

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries  
(Saudi Closed Joint Stock Company)**

Consolidated Financial Statements  
For the year ended 31 December 2019

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(Saudi Closed Joint Stock Company)  
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**Ernst & Young & Co. (Certified Public Accountants)**  
General Partnership  
Head Office  
Al Faisaliah Office Tower - 14<sup>th</sup> floor  
King Fahad Road  
PO Box 2732  
Riyadh 11461  
Kingdom of Saudi Arabia

Registration No. 45/11/323  
C.R. No. 1010383821  
Tel: +966 11 215 9898  
+966 11 273 4740  
Fax: +966 11 273 4730  
ey.ksa@sa.ey.com  
ey.com/mena

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY)**

**Opinion**

We have audited the consolidated financial statements of Dr. Sulaiman Al Habib Medical Services Group Company – Saudi Closed Joint Stock Company (the “Company”) and its subsidiaries (collectively with the Company the “Group”), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies’ Law and Company’s By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY) (continued)**

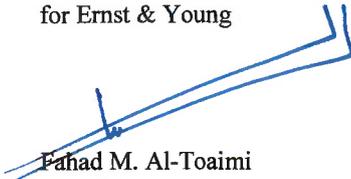
**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

for Ernst & Young

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

Riyadh: 5 Jumad Thani 1441  
(30 January 2020)



**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of financial position**  
**As at 31 December 2019**

	Notes	31 December 2019 SR	31 December 2018 SR
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	1,196,660,642	1,369,118,427
Accounts receivable	8	1,507,139,583	1,311,100,395
Advances to suppliers and contractors		16,583,711	17,671,064
Prepaid expenses and other assets	10	268,741,036	210,225,879
Inventories	9	295,866,976	302,536,655
<b>Total current assets</b>		<b>3,284,991,948</b>	<b>3,210,652,420</b>
<b>Non-current assets</b>			
Investments in associates	11	40,032,012	43,488,180
Property and equipment	12	5,142,278,772	4,287,022,999
<b>Total non-current assets</b>		<b>5,182,310,784</b>	<b>4,330,511,179</b>
<b>Total assets</b>		<b>8,467,302,732</b>	<b>7,541,163,599</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current portion of long-term loans and borrowings	27.1	239,884,588	228,512,814
Accounts payable	13	655,968,945	531,610,946
Advances from customers		43,457,118	18,957,753
Accrued expenses and other liabilities	15	415,455,083	503,237,365
Zakat payable	16	88,031,626	79,135,807
Current portion of government grant	17	3,068,006	2,706,944
Current portion of lease liabilities	27.2	49,413,705	-
<b>Total current liabilities</b>		<b>1,495,279,071</b>	<b>1,364,161,629</b>
<b>Non-current liabilities</b>			
Long-term loans and borrowings	27.1	1,780,258,784	1,338,257,068
Government grant	17	64,872,136	47,433,151
Lease liabilities	27.2	268,788,177	-
Employees' end-of-service benefits	18	267,310,792	234,052,516
<b>Total non-current liabilities</b>		<b>2,381,229,889</b>	<b>1,619,742,735</b>
<b>Total liabilities</b>		<b>3,876,508,960</b>	<b>2,983,904,364</b>
<b>Equity</b>			
Issued and paid-up share capital	19	3,500,000,000	3,500,000,000
Statutory reserve	20	467,872,574	380,849,457
Retained earnings		426,004,145	447,172,841
		<b>4,393,876,719</b>	<b>4,328,022,298</b>
Non-controlling interests		196,917,053	229,236,937
<b>Total equity</b>		<b>4,590,793,772</b>	<b>4,557,259,235</b>
<b>Total liabilities and equity</b>		<b>8,467,302,732</b>	<b>7,541,163,599</b>

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

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of income**  
**For the year ended 31 December 2019**

	Notes	2019 SR	2018 SR
Revenue		5,031,192,127	4,587,633,045
Cost of revenue		(3,492,741,134)	(3,225,623,659)
<b>Gross profit</b>		<b>1,538,450,993</b>	<b>1,362,009,386</b>
Selling and marketing expenses	22	(195,917,437)	(158,486,568)
General and administrative expenses	23	(474,813,532)	(401,999,279)
<b>Operating income</b>		<b>867,720,024</b>	<b>801,523,539</b>
Share of income of associates	11	1,543,832	5,810,227
Finance costs		(27,962,390)	(19,318,705)
Other income, net	24	61,971,253	93,388,631
<b>Income before zakat</b>		<b>903,272,719</b>	<b>881,403,692</b>
Zakat	16	(65,677,664)	(81,329,717)
<b>Income for the year</b>		<b>837,595,055</b>	<b>800,073,975</b>
<b>Attributable to:</b>			
Equity holders of the parent		870,231,171	801,307,353
Non-controlling interests		(32,636,116)	(1,233,378)
		<b>837,595,055</b>	<b>800,073,975</b>
<b>Earnings per share:</b>	25		
<i>Basic and diluted earnings per share from operating income</i>		<b>2.48</b>	<b>2.29</b>
<i>Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent</i>		<b>2.49</b>	<b>2.29</b>

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

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries  
(Saudi Closed Joint Stock Company)  
Consolidated statement of comprehensive income  
For the year ended 31 December 2019**

	Notes	2019 SR	2018 SR
<b>Income for the year</b>		<b>837,595,055</b>	<b>800,073,975</b>
<b>Other comprehensive income</b>			
<i>Items that will not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement (loss) gain on employees' end-of-service benefits	18	(4,060,518)	8,103,771
<b>Other comprehensive (loss) income for the year</b>		<b>(4,060,518)</b>	<b>8,103,771</b>
<b>Total comprehensive income for the year</b>		<b>833,534,537</b>	<b>808,177,746</b>
<b>Attributable to:</b>			
Equity holders of the parent company		865,854,421	809,411,124
Non-controlling interests		(32,319,884)	(1,233,378)
		<b>833,534,537</b>	<b>808,177,746</b>

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

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries**  
**(Saudi Closed Joint Stock Company)**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2019**

