

MOUWASAT MEDICAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
together with the Independent Auditor's Report

**MOUWASAT MEDICAL SERVICES COMPANY
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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Licence No. 46/11/323 issued 11/3/1992

Independent auditor's report

To the Shareholders of Mouwasat Medical Services Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Mouwasat Medical Services Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

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 the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor's report

To the Shareholders of Mouwasat Medical Services Company (A Saudi Joint Stock Company) (Continued)

Key audit matters (continued)

Revenue recognition

Refer Note 4(iii) and 3(e) for the accounting estimate and policy relating to revenue recognition and Note 28 for revenue disclosure.

The key audit matter

During the year ended 31 December 2020, the Group recognized revenue of SR 2.045 billion (2019: SR 1.857 billion).

The Group recognizes revenue upon satisfaction of performance obligation related to medical and related services at the fair value of consideration received or receivable, net of variable consideration.

Certain contracts with customers include variable consideration such as volume discounts, prompt payment discounts and claims disallowed (rejection of claims). These constitute variable consideration and are considered in the recognition of revenue on an estimated basis in the period in which the related services are rendered.

Revenue recognition is considered as a key audit matter because the estimation of the variable consideration involves significant judgement and estimates in determining the amount.

How the matter was addressed in our audit

We performed the following among other procedures:

- Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards;
- Assessed the design and implementation and tested (on a sample basis) the operating effectiveness of the Group's key internal control in relation to the estimates of variable consideration;
- Assessed the appropriateness of significant accounting judgments, estimates and assumptions made by management to determine the variable consideration;
- Performed a retrospective review (on a sample basis) of actual claims settled to the original gross claims;
- Performed tests (on a sample basis) of settlements, claims and collections made with major customers of the Group; and
- Assessed the adequacy of relevant disclosures and presentation in the consolidated financial statements.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 13 Rajab 1441H (corresponding to 8 March 2020).



Independent auditor's report

To the Shareholders of Mouwasat Medical Services Company (A Saudi Joint Stock Company) (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

The Audit Committee 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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.

Independent auditor's report

To the Shareholders of Mouwasat Medical Services Company (A Saudi Joint Stock Company) (Continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of Mouwasat Medical Services Company ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

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

**For KPMG Al Fozan & Partners
Certified Public Accountants**

Abdulaziz Abdullah Alnaim
License No: 394



Al Khobar, 1 Shaban, 1442H
Corresponding to: 14 March 2021G


MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

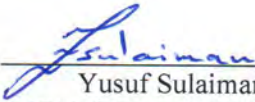
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2020	2019
ASSETS			
Non-current assets			
Property and equipment	7	2,202,931,378	2,075,538,020
Goodwill	8	16,371,000	16,371,000
Intangible assets	9	16,922,182	17,015,310
Right-of-use asset	10	34,522,331	37,974,563
Investment in an associate	11	12,899,870	12,362,672
Advances to contractors	12	169,638,055	103,226,793
Total non-current assets		2,453,284,816	2,262,488,358
Current assets			
Inventories	13	185,582,048	165,326,214
Accounts receivables	14	689,579,857	522,631,969
Advances, prepayments and other current assets	15	77,179,046	83,223,380
Term deposit	16	83,000,000	90,000,000
Cash and cash equivalents	17	160,153,411	204,624,026
Total current assets		1,195,494,362	1,065,805,589
Total assets		3,648,779,178	3,328,293,947
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,000,000,000	1,000,000,000
Statutory reserve	20	300,000,000	281,829,508
Retained earnings		979,138,199	673,685,617
Equity attributable to shareholders of the Company		2,279,138,199	1,955,515,125
Non-controlling interest	21	100,504,130	96,675,866
Total equity		2,379,642,329	2,052,190,991
Liabilities			
Non-current liabilities			
Long-term borrowings	22	575,062,028	601,799,471
Employees' benefits	23	111,253,975	97,142,980
Lease liabilities	24	31,323,293	33,972,152
Total non-current liabilities		717,639,296	732,914,603
Current liabilities			
Accounts payables	25	198,019,425	211,904,715
Accruals and other current liabilities	26	114,747,733	134,441,957
Refund liabilities	28	31,000,754	39,102,903
Current maturity of lease liabilities	24	6,503,302	4,002,411
Current portion of long-term borrowings	22	170,487,443	120,411,113
Provision for zakat	27	30,738,896	33,325,254
Total current liabilities		551,497,553	543,188,353
Total liabilities		1,269,136,849	1,276,102,956
Total equity and liabilities		3,648,779,178	3,328,293,947


Mohammed Al Saleem
(Managing Director)


Mohammed Al Saleem
(Authorized Board Representative)


Yusuf Sulaiman
(Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 52 form an integral part of these consolidated financial statements.


MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

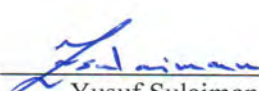
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2020	2019
Revenue			
Operating revenue, net	28	1,801,070,346	1,597,130,202
Sales	28	243,961,272	260,077,504
		<u>2,045,031,618</u>	<u>1,857,207,706</u>
Cost of revenue			
Cost of operations	29	(906,385,381)	(840,943,909)
Cost of sales		(178,349,161)	(186,993,449)
		<u>(1,084,734,542)</u>	<u>(1,027,937,358)</u>
Gross profit		<u>960,297,076</u>	<u>829,270,348</u>
Selling and marketing expenses	30	(124,246,714)	(108,191,473)
General and administrative expenses	31	(258,214,905)	(250,591,696)
Operating profit		<u>577,835,457</u>	<u>470,487,179</u>
Other income, net	32	8,915,525	8,280,013
Finance cost	33	(14,039,394)	(20,156,149)
Share of result of an associate	11	4,156,267	3,619,069
Profit before zakat		<u>576,867,855</u>	<u>462,230,112</u>
Zakat expense	27	(15,241,952)	(13,465,942)
Profit for the year		<u>561,625,903</u>	<u>448,764,170</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement loss of employees' end-of-service benefits obligations	23	(4,675,092)	(3,629,076)
Other comprehensive loss for the year		<u>(4,675,092)</u>	<u>(3,629,076)</u>
Total comprehensive income for the year		<u>556,950,811</u>	<u>445,135,094</u>
Profit for the year attributable to:			
Shareholders of the Company		528,157,033	421,029,467
Non-controlling interest		33,468,870	27,734,703
Profit for the year		<u>561,625,903</u>	<u>448,764,170</u>
Total comprehensive income for the year attributable to:			
Shareholders of the Company		523,623,074	417,630,493
Non-controlling interest		33,327,737	27,504,601
Total comprehensive income for the year		<u>556,950,811</u>	<u>445,135,094</u>
Earnings per share:			
Basic and diluted earnings per share attributable to the shareholders of the Company	34	<u>5.28</u>	<u>4.21</u>


Mohammed Al Saleem
(Managing Director)


Mohammed Al Saleem
(Authorized Board Representative)


Yusuf Sulaiman
(Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 52 form an integral part of these consolidated financial statements.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in Saudi Riyals unless otherwise stated)

	Attributable to the shareholders of the Company						
	Notes	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
Balance at 1 January 2019		1,000,000,000	239,726,561	473,158,071	1,712,884,632	93,671,265	1,806,555,897
<i>Total comprehensive income for the year</i>		-	-	421,029,467	421,029,467	27,734,703	448,764,170
Profit for the year		-	-	(3,398,974)	(3,398,974)	(230,102)	(3,629,076)
Other comprehensive loss for the year		-	-	417,630,493	417,630,493	27,504,601	445,135,094
Total comprehensive income for the year	20	-	42,102,947	(42,102,947)	-	-	-
Statutory reserve		-	-	(175,000,000)	(175,000,000)	-	(175,000,000)
<i>Transactions with owners in their capacity as owners</i>		-	-	-	-	-	-
Dividend	19	-	-	(175,000,000)	(175,000,000)	-	(175,000,000)
Dividend to non-controlling interest		-	-	-	-	(24,500,000)	(24,500,000)
Balance at 31 December 2019		1,000,000,000	281,829,508	673,685,617	1,955,515,125	96,675,866	2,052,190,991
Balance at 1 January 2020		1,000,000,000	281,829,508	673,685,617	1,955,515,125	96,675,866	2,052,190,991
<i>Total comprehensive income for the year</i>		-	-	528,157,033	528,157,033	33,468,870	561,625,903
Profit for the year		-	-	(4,533,959)	(4,533,959)	(141,133)	(4,675,092)
Other comprehensive loss for the year		-	-	523,623,074	523,623,074	33,327,737	556,950,811
Total comprehensive income for the year	20	-	18,170,492	(18,170,492)	-	-	-
Statutory reserve		-	-	-	-	-	-
<i>Transactions with owners in their capacity as owners</i>		-	-	(200,000,000)	(200,000,000)	-	(200,000,000)
Dividend	19	-	-	-	-	(29,400,000)	(29,400,000)
Dividend to non-controlling interests		-	-	-	-	(99,473)	(99,473)
Proceeds from liquidation of subsidiary	1	-	-	-	-	-	-
Balance at 31 December 2020		1,000,000,000	300,000,000	979,138,199	2,279,138,199	100,504,130	2,379,642,329

Mohammed Al Saleem
(Managing Director)

Mohammed Al Saleem
(Authorized Board Representative)

Yusuf Sulaiman
(Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 52 form an integral part of these consolidated financial statements.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

