance released the mortgage of the land and the building of the subsidiary (Note 6).

Maturity Profile

	<u>2019</u>	<u>2018</u>
	SR	SR
2019	-	8,068,390
2020	6,666,667	11,823,353
2021	6,666,667	-
2022	3,333,333	-
	<u>16,666,667</u>	<u>19,891,743</u>

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

	<u>2019</u>	<u>2018</u>
	SR	SR
Current portion	6,666,667	8,068,390
Non-current portion	10,000,000	11,823,353
	<u>16,666,667</u>	<u>19,891,743</u>

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19. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

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

	<u>2019</u>	<u>2018</u>
	SR	SR
Balance at January 1	24,043,519	30,437,428
Charge for the year	5,200,460	7,926,800
Actuarial loss / (gain) on the obligation	1,309,682	(11,818,299)
Benefits paid during the year	<u>(2,080,840)</u>	<u>(2,502,410)</u>
Balance at December 31	<u>28,472,821</u>	<u>24,043,519</u>

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

	<u>2019</u>	<u>2018</u>
	SR	SR
Current service cost	4,146,792	6,795,435
Interest cost	<u>1,053,668</u>	<u>1,131,365</u>
	<u>5,200,460</u>	<u>7,926,800</u>

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

	<u>2019</u>	<u>2018</u>
Discount rate	2.80% - 3.15%	4.20% - 4.75%
Long term salary increase rate	2.80% - 3.15%	4.20% - 4.75%
Rates of employee turnover	Moderate	Moderate

Sensitivity Analysis

	<u>2019</u>	<u>2018</u>
	SR	SR
Discount rate +0.5%	27,510,347	23,215,032
Discount rate -0.5%	29,499,297	24,927,902
Long term salary increases +0.5%	29,108,943	24,525,050
Long term salary increases -0.5%	27,868,480	23,586,181

Maturity Profile

	<u>2019</u>	<u>2018</u>
	SR	SR
Year 1	2,740,175	2,525,418
Year 2	4,599,231	4,038,924
Year 3	4,083,770	2,441,991
Year 4	3,452,194	3,793,676
Year 5	4,285,698	3,323,218
Year 6 - 10	21,695,866	21,628,415

20. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>2019</u>	<u>2018</u>
	SR	SR
Trade payables	21,983,710	20,622,636
Vacations and air tickets payable	7,271,450	7,893,642
Advance rent	599,091	574,653
Others	<u>3,593,760</u>	<u>3,642,878</u>
	<u>33,448,011</u>	<u>32,733,809</u>

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21. ZAKAT

	December 31, 2019	December 31, 2018
	SR	SR
Balance at January 1	6,186,255	5,892,789
Expense for the year – Current year	3,887,482	4,598,827
– Prior year	287,312	346,021
Paid during the year	(5,835,841)	(4,651,382)
Balance at December 31	<u>4,525,208</u>	<u>6,186,255</u>

Status of zakat assessments

The Group files its consolidated zakat return for Al Ahsa Development Company, Al Ahsa Food Industries Company and Saudi Japanese Textile Industries. The Group has filed its zakat return up to the year 2018 and obtained related receipts and certificates valid till April 30, 2020. The Group has received the final zakat assessments up to the year 2017 from General Authority of Zakat and Tax (GAZT). Zakat assessment for the year 2018 is still under GAZT review.

Al-Ahsa Medical Services Company (AMSC)

AMSC submitted its zakat returns for the years until December 31, 2018 to GAZT and obtained a valid zakat certificate until April 30, 2020. The company received the final assessment until 2017 from the GAZT. The assessment for the year 2018 is still under study by the GAZT.