	Attributable to equity holders of the parent				Non-controlling interests SR	Total equity SR
	Issued and paid-up share capital SR	Statutory reserve SR	Retained earnings SR	Total SR		
<b>As at 1 January 2018</b>	<b>3,500,000,000</b>	<b>300,718,722</b>	<b>517,892,452</b>	<b>4,318,611,174</b>	<b>230,470,315</b>	<b>4,549,081,489</b>
Income for the year	-	-	801,307,353	801,307,353	(1,233,378)	800,073,975
Other comprehensive income	-	-	8,103,771	8,103,771	-	8,103,771
Total comprehensive income	-	-	809,411,124	809,411,124	(1,233,378)	808,177,746
Transfer to statutory reserve	-	80,130,735	(80,130,735)	-	-	-
Dividends (note 21)	-	-	(800,000,000)	(800,000,000)	-	(800,000,000)
<b>As at 31 December 2018</b>	<b>3,500,000,000</b>	<b>380,849,457</b>	<b>447,172,841</b>	<b>4,328,022,298</b>	<b>229,236,937</b>	<b>4,557,259,235</b>
Income for the year	-	-	870,231,171	870,231,171	(32,636,116)	837,595,055
Other comprehensive loss	-	-	(4,376,750)	(4,376,750)	316,232	(4,060,518)
Total comprehensive income	-	-	865,854,421	865,854,421	(32,319,884)	833,534,537
Transfer to statutory reserve	-	87,023,117	(87,023,117)	-	-	-
Dividends (note 21)	-	-	(800,000,000)	(800,000,000)	-	(800,000,000)
<b>As at 31 December 2019</b>	<b>3,500,000,000</b>	<b>467,872,574</b>	<b>426,004,145</b>	<b>4,393,876,719</b>	<b>196,917,053</b>	<b>4,590,793,772</b>

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

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries  
(Saudi Closed Joint Stock Company)  
Consolidated statement of cash flows  
For the year ended 31 December 2019**

	Notes	2019 SR	2018 SR
<b>Operating activities</b>			
Income before zakat		<b>903,272,719</b>	<b>881,403,692</b>
Non-cash adjustments to reconcile income before zakat to net cash flows:			
Depreciation	12	255,919,370	200,187,133
Share of income of associates	11	(1,543,832)	(5,810,227)
Loss on disposal of property and equipment	24	645,661	597,103
Allowance for expected credit losses	8 & 22	104,708,352	81,696,100
Provision for inventories		1,212,304	2,306,444
Finance costs		27,962,390	19,318,705
Employees' end-of-service benefits	18	57,754,135	50,192,322
		<b>1,349,931,099</b>	<b>1,229,891,272</b>
Working capital adjustments:			
Accounts receivable		(322,562,829)	271,418,086
Advances to suppliers and contractors		(2,357,942)	(10,015,917)
Due to related parties		48,298,937	(12,479,495)
Inventories		(29,371,970)	3,715,359
Prepaid expenses and other assets		(78,755,166)	(37,470,122)
Accounts payable		139,102,987	48,877,215
Advances from customers		25,109,423	3,006,097
Accrued expenses and other liabilities		14,366,009	63,153,785
<b>Cash generated from operations</b>		<b>1,143,760,548</b>	<b>1,560,096,280</b>
Zakat paid	16	(56,781,845)	(84,582,617)
Employees' end-of-service benefits paid	18	(27,241,236)	(28,139,827)
<b>Net cash from operating activities</b>		<b>1,059,737,467</b>	<b>1,447,373,836</b>
<b>Investing activities</b>			
Purchase of property and equipment	12	(735,506,405)	(830,128,243)
Proceeds from sale of property and equipment		1,971,254	4,454,308
Deposits transferred with respect to transfer of a subsidiary		(2,772,641)	-
Dividends from associates	11	5,000,000	6,000,000
<b>Net cash used in investing activities</b>		<b>(731,307,792)</b>	<b>(819,673,935)</b>
<b>Financing activities</b>			
Proceeds from long-term loans, net		471,173,537	408,134,518
Finance costs paid		(25,099,666)	(18,777,280)
Lease liabilities paid		(43,600,978)	-
Dividends paid		(903,360,353)	(788,475,661)
<b>Net cash used in financing activities</b>		<b>(500,887,460)</b>	<b>(399,118,423)</b>
Net (Decrease) increase in cash and cash equivalents		(172,457,785)	228,581,478
Cash and cash equivalents at the beginning of the year	7	1,369,118,427	1,140,536,949
<b>Cash and cash equivalents at the end of the year</b>	7	<b>1,196,660,642</b>	<b>1,369,118,427</b>
<b>Non-cash transactions:</b>			
Recognition of right-of-use assets	12	393,574,642	
Recognition of lease liabilities	4.9	372,394,992	

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

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries  
(Saudi Closed Joint Stock Company)  
Notes to the consolidated financial statements  
31 December 2019**

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**1. Corporate information and activities**

Dr. Sulaiman Al Habib Medical Services Group Company (the "Company") (a Saudi closed joint stock company) is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993). The registered office is located at Olaya District, P.O. Box 91877, Riyadh 11643, KSA.

The Company operates under medical license no. 014-101-012-012-00129 dated 26 Jumad Thani 1428H (corresponding to 11 July 2007) issued by the Ministry of Health. The Company also operates its drug stores under license No. 6375/P dated 13 Rabi Awal 1432H (corresponding to 16 February 2011) issued by Food and Drugs Administration organization.

The Company objectives include establishing and managing hospitals, medical centres, laboratories and radiology, purchasing of lands for the purpose of constructing buildings and investing in these buildings by selling and leasing for the benefit of the Company and invest in other companies through holding a controlling position. In addition, the Company also does trading in wholesale and retail of medicines, cosmetics, medical equipment and beauty products.

The Company operates two branches, the first branch is in Riyadh, Kingdom of Saudi Arabia "Branch of Dr. Sulaiman Al Habib Medical Services Group Company" (the "Branch") under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The objectives of the Branch include trading in wholesale and retail of cosmetics and maintenance of medical equipment. The Branch operates its drug store under license no. 06-01-00231 dated 24 Muharram 1435H (corresponding to 27 November 2013) issued by Food and Drugs Administration organization.

The Company operates the second branch in the Kingdom of Bahrain "Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch" (the "Foreign Branch") under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the Foreign Branch include management and development of medical units in addition to providing medical supplies.

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

**2. Basis of preparation**

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

These consolidated financial statements are prepared on a historical cost basis except for government grants and long-term loans from Ministry of Finance, which are measured at fair value. The consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.

**Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries  
(Saudi Closed Joint Stock Company)  
Notes to the consolidated financial statements (continued)  
31 December 2019**

**3. Basis of consolidation**

These consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (collectively referred to as “the Group”), mainly domiciled in Kingdom of Saudi Arabia (“KSA”) and United Arab Emirates (“UAE”) as at 31 December 2019 and 31 December 2018:

	Country of incorporation and business	Activities	Ownership %	
			31 December 2019	31 December 2018
Sehat Al Olaya Medical Complex Company	KSA	Hospital	100%	100%
Asharq Alawsat Pharmacies Company <sup>(a)</sup>	KSA	Pharmacy	100%	100%
Dr. Sulaiman Al Habib Hospital FZ – LLC	UAE	Hospital	100%	100%
Al Mustaqbal for Hospitals Development Company <sup>(d)</sup>	KSA	Hospital	-	100%
Buraidah Al Takhassusi Hospital for Healthcare Company	KSA	Hospital	100%	100%
Al Rayan Hospital for Healthcare Company	KSA	Hospital	100%	100%
Home Healthcare Company	KSA	Home Healthcare services	100%	100%
Antab Al Riyadh for Operation and Maintenance Company	KSA	Anciliary services	100%	100%
Al Gharb Al Takhassusi Hospital for Healthcare Company	KSA	Hospital	100%	100%
Al Mokhtabarat Diagnostic Medical Company	KSA	Laboratory Services	100%	100%
Sehat Al Suwaidi Medical Company	KSA	Hospital	100%	100%
Hulool Al Sahabah for IT & Communication Company	KSA	IT Support Services	100%	100%
Al Rayan for Maintenance and Operation Company	KSA	Anciliary services	100%	100%
Rawafed Al Seha International Company <sup>(b)</sup>	KSA	Trading services	-	100%
Al Afia Pharmacies for Medicines Company <sup>(a)</sup>	KSA	Pharmacy	100%	100%
Intensive Care Company for Healthcare <sup>(c)</sup>	KSA	Medical Services	100%	100%
Sehat Al Sharq Medical Limited Company	KSA	Hospital	50%	50%
Al Wosta Medical Limited Company	KSA	Hospital	50%	50%
Gharb Jeddah Hospital Company	KSA	Hospital	50%	50%
Shamal Al Riyadh for Healthcare Company	KSA	Hospital	100%	100%
Al Muhammadiya Hospital for Healthcare Company	KSA	Hospital	100%	100%

- a) The other partner has assigned his shares for the benefit of the Company.  
b) On 1 January 2019, the Group has transferred Rawafed Al Seha International Company to a related party at net book value (note 30).  
c) During 2019, Dar Al Seha Investment Company has changed the name to Intensive Care Company for Healthcare.  
d) On 1 January 2019, Al Mustaqbal for Hospitals Development Company has become branch of Sehat Al Olaya Medical Complex Company.

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

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

### **3. Basis of consolidation (continued)**

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

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

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

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

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

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

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

### **4. Summary of significant accounting policies**

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

#### **4.1 Business combination**

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

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

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

#### **4. Summary of significant accounting policies (continued)**

##### **4.1 Business combination (continued)**

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

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

##### **4.2 Investments in associates**

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

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

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

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

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

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

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

##### **4.3 Fair value measurement**

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

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

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

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

#### **4. Summary of significant accounting policies (continued)**

##### **4.3 Fair value measurement (continued)**

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

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

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

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

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

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

##### **4.4 Revenue recognition**

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

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

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

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

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

#### **4. Summary of significant accounting policies (continued)**

##### **4.4 Revenue recognition (continued)**

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

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

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

##### *Patient services*

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

##### *Sale of goods*

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

##### *Rental income*

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

##### *Others*

All other revenues are recognized on an accrual basis.

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

##### **4.5 Foreign currencies**

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

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

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

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

#### 4. Summary of significant accounting policies (continued)

##### 4.6 Government grants

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

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

##### 4.7 Property and equipment

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

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

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

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

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

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

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

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

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

#### **4. Summary of significant accounting policies (continued)**

##### **4.8 Impairment of non-financial assets**

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

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

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

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

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

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

##### **4.9 Leases**

###### **IFRS 16 - Leases**

The Group has adopted IFRS 16 from its mandatory adoption date 1 January 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives have not been restated.

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

###### Right-of-use assets

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

#### **4. Summary of significant accounting policies (continued)**

##### **4.9 Leases (continued)**

##### **IFRS 16 - Leases (continued)**

###### Lease liabilities

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

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

###### Short-term leases and leases of low-value assets

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

###### **Impact on adoption of IFRS 16 “Leases”**

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

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

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

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

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

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

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

#### 4. Summary of significant accounting policies (continued)

##### 4.9 Leases (continued)

##### IFRS 16 - Leases (continued)

##### Nature of the effect of adoption of IFRS 16

###### Prior to adoption of IFRS 16:

The Group has lease contracts for renting commercial buildings, accommodations and offices. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liabilities.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognised under prepayments and other payables, respectively.

###### After adoption of IFRS 16:

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

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

- Right-of-use assets of SR 227,616,107 were recognised and presented under property and equipment in the consolidated statement of financial position.
- Lease liabilities of SR 209,036,772 were recognised and included under lease liabilities.
- Prepaid expenses and other assets of SR 18,579,335 related to previous operating leases were reclassified to the right-of-use assets.

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

	SR
<b>Assets</b>	
Property and equipment – right-of-use assets	227,616,107
Prepaid expenses and other assets	(18,579,335)
<b>Total assets</b>	<b>209,036,772</b>
<b>Liabilities</b>	
Lease liabilities	209,036,772
<b>Total liabilities</b>	<b>209,036,772</b>

#### 4. Summary of significant accounting policies (continued)

##### 4.9 Leases (continued)

##### IFRS 16 - Leases (continued)

##### Reconciliation of lease liabilities pursuant to IFRS 16:

	SR
<b>Minimum lease payments under operating leases as of 31 December 2018</b>	<b>222,911,230</b>
<i>Recognition exemption:</i>	
For short-term leases	(2,181,430)
For leases of low-value assets	(17,000)
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(11,676,028)
<b>Liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 2019</b>	<b>209,036,772</b>
Liabilities from finance leases as of 31 December 2018	-
<b>Liabilities from leases as of 1 January 2019</b>	<b>209,036,772</b>

##### 4.10 Borrowing costs

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

##### 4.11 Financial instruments

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

##### Recognition

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

##### Classification

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

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

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

##### Measurement

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

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

#### **4. Summary of significant accounting policies (continued)**

##### De-recognition

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

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

##### Offsetting

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

#### **4. Summary of significant accounting policies (continued)**

##### **4.11 Financial instruments (continued)**

###### *Impairment*

At each reporting date, the Group applies a three-stage approach to measuring expected credit losses ("ECL") on financial assets accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

###### a) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

###### b) Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

###### c) Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value and for debt instruments measured at FVOCI, impairment gains or losses are recognized in the consolidated statement of income and other comprehensive income.

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

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

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive. The Group assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

##### **4.12 Cash and cash equivalents**

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

##### **4.13 Inventories**

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

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

#### **4. Summary of significant accounting policies (continued)**

##### **4.14 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

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

##### **4.15 Employees' end-of-service benefits**

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

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in consolidated statement of income on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Past service costs are recognized in consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

##### **4.16 Zakat and Value Added Tax (VAT)**

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries since 31 December 2009. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The subsidiary registered in free zone - Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

#### **4. Summary of significant accounting policies (continued)**

##### **4.17 Standards issued but not yet effective**

The following is an overview of accounting standard changes that the Group will be required to adopt in future years. The Group continues to assess the impact of these standards on the consolidated financial statements.

##### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. This standard is not applicable to the Group.

##### **Amendments to IFRS 3: Definition of a Business**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

##### **Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

#### **5. Significant accounting judgments, estimates, assumptions**

##### **5.1 Estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### ***Revenue Recognition***

The application of IFRS 15 has required management to make the following judgements:

- *Satisfaction of performance obligations*

The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

- *Determination of transaction prices*

The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount, insurance claims rejection or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

- *Transfer of control in contracts with customers*

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

#### ***Allowance for expected credit losses***

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

#### ***Employees' end-of-service benefits***

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

#### ***Impairment of non-financial assets***

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

#### ***Useful lives of property and equipment***

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

## **5. Significant accounting judgments, estimates, assumptions (continued)**

### **5.1 Estimates and assumptions (continued)**

#### ***Provision for inventories***

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

#### ***Fair value measurement of financial instruments***

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

### **5.2 Critical judgements in applying accounting standards**

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

#### ***Component parts of property and equipment***

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

#### ***Determination of control and significant influence***

##### ***Management's judgement in assessing control over consolidated subsidiaries***

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

**5. Significant accounting judgments, estimates, assumptions (continued)**

**5.2 Critical judgements in applying accounting standards (continued)**

**Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of 5 to 15 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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**6. Segment Information**

Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Financial Officer as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments.

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Group.

The identified key segments are Hospitals, Pharmacies and HMG Solutions / Others.

HMG Solutions / Others include operations with respect to Laboratories, IT Solutions, Healthcare services at doorstep Project and Staff outsourcing related to Critical Care Units with respect to Ministry of Health (Saudi Arabia).

The segment results for the year ended 31 December 2019 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

Year ended 31 December 2019	Hospitals	Pharmacies	HMG Solutions / Others	Total
	<i>SR' millions</i>			
<b>Saudi Arabia:</b>				
Revenue	3,583	846	157	4,586
Gross profit	1,130	281	61	1,472
<b>Outside Saudi Arabia:</b>				
Revenue	433	8	4	445
Gross profit	61	1	4	66
<b>Total</b>				
Revenue	4,016	854	161	5,031
Gross profit*	1,191	282	65	1,538
<b>Unallocated income (expenses)</b>				
Selling and marketing				(196)
General and administrative				(475)
Operating income				867
Share of income of associates				2
Finance costs				(28)
Other income				62
<b>Income before zakat</b>				903
Zakat				(66)
<b>Income for the year</b>				837
<b>As at 31 December 2019</b>				
<b>Saudi Arabia:</b>				
Total assets	6,431	252	1,131	7,814
Total liabilities	2,542	264	955	3,761
<b>Outside Saudi Arabia</b>				
Total assets	609	8	36	653
Total liabilities	103	10	3	116
<b>Total</b>				
Total assets	7040	260	1,167	8,467
Total liabilities	2,645	274	958	3,877

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**6. Segment Information (continued)**

Year ended 31 December 2018	Hospitals	Pharmacies	HMG Solutions / Others	Total
	<i>SR' millions</i>			
<b>Saudi Arabia:</b>				
Revenue	3,291	737	164	4,192
Gross profit	978	244	77	1,299
<b>Outside Saudi Arabia:</b>				
Revenue	390	-	6	396
Gross profit	57	-	6	63
<b>Total</b>				
Revenue	3,681	737	170	4,588
Gross profit*	1,035	244	83	1,362
<b>Unallocated income (expenses)</b>				
Selling and marketing				(158)
General and administrative				(402)
Operating income				802
Share of income of associates				6
Finance costs				(19)
Other income				93
<b>Income before zakat</b>				882
Zakat				(81)
<b>Income for the year</b>				801
<b>As at 31 December 2018</b>				
<b>Saudi Arabia:</b>				
Total assets	5,661	234	1,071	6,966
Total liabilities	1,894	234	774	2,902
<b>Outside Saudi Arabia</b>				
Total assets	566	-	9	575
Total liabilities	76	-	6	82
<b>Total</b>				
Total assets	6,227	234	1,080	7,541
Total liabilities	1,970	234	780	2,984

\*Cost of revenue includes employees' cost amounting to SR 1,893.9 million (2018: SR 1,793.6 million).

**7. Cash and cash equivalents**

	As at 31 December 2019 SR	As at 31 December 2018 SR
Short-term deposits with banks	517,892,829	778,113,229
Cash at banks	670,406,992	581,764,177
Cash on hand	8,360,821	9,241,021
	<b>1,196,660,642</b>	<b>1,369,118,427</b>

**8. Accounts receivable**

	As at 31 December 2019 SR	As at 31 December 2018 SR
Accounts receivable – trade	1,567,457,233	1,433,550,401
Less: allowance for expected credit losses	(60,317,650)	(122,450,006)
	<b>1,507,139,583</b>	<b>1,311,100,395</b>

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**8. Accounts receivable (continued)**

The movement in the allowance for expected credit losses is as follows:

	As at 31 December 2019 SR	As at 31 December 2018 SR
At the beginning of the year	122,450,006	82,131,210
Charge for the year (note 22)	104,708,352	81,696,100
Disposal of a subsidiary	(3,979,052)	-
Write-off during the year	(162,861,656)	(41,377,304)
At the end of the year	<b>60,317,650</b>	<b>122,450,006</b>

As at 31 December , the ageing analysis of unimpaired trade receivables is as follows:

	Total SR	Less than one year SR	Greater than one year SR
31 December 2019	<b>1,507,139,583</b>	1,378,692,102	128,447,481
31 December 2018	<b>1,311,100,395</b>	1,250,647,886	60,452,509

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and they are therefore unsecured. As at 31 December 2019 accounts receivable of SR 60,317,650 (as at 31 December 2018: SR 122,450,006) were impaired and fully provided for. Amounts written off during the year relate to individually identified accounts that are considered to be irrecoverable.