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Name of related party	Relationship
Al Salam Medical Services Company	related party of subsidiary

Transactions with related parties comprise of the following:

Name of related party	Nature of transaction	2019	2018
		SR	SR
Board of directors	BOD remunerations and meeting expenses	1,878,292	1,801,682
Salaries and benefits	Salaries and benefits	1,703,347	2,503,022
Al Salam Medical Service Company (ASMC)	Expenses incurred by the Group on behalf of ASMC	417,499	-
Balance due from related party as at December 31 is as follows;		<u>2019</u>	<u>2018</u>
		SR	SR
Al Salam Medical Services (Note 14)		471,499	-
		<u>471,499</u>	<u>-</u>

23. EARNINGS PER SHARE

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

	2019	2018
	SR	SR
Net (loss) / income for the year attributable to the shareholders of the Group	(1,283,443)	7,221,260
Weighted average number of shares	49,000,000	49,000,000
(Loss) / earnings per share of net income for the year	<u>(0.03)</u>	<u>0.15</u>
	<u>2019</u>	<u>2018</u>
	SR	SR
Total comprehensive income attributable to the shareholders of the Group	22,068,410	2,839,313
Weighted average number of shares	49,000,000	49,000,000
Earnings per share of total comprehensive income for the year	<u>0.45</u>	<u>0.06</u>

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23. EARNINGS PER SHARE (Continued)

From continued operations

	<u>2019</u>	<u>2018</u>
	SR	SR
Net (loss) / profit for the year attributable to the shareholders of the company	(1,283,443)	7,247,510
Weighted average number of shares	49,000,000	49,000,000
(Loss) / earnings per share	<u>(0.03)</u>	<u>0.15</u>

From discontinued operations

	<u>2019</u>	<u>2018</u>
	SR	SR
Net loss for the year attributable to the shareholders of the company	-	(26,250)
Weighted average number of shares	49,000,000	49,000,000
Loss per share	<u>-</u>	<u>(0.00)</u>

24. SEGMENTAL REPORTING

The main activities of the Group are categorized into three main business sectors, the manufacturing sector represented by Al-Ahsa Food Industries Company specializing in the production and packaging of dates; the medical services sector represented by Al-Ahsa Medical Services and Investment sector represented by Al-Ahsa Development Company. The financial information as at December 31, 2019 and December 31, 2018 and for the years then ended are summarized in accordance with the main activities as follows:

	<u>Manufacturing</u>	<u>Medical</u>	<u>Investment</u>	<u>Total</u>
	Sector	Services Sector	Sector	
<u>December 31, 2019</u>	SR	SR	SR	SR
Property, Plant & Equipment	5,808,347	170,994,458	682,936	177,485,741
Total Assets	25,566,546	140,217,855	508,048,891	673,833,292
Total Liabilities	4,264,320	78,370,394	9,033,379	91,668,093
Revenues, net	16,443,009	229,061,820	-	245,504,829
Profit / (loss) from continuing operations	754,306	7,637,245	(3,490,465)	4,901,086
Net profit / (loss)	754,306	4,812,451	(4,840,465)	726,292
<u>December 31, 2018</u>				
Property, Plant & Equipment	6,511,921	167,714,943	841,543	175,068,407
Total Assets	17,603,987	172,460,448	520,585,658	710,650,093
Total Liabilities	2,119,278	73,394,620	10,458,712	85,972,610
Revenues, net	14,707,621	210,946,330	-	225,653,951
Profit / (loss) from continuing operations	(3,846,150)	6,409,466	13,608,337	16,171,653
Net profit / (loss)	(3,713,868)	8,577,915	6,336,508	11,200,555

Revenues recognized from two main customers (Saudi Arabian Oil Company (Aramco) ~ Ministry of Health) amounted to SR 133.9 million, representing 59% of revenues from the medical services sector (2018: SR 136.6 million representing 65%). The total outstanding balance of those customers as at December 31, 2019 amounted to SR 48.6 million (SR 50.8 million as at December 31, 2018).

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25. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2019</u>	<u>2018</u>
	SR	SR
Employees cost	43,844,869	43,500,459
Impairment recognized in receivables	14,664,611	170,152
Legal and professional expenses	3,805,171	1,919,431
Depreciation expense (Note 6.3)	2,700,387	3,282,612
Board expenses and fees	2,153,292	2,799,480
Depreciation expense on right of use asset	1,250,514	-
Rent	173,559	663,688
Amortization expense (Note 7.1)	30,531	182,826
Others	5,766,970	4,680,915
	<u>74,389,904</u>	<u>57,199,563</u>