As at 31 December 2019, approximately 93% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2018: SR 94%).

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

**9. Inventories**

	As at 31 December 2019 SR	As at 31 December 2018 SR
Pharmaceuticals inventories	173,414,408	165,332,944
Medical supplies	105,763,478	111,614,241
Others	19,114,146	27,965,593
	<u>298,292,032</u>	<u>304,912,778</u>
Less: provision for inventories	(2,425,056)	(2,376,123)
	<b>295,866,976</b>	<b>302,536,655</b>

Cost of inventories recognized in the consolidated statement of income for the year ended 31 December 2019 amounted to SR 1,021,320,572 (2018: SR 980,428,317).

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**10. Prepaid expenses and other assets**

	As at 31 December 2019 SR	As at 31 December 2018 SR
Prepaid expenses	109,052,838	101,284,735
Advances to employees	53,708,913	46,272,976
Advances to purchase Land	39,978,296	-
Others	66,000,989	62,668,168
	<b>268,741,036</b>	<b>210,225,879</b>

**11. Investments in associates**

The Group investment in associates comprise of:

- 50% interest in Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013). Ajaji Dental objectives include establishment and management of hospitals, dentistry centers and laboratories tests and x-rays centers, dentistry colleges and institutes and import and distribute medical equipment.
- 40% interest in Serco Saudi Services Company ("SERCO"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013). Antab objectives include works and maintenance to buildings construction, electricity, mechanical, cooling systems, and building cleaning.

The Group's interest in its associates is accounted for using the equity method in the consolidated financial statements. The financial information of the associates are not material at the Group level therefore, summarized financial information of the associates have not been presented.

During the year, the movement of investments in associates is as follows:

<b>2019</b>	Opening balance SR	Share of income SR	Dividends SR	Ending balance SR
Ajaji Dental	33,850,963	1,596,895	(5,000,000)	30,447,858
SERCO	9,637,217	(53,063)	-	9,584,154
<b>Total</b>	<b>43,488,180</b>	<b>1,543,832</b>	<b>(5,000,000)</b>	<b>40,032,012</b>

<b>2018</b>	Opening balance SR	Share of income SR	Dividends SR	Ending balance SR
Ajaji Dental	34,450,815	5,400,148	(6,000,000)	33,850,963
SERCO	9,227,138	410,079	-	9,637,217
<b>Total</b>	<b>43,677,953</b>	<b>5,810,227</b>	<b>(6,000,000)</b>	<b>43,488,180</b>

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**12. Property and equipment**

	Land SR	Buildings and leasehold improvements SR	Medical and general equipment SR	Motor vehicles and ambulances SR	Furniture, fixtures and office equipment SR	Right of use Assets SR	Capital work- in-progress* SR	Total SR
<b>Cost</b>								
<b>At 1 January 2018</b>	<b>1,399,776,664</b>	<b>1,551,992,959</b>	<b>1,000,753,676</b>	<b>11,882,107</b>	<b>398,744,030</b>	-	<b>315,463,267</b>	<b>4,678,612,703</b>
Additions	172,055,340	3,161,390	33,325,929	-	30,331,449	-	591,254,135	830,128,243
Disposals/transfers	-	757,313	(6,375,770)	(1,666,447)	(1,317,291)	-	(4,169,095)	(12,771,290)
<b>At 31 December 2018</b>	<b>1,571,832,004</b>	<b>1,555,911,662</b>	<b>1,027,703,835</b>	<b>10,215,660</b>	<b>427,758,188</b>	-	<b>902,548,307</b>	<b>5,495,969,656</b>
Additions	139,180,750	7,883,922	65,572,884	888,457	38,019,812	393,574,642	483,960,580	1,129,081,047
Disposals/transfers	-	1,060,667,065	94,157,304	(875,000)	11,238,054	(15,494,300)	(1,178,161,498)	(28,468,375)
<b>At 31 December 2019</b>	<b>1,711,012,754</b>	<b>2,624,462,649</b>	<b>1,187,434,023</b>	<b>10,229,117</b>	<b>477,016,054</b>	<b>378,080,342</b>	<b>208,347,389</b>	<b>6,596,582,328</b>
<b>Depreciation</b>								
<b>At 1 January 2018</b>	-	<b>300,987,841</b>	<b>479,169,860</b>	<b>9,413,977</b>	<b>226,907,725</b>	-	-	<b>1,016,479,403</b>
Charge for the year	-	53,251,126	99,055,895	769,008	47,111,104	-	-	200,187,133
Disposals/transfers	-	(192,312)	(2,953,121)	(1,666,425)	(2,908,021)	-	-	(7,719,879)
<b>At 31 December 2018</b>	-	<b>354,046,655</b>	<b>575,272,634</b>	<b>8,516,560</b>	<b>271,110,808</b>	-	-	<b>1,208,946,657</b>
Charge for the year	-	58,293,519	97,223,820	648,206	49,868,397	49,885,428	-	255,919,370
Disposals/transfers	-	77,658	(3,965,103)	(862,625)	(3,599,381)	(2,213,020)	-	(10,562,471)
<b>At 31 December 2019</b>	-	<b>412,417,832</b>	<b>668,531,351</b>	<b>8,302,141</b>	<b>317,379,824</b>	<b>47,672,408</b>	-	<b>1,454,303,556</b>
<b>Net book value</b>								
<b>At 31 December 2019</b>	<b>1,711,012,754</b>	<b>2,212,044,817</b>	<b>518,902,672</b>	<b>1,926,976</b>	<b>159,636,230</b>	<b>330,407,934</b>	<b>208,347,389</b>	<b>5,142,278,772</b>
<b>At 31 December 2018</b>	<b>1,571,832,004</b>	<b>1,201,865,007</b>	<b>452,431,201</b>	<b>1,699,100</b>	<b>156,647,380</b>	-	<b>902,548,307</b>	<b>4,287,022,999</b>

\*Capital work-in-progress represents cost incurred to date on different hospital projects of the Group.

\*\* Property and equipment include land, building and medical equipment amounting to the extent of SR 583,708,500 (2018: SR 550,641,500) pledged against the loans obtained from the Ministry of Finance (note 27).

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**12. Property and equipment (continued)**

The depreciation charge has been allocated in the consolidated statement of income as follows:

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>SR</b>	<b>SR</b>
Cost of revenue	214,273,522	165,721,815
General and administrative expenses (note 23)	39,710,491	32,904,331
Selling and marketing expenses (note 22)	1,935,357	1,560,987
	<b>255,919,370</b>	<b>200,187,133</b>

**13. Accounts payable**

	<b>As at</b>	<b>As at</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>SR</b>	<b>SR</b>
Accounts payable	521,316,188	459,366,072
Contractors' payables and retentions	132,785,752	68,630,879
Others	1,867,005	3,613,995
	<b>655,968,945</b>	<b>531,610,946</b>

\*Included in the accounts payable are balances payable to related parties amounting to SR 72,886,465 (2018: SR 54,279,081)

**14. Related party disclosures**

Related parties represent shareholders, Directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

**Related party transactions**

Significant transactions and balances with related parties in the ordinary course of business which are included in the consolidated financial statements are summarized as follows:

<b>Nature of transaction</b>	<b>Related party</b>	<b>Relationship</b>	<b>2019</b>	<b>2018</b>
			<b>SR</b>	<b>SR</b>
Capital work-in-progress	Masah Contracting Company	Other related party	24,571,487	50,954,337
Capital work-in-progress	Namara Specialist Establishment for Trading	Other related party	2,198,543	734,955
Purchases and services	Serco Saudi Services Company	Associate	55,124,697	59,180,042
Purchases and services	Rawafed Al Seha International Company	Other related party	25,132,894	-
Revenue	Ajaji Dental	Associate	36,697,724	38,105,669
Board of directors and its committee remuneration	Members of the Board of Directors and its committees	Affiliates	1,935,000	1,814,000

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**14. Related party disclosures (continued)**

**Compensation of key management personnel of the Group**

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>SR</b>	<b>SR</b>
Short-term employee benefits	4,843,471	4,766,536
Post-employment and medical benefits	122,000	122,000
Board of Directors and its committees remuneration	1,935,000	1,814,000
<b>Total compensation paid to key management personnel</b>	<b>6,900,471</b>	<b>6,702,536</b>

**15. Accrued expenses and other liabilities**

	<b>As at</b>	<b>As at</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>SR</b>	<b>SR</b>
Accrued employees' salaries and benefits	299,666,562	301,417,509
Accrued expenses	94,805,168	75,972,940
Others	20,983,353	22,486,563
Dividends payable (note 21)	-	103,360,353
	<b>415,455,083</b>	<b>503,237,365</b>

**16. Zakat payable**

The Group's Zakat provision for the year ended 31 December 2019 amounted to SR 65,677,664 (2018: SR 81,329,717) which is charged to the consolidated statement of income in accordance with the GAZT regulations.

**a. Zakat base**

The principal elements of the Zakat base are as follows:

	<b>As at</b>	<b>As at</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>SR</b>	<b>SR</b>
Shareholders' equity	3,984,649,457	4,554,968,629
Non-current assets	(5,363,332,140)	(5,134,606,414)
Non-current liabilities	2,861,594,816	1,762,776,515
Adjusted net income	1,065,697,258	1,010,223,858
<b>Zakat base</b>	<b>2,548,609,391</b>	<b>2,193,362,588</b>

**b. Zakat provision**

The movement in Zakat provision as of 31 December is as follows:

	<b>As at</b>	<b>As at</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>SR</b>	<b>SR</b>
Balance at the beginning of the year	79,135,807	82,388,707
Charge for the year	65,677,664	81,329,717
Paid during the year	(56,781,845)	(84,582,617)
<b>Balance at the end of the year</b>	<b>88,031,626</b>	<b>79,135,807</b>

**16. Zakat payable (continued)**

**c. Zakat status**

The Company has filed its consolidated zakat returns (for the Company and fully owned subsidiaries) to GAZT and obtained zakat certificates for all years up to 31 December 2018. The final Zakat assessments have been received for all years up to 2016 and the Company has recorded all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments.

Asharq Alawsat Pharmacies Company has obtained Zakat certificate up to 2018. During 2017, Asharq Alawsat Pharmacies Company has received the final Zakat assessments for the years from 2008 until 2016 and Asharq Alawsat Pharmacies Company has recorded all differences between Zakat provision and the approved final assessments and settled all Zakat liabilities resulted from such assessments.

Al Afia Pharmacies Company, Sehat Al Sharq Medical Limited Company, Gharb Jeddah Hospital Company and Al Wosta Medical Limited Company have obtained the Zakat certificates up to 2018. During 2018, Sehat Al Sharq Medical Limited Company has received the final Zakat assessments for all the years upto 2016 and no differences have been identified from the actual returns submitted.

**17. Government grant**

	<b>As at 31 December 2019 SR</b>	<b>As at 31 December 2018 SR</b>
As at 1 January	50,140,095	-
Received during the year	20,424,051	50,140,095
Amortised during the year	(2,624,004)	-
As at 31 December	<b>67,940,142</b>	<b>50,140,095</b>
Current	3,068,006	2,706,944
Non-current	64,872,136	47,433,151
	<b>67,940,142</b>	<b>50,140,095</b>

The grant represents the difference between the fair value and carrying value of the interest free loans obtained in 2018 and 2019 from Ministry of Finance to fund the construction of the new hospital and the purchase of medical and non-medical equipment. The conditions and contingencies included in the grant have been met.

**18. Employees' end-of-service benefits**

**a. Net defined benefit expense recognized in profit or loss**

	<b>For the year ended</b>	
	<b>31 December 2019 SR</b>	<b>31 December 2018 SR</b>
Current service cost	46,649,613	41,398,353
Interest cost on defined benefit obligation	11,104,522	8,793,969
<b>Net defined benefit expense</b>	<b>57,754,135</b>	<b>50,192,322</b>

18. Employees' end-of-service benefits (continued)

b. Changes in the present value of the defined benefit obligation:	SR
<b>Employees' end-of-service benefits as at 1 January 2018</b>	<b>220,103,792</b>
Interest cost on defined benefit obligation	8,793,969
Current service cost	41,398,353
Actuarial gain on the defined benefit obligation recognized in OCI	(8,103,771)
Benefits paid	(28,139,827)
<b>Employees' end-of-service benefits as at 31 December 2018</b>	<b>234,052,516</b>
Interest cost on defined benefit obligation	11,104,522
Current service cost	46,649,613
Actuarial loss on the defined benefit obligation recognized in OCI	4,060,518
Benefits paid	(27,241,236)
Transfer of a subsidiary (Note 30)	(1,315,141)
<b>Employees' end-of-service benefits as at 31 December 2019</b>	<b>267,310,792</b>

c. Significant assumptions	31 December 2019	31 December 2018
	%	%
Discount rate	4.77	4.77
Future salary increases	3.00	3.00