26. SELLING AND MARKETING EXPENSES

	<u>2019</u>	<u>2018</u>
	SR	SR
Employees cost	392,786	626,137
Freight expenses	280,478	235,714
Depreciation expense (Note 6.3)	85,067	168,391
Advertising expenses	72,859	195,926
Others	462,317	187,252
	<u>1,293,507</u>	<u>1,413,420</u>

27. DIVIDEND INCOME

	<u>2019</u>	<u>2018</u>
	SR	SR
Saudi Ground Services Company	2,461,375	-
Industrialization and Energy Services Co. TAQA	2,050,009	-
Taleem Investment Co. Ltd	1,614,250	1,475,075
Munawla	-	13,131,459
	<u>6,125,634</u>	<u>14,606,534</u>

28. OTHER INCOME

	<u>2019</u>	<u>2018</u>
	SR	SR
Rental income	2,633,152	2,449,699
Impairment of investment properties – Reversal	1,867,500	-
Provision for doubtful receivables – reversal	1,130,000	1,767,386
Meal provided to staff	790,580	745,715
Conferences and seminars	577,333	906,000
Interest income on bank deposits	436,552	1,324,073
Others	595,639	252,824
	<u>8,030,756</u>	<u>7,445,697</u>

29. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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29. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Classification of financial instruments

	December 31, 2019	December 31, 2018
	SR	SR
Financial assets at fair value		
Equity instruments designated by fair value through other comprehensive income	222,503,460	208,820,103
	<u>222,503,460</u>	<u>208,820,103</u>
Financial assets at amortized cost		
Trade receivables and other assets	82,108,514	86,585,580
Cash and cash equivalents	13,239,796	81,863,318
	<u>95,348,310</u>	<u>168,448,898</u>
Total financial assets	<u>317,851,770</u>	<u>377,269,001</u>
Financial liabilities at amortized cost		
Trade payables, accrued expenses and other liabilities	31,697,349	32,159,156
Loans	16,666,667	19,891,743
	<u>48,364,016</u>	<u>52,050,899</u>

Risk management of financial instruments

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

Fair value measurement of financial instruments

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

When measuring fair value, the Group uses observable market information whenever possible to the inputs used in valuation methods as follows:

Level 1: quoted prices (unadjusted) in active markets for similar assets or liabilities that can be obtained on the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities directly (e.g. prices) or indirectly (derived from prices).

Level 3: inputs for assets or liabilities not based on observable market information (non-observable inputs).

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

	December 31, 2019			
	Level 1 (SR)	Level 2 (SR)	Level 3 (SR)	Total (SR)
Equity instruments designated by fair value through other comprehensive income	61,095,460	-	161,408,000	222,503,460
	<u>61,095,460</u>	<u>-</u>	<u>161,408,000</u>	<u>222,503,460</u>
	December 31, 2018			
	Level 1 (SR)	Level 2 (SR)	Level 3 (SR)	Total (SR)
Equity instruments designated by fair value through other comprehensive income	57,873,727	-	150,946,376	208,820,103
	<u>57,873,727</u>	<u>-</u>	<u>150,946,376</u>	<u>208,820,103</u>

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29. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value measurement of financial instruments (continued)

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

Valuation method

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

Credit risk

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

	<u>2019</u>	<u>2018</u>
	SR	SR
Trade receivables and other assets	82,108,514	86,585,580
Cash and cash equivalents	13,239,796	81,863,318
	<u>95,348,310</u>	<u>168,448,898</u>

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

Credit risk on accounts receivable and bank balances is limited to:

- Cash balances held with banks with a high credit rating.
- Trade receivables and other assets, net of provision for doubtful receivables.