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 December 2019:

<u>31 December 2019</u>	Impact on employees' end-of-service benefits			
Sensitivity level	Change in assumption	Base value SR	Increase in assumption SR	Decrease in assumption SR
Discount rate	1%	267,310,792	254,965,948	280,446,993
Future salary increases	1%	267,310,792	277,318,442	257,642,788

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation because of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

19. Issued and paid-up share capital

The Company's authorised, issued and paid-up share capital comprise of 350,000,000 shares of SR 10 each amounting to SR 3,500,000,000

As at 31 December, the shareholding of the Company was as follows:

	As at 31 December 2019		As at 31 December 2018	
	Number of shares	Shareholding %	Number of shares	Shareholding %
Dr. Sulaiman Abdulaziz Sulaiman Al Habib	157,488,333	44.99%	169,885,330	48.54%
Muhammad Abdulaziz Al Habib and Sons Holding Company	152,903,333	43.69%	169,885,330	48.54%
Jawhara Al Bahar Investment Company	17,430,000	4.98%	-	-
Thubat al'aemal company Limited	12,845,000	3.67%	-	-
Mr. Hisham Sulaiman Abdulaziz Al Habib	7,000,000	2.00%	7,000,000	2.00%
Mr. Mohammad Sulaiman Abdulaziz Al Habib	2,333,334	0.67%	3,229,340	0.92%
	<b>350,000,000</b>	<b>100%</b>	<b>350,000,000</b>	<b>100%</b>

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**20. Statutory reserve**

In accordance with Saudi Regulations for Companies and the Group's bylaws, the Company is establishing the statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders currently.

**21. Dividend distribution**

The Board of Directors in their meetings during 2019 decided to distribute interim dividends of SR 2.29 per share totaling to SR 800,000,000 (2018: dividends of SR 2.29 per share totaling to SR 800,000,000) which are subject to the approval of the Company's upcoming general assembly.

The interim dividends during the year ended 31 December 2019 were approved by the general assembly on 20/04/1441H (corresponding to 17 December 2019).

**22. Selling and marketing expenses**

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>SR</b>	<b>SR</b>
Allowance for expected credit losses (note 8)	104,708,352	81,696,100
Employees' salaries, wages and other related benefits	42,389,287	36,125,985
Promotion and advertisement	39,506,033	31,945,012
Depreciation (note 12)	1,935,357	1,560,987
Others	7,378,408	7,158,484
	<b>195,917,437</b>	<b>158,486,568</b>

**23. General and administrative expenses**

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>SR</b>	<b>SR</b>
Employees' salaries, wages and other related benefits	282,494,732	259,736,108
Directors' remuneration and management incentive	45,110,775	-
Depreciation (note 12)	39,710,491	32,904,331
Utilities and communication	22,151,963	15,967,431
Licenses and government fees	11,240,781	8,895,028
Housekeeping	10,089,154	11,446,922
Repair and maintenance	8,843,930	9,060,188
Rent	8,645,785	16,178,368
Bank charges and commissions	6,903,657	8,472,162
Consultation and professional fees	5,945,822	13,183,336
Travel expenses	5,841,654	3,359,167
Fees and subscriptions	2,359,448	2,102,754
Others	25,475,340	20,693,484
	<b>474,813,532</b>	<b>401,999,279</b>

**24. Other income, net**

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
	<b>SR</b>	<b>SR</b>
Finance income	20,509,367	13,121,967
Rental income	15,801,938	15,747,159
Scientific support from suppliers	8,046,412	21,323,003
HRDF receipts	1,518,856	10,058,642
Loss on disposal of property and equipment	(645,661)	(597,103)
Others	16,740,341	33,734,963
	<b>61,971,253</b>	<b>93,388,631</b>

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**25. Earnings per share**

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

The following table reflects the operating income, income for the year and share data used in the basic and diluted EPS computations:

	2019 SR	2018 SR
Operating income	<u>867,720,024</u>	<u>801,523,539</u>
Weighted average number of ordinary shares	<u>350,000,000</u>	<u>350,000,000</u>
<i>Basic and diluted earnings per share from operating income</i>	<u>2.48</u>	<u>2.29</u>

	2019 SR	2018 SR
Income for the year attributable to equity holders of the parent	<u>870,231,171</u>	<u>801,307,353</u>
Weighted average number of ordinary shares	<u>350,000,000</u>	<u>350,000,000</u>
<i>Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent</i>	<u>2.49</u>	<u>2.29</u>

**26. Commitments and contingencies**

***Operating lease commitments – Group as a lessee***

Commitments for minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2019 SR	As at 31 December 2018 SR
Within one year	4,843,318	51,374,431
After one year but not more than five years	2,391,213	137,518,083
More than five years	-	34,018,716
	<u>7,234,531</u>	<u>222,911,230</u>

Operating lease payments represent rentals payable by the Group for renting lands and buildings.

Payments under operating lease recognized as an expense during the year ended 31 December 2019 amounted to SR 24,625,425 (2018 SR: 53,002,199).

***Capital commitments***

The Group has capital commitment for construction of hospitals, as follows:

	As at 31 December 2019 SR	As at 31 December 2018 SR
Capital commitments	<u>410,170,952</u>	<u>415,646,751</u>

***Letter of credits and guarantees***

The Group has guarantees related to, as follows:

	As at 31 December 2019 SR	As at 31 December 2018 SR
Letters of credit	86,216,664	129,018,736
Letters of guarantee	104,976,258	47,562,037
	<u>191,192,922</u>	<u>176,580,773</u>

**27. Financial assets and liabilities**

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**27.1 Long-term borrowings**

	As at 31 December 2019 SR	As at 31 December 2018 SR
<b>Current-portion of loans and borrowings:</b>		
Loans from local banks (i)	215,681,180	214,309,407
Loans from Ministry of Finance (ii)	24,203,408	14,203,407
	<b>239,884,588</b>	<b>228,512,814</b>
<b>Non-current portion of loans and borrowings:</b>		
Loans from local banks (i)	1,392,205,402	951,735,826
Loans from Ministry of Finance (ii)	388,053,382	386,521,242
	<b>1,780,258,784</b>	<b>1,338,257,068</b>

i) Loans from local banks

The Group is financed through Islamic facilities in the form of long-term and short-term loans (Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes.