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

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29. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

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

	December 31, 2019			
	Book value	Total undiscounted amounts		
		Payable on request or within 1 year	From 2 to 5 years	More than 5 years
SR	SR	SR	SR	
Financial liabilities at amortized cost				
Trade payables, accrued expenses and other liabilities	31,697,349	31,697,349	-	-
Loans	16,666,667	7,440,634	10,459,370	-
	<u>48,364,016</u>	<u>39,137,983</u>	<u>10,459,370</u>	<u>-</u>
	December 31, 2018			
	Book value	Total undiscounted amounts		
		Payable on request or within 1 year	From 2 to 5 years	More than 5 years
SR	SR	SR	SR	
Financial liabilities at amortized cost				
Trade payables, accrued expenses and other liabilities	32,159,156	32,159,156	-	-
Loans	19,891,743	8,068,390	13,750,080	-
	<u>52,050,899</u>	<u>40,227,546</u>	<u>13,750,080</u>	<u>-</u>

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

Market risk

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

Foreign currency risk management

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

Interest rate

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest bearing loans at December 31, 2019 and 2018. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's loans and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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29. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Capital management

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

In managing capital, the Group aims to:

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

30. CONTINGENCIES AND COMMITMENTS

A) Capital commitment

The Group has a capital commitment related to the construction of a new building in one of its subsidiaries (Al Ahsa Medical Services Company) amounting to SR 3,924,581 as of December 31, 2019 which is expected to be completed by the end of the year 2021.

B) Lawsuits:

There is a legal case filed against the company by a third party, which requires from the Group to pay an amount of SR 24.5 million as fees for consulting services for the aluminum plant project. The case was filed against the Group in the General Court in Riyadh, and the court decision was issued on 19 Shawwal 1434H corresponding to August 26, 2013 rejecting the case. The decision was appealed on 13 Rabea I, 1435H corresponding to January 14, 2014 and no final judgment was issued until the date of the consolidated financial statements. The Group's legal counsel believes that the result will be in favor of the company.

31. TRANSACTION WITH NON-CONTROLLING INTEREST

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

	2019	2018
	SR	SR
Consideration paid	66,113,550	-
Value of net assets acquired	(35,363,287)	-
Excess consideration paid over value of net assets acquired	30,750,263	-
<i>Comprise of:</i>		
Share of reserve for re-measurement of employees' defined benefits obligations	(2,139,466)	-
Reserve for acquisition of additional shares in a subsidiary	32,889,729	-

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

	2019	2018
	SR	SR
Summarized balance sheet		
Current assets	116,197,993	114,173,484
Non-current assets	178,634,128	172,460,448
Current liabilities	38,234,519	39,286,333
Non-current liabilities	40,131,737	34,108,287
Total Equity	216,465,865	213,239,312
Accumulated non-controlling interests	65,239,660	99,070,091
Summarized statement of profit or loss and other comprehensive income		
Revenue	229,061,820	210,946,330
Net profit after zakat for the year	4,812,451	8,577,915
Other comprehensive income	214,479	11,981,999
Total comprehensive income	5,026,930	20,559,914
Profit allocated to non-controlling interests	2,009,735	3,979,295
Summarized cash flows		
Cash flows from operating activities	23,218,973	16,031,312
Cash flows from investing activities	(16,736,416)	(22,641,204)
Cash flows from financing activities	(4,324,892)	10,690,793

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32. ACQUISITION TRANSACTION

On March 20, 2019, the Group has signed a share purchase agreement (SPA) with Al Salam Medical Services Company for the acquisition of 100% of Al Salam Medical Services Company shares against the issuance of shares to the owners of Al Salam Medical Services Company. Subsequently, on February 3, 2020, the Group announced that the Shareholders in their Extra Ordinary General Assembly Meeting have approved the capital increase for the purpose of acquisition of Al Salam Medical Services Company. The new shares will be issued upon the satisfaction of certain requirements and formalities. Upon completion of this transaction, the Company's share capital will be increase from SR 490 million to SR 737 million and the financial statements of Al Salam Medical Services Company will be fully consolidated in the Group's consolidated financial statements.

33. NON-CASH TRANSACTIONS

	<u>2019</u>	<u>2018</u>
	SR	SR
Adoption of IFRS 9	-	45,367,906
Change in fair value reserve	(24,184,656)	(10,641,797)
Right of use asset recognized at 1 January 2019	(6,828,446)	-
Prepayments at 1 January 2019	386,423	-
Lease liability recognized at 1 January 2019	6,442,023	-
Gains from disposal of equity instruments by fair value through other comprehensive income	501,299	(6,570,142)

34. COMPARATIVE FIGURES

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

35. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on Rajab 13, 1441H corresponding to March 8, 2020.