Aggregate maturities of loans from local banks are as follows:

	As at 31 December 2019 SR	As at 31 December 2018 SR
Within one year	215,681,180	214,309,407
After one year but not more than five years	826,711,330	559,398,229
More than five years	565,494,072	392,337,597
	<b>1,607,886,582</b>	<b>1,166,045,233</b>

ii) Loans from Ministry of Finance (MoF)

The Group's long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the Company and its subsidiaries. The loan repayment instalments are settled on equal yearly instalments. Certain assets are pledged against the loans obtained from the MoF (note 12). Aggregate maturities of loans from MoF are as follows:

	As at 31 December 2019 SR	As at 31 December 2018 SR
Within one year	24,203,408	14,203,407
After one year but not more than five years	138,455,378	111,015,387
More than five years	249,598,004	275,505,855
	<b>412,256,790</b>	<b>400,724,649</b>

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**27. Financial assets and liabilities (continued)**

**27.2 Lease Liabilities**

	<b>As at 31 December 2019 SR</b>	<b>As at 31 December 2018 SR</b>
As at 1 January 2019	209,036,772	-
Additions during the year	163,358,220	-
Disposal -net	(10,592,132)	-
Payments	(43,600,978)	-
<b>As at 31 December 2019</b>	<b>318,201,882</b>	<b>-</b>

Following is the aggregate maturities of lease liabilities:

	<b>As at 31 December 2019 SR</b>	<b>As at 31 December 2018 SR</b>
Within one year	60,959,975	-
After one year but not more than five years	155,310,163	-
More than five years	178,402,250	-
	<b>394,672,388</b>	<b>-</b>

	<b>As at 31 December 2019 SR</b>	<b>As at 31 December 2018 SR</b>
Future minimum lease payment	394,672,388	-
Less: un-amortized finance charges	(76,470,506)	-
Present value of minimum lease payment	318,201,882	-
Less: curren-portion of lease payment	(49,413,705)	-
	<b>268,788,177</b>	<b>-</b>

**27.3 Risk management**

The Group's principal financial liabilities mainly comprise long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into hedging activities.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

*Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commission rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loan. The sensitivity analyses in the following sections relate to the position as at 31 December 2019.

**27. Financial assets and liabilities (continued)**

**27.3 Risk management (continued)**

Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term (note 27.1) and term deposits (note 7) with floating commission rates. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The Group analysis its commission rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of defined markup shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions. The Group is not exposed to any significant commission rate risk.

Currency risk

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk.

Credit risk

Credit risk is the risk a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalents, term deposits and accounts receivables as follows:

	<b>As at 31 December 2019 SR</b>	<b>As at 31 December 2018 SR</b>
Accounts receivable	1,507,139,583	1,311,100,395
Short-term deposits with banks	517,892,829	778,113,229
Cash at banks	670,406,992	581,764,177
	<b><u>2,695,439,404</u></b>	<b><u>2,670,977,801</u></b>

Accounts receivable

Receivables credit risk is managed subject to the Group's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Group comprise primarily of Insurance Companies, Government and its related ministries and others (Royal families, individuals, Commercial Companies, etc.). The Group seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups. The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The credit terms are extended to customers where the Group does not expect any inability to pay.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Group evaluates the concentration of risk with respect to receivables as low, as its customers are located in various regions across GCC.

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**27. Financial assets and liabilities (continued)**

**27.3 Risk management (continued)**

*Short-term deposits with banks and cash at banks*

Credit risk from balances with banks and financial institution is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

*Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Group maintains sufficient liquidity. Senior management continuously reviews information on the Group's liquidity developments.

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations.

The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

<b>As at 31 December 2019</b>	<b>On demand SR</b>	<b>Within one year SR</b>	<b>One to five years SR</b>	<b>More than five years SR</b>	<b>Total SR</b>
Long-term loans	-	239,884,588	965,166,708	815,092,076	2,020,143,372
Accounts payable	655,968,945	-	-	-	655,968,945
Accruals and other liabilities	415,455,083	-	-	-	415,455,083
Lease liability	-	60,959,975	155,310,163	178,402,250	394,672,388
	<b>1,071,424,028</b>	<b>300,844,563</b>	<b>1,120,476,871</b>	<b>993,494,326</b>	<b>3,486,239,788</b>

<b>As at 31 December 2018</b>	<b>On demand SR</b>	<b>Within one year SR</b>	<b>One to five years SR</b>	<b>More than five years SR</b>	<b>Total SR</b>
Long-term loans	-	228,512,814	670,413,616	667,843,452	1,566,769,882
Accounts payable	531,610,946	-	-	-	531,610,946
Accruals and other liabilities	503,237,365	-	-	-	503,237,365
	<b>1,034,848,311</b>	<b>228,512,814</b>	<b>670,413,616</b>	<b>667,843,452</b>	<b>2,601,618,193</b>

## **28. Capital management**

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

## **29. Fair values**

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents and accounts receivable. Financial liabilities consist of long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values at reporting date largely.

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**30. Transfer of a subsidiary**

On 1 January 2019, the Company has transferred Rawafed Al Seha International Company to a related party at net book value.

Following is the financial information of the subsidiary at date of transaction:

	<b>SR</b>
<b>Assets</b>	
Cash and cash equivalents	2,772,641
Accounts receivable	21,815,289
Due from related parties	19,506,388
Advances to suppliers and contractors	3,445,295
Inventories	34,829,345
Prepaid expenses and other assets	1,749,507
Property and equipment	2,007,709
<b>Total assets</b>	<b>86,126,174</b>
<b>Liabilities</b>	
Accounts payable	14,744,988
Advances from customers	610,058
Due to related parties	54,043,351
Accrued expenses and other liabilities	1,650,662
Employees' end-of-service benefits	1,315,141
<b>Total liabilities</b>	<b>72,364,200</b>
<b>Net assets disposed</b>	<b>13,761,974</b>
<b>Net cash flow from arising on transfer of the subsidiary</b>	
Cash and cash equivalents disposed	<b>(2,772,641)</b>

**31. Approval of the consolidated financial statements**

These consolidated financial statements were approved for issuance by the Board of Directors on 1 Jumad Thani 1441H (corresponding to 26 January 2020).