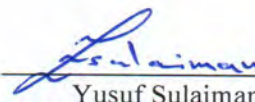
	Notes	2020	2019
Cash flows from operating activities			
Profit before zakat		576,867,855	462,230,112
<i>Adjustments for:</i>			
Depreciation on property and equipment	7	140,807,453	138,202,813
Depreciation on right-of-use asset	10	3,452,232	3,452,233
Amortization of intangible assets	9	4,087,653	3,291,406
Provision for allowance for expected credit losses	14	32,960,556	12,352,654
Share of results of an associate	11	(4,156,267)	(3,619,069)
Finance cost	33	14,039,394	20,156,149
Provision for employees' benefits	23	22,577,257	22,595,051
Gain on disposal of property and equipment		(397,159)	(413,479)
Property and equipment written off	7	-	235,000
		<u>790,238,974</u>	<u>658,482,870</u>
<i>Changes in:</i>			
Inventories		(20,255,834)	(25,578,066)
Accounts receivables		(199,908,444)	(5,938,934)
Advances, prepayments and other current assets		6,044,334	(2,759,189)
Accounts payables		(13,885,290)	30,102,319
Accruals and other current liabilities		(10,894,061)	6,153,924
Refund liabilities		(8,102,149)	20,962,964
Cash generated from operating activities		<u>543,237,530</u>	<u>681,425,888</u>
Employees' benefits paid	23	(13,141,354)	(8,348,531)
Finance cost paid		(29,741,912)	(20,833,270)
Zakat paid	27	(17,828,310)	(17,609,762)
Net cash from operating activities		<u>482,525,954</u>	<u>634,634,325</u>
Cash flows from investing activities			
Purchase of property and equipment		(229,725,609)	(258,599,197)
Purchase of intangible assets		(3,994,525)	(5,521,855)
Proceeds from disposal of property and equipment		772,748	687,520
Dividend received from an associate		3,619,069	3,452,167
Advances to contractors	12	(96,632,666)	(83,062,618)
Term deposits		7,000,000	(55,000,000)
Net cash used in investing activities		<u>(318,960,983)</u>	<u>(398,043,983)</u>



Mohammed Al Saleem
(Managing Director)



Mohammed Al Saleem
(Authorized Board Representative)



Yusuf Sulaiman
(Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 52 form an integral part of these consolidated financial statements.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2020	2019
Cash flows from financing activities			
Dividend paid	19	(200,000,000)	(175,000,000)
Proceeds from term loans	22	135,000,000	120,000,000
Repayment of term loans	22	(111,661,113)	(79,193,501)
Lease obligations paid		(1,875,000)	(3,452,233)
Dividend paid to non-controlling interests in subsidiary		(29,400,000)	(24,500,000)
Proceeds from liquidation of subsidiary to non-controlling interest		(99,473)	-
Net cash outflow from financing activities		(208,035,586)	(162,145,734)
Net (decrease) / increase in cash and cash equivalents		(44,470,615)	74,444,608
Cash and cash equivalents at beginning of the year		204,624,026	130,179,418
Cash and cash equivalents at the end of the year	17	160,153,411	204,624,026
Non cash transactions:			
Finance cost capitalized	7.3	8,629,387	6,466,575
Transfer from advances to contractors to property and equipment	12	30,221,404	38,499,990



Mohammed Al Saleem
(Managing Director)



Mohammed Al Saleem
(Authorized Board Representative)



Yusuf Sulaiman
(Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 52 form an integral part of these consolidated financial statements.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals unless otherwise stated)

1. GENERAL

Mouwasat Medical Services Company ("the Company") is registered in Saudi Arabia under Commercial Registration number 2050032029 dated Ramadan 12, 1417H (corresponding to January 21, 1997). The Company was converted into a Saudi Joint Stock Company in accordance with Ministerial Resolution No. 1880 dated Dhu-al-Hijja 4, 1426H (corresponding to 4 January 2006).

Details regarding Company's subsidiaries are as follows:

Name	Country of incorporation	Activities	Percentage %
Eastern Medical Services Company Limited	Saudi Arabia	Medical services	51%
Specialized Medical Clinic Company Limited	Saudi Arabia	Medical services	95%

Eastern Medical Services Company Limited is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051023824 dated Ramadan 10, 1420H (corresponding to 18 December 1999). This subsidiary is engaged in construction and operation of hospitals, dispensaries and special clinics.

Specialized Medical Clinic Company Limited is a limited liability company registered in Saudi Arabia under commercial registration number 2051032296 dated Safar 11, 1427H (corresponding to 11 March 2006). This subsidiary is engaged in construction, management and operating of the hospital clinics complex in accordance with the preliminary approval of the Ministry of Health number 038-105-023033-10001 dated Rabi' 7, 1433H (corresponding to 30 January 2012). On 31 March 2020, the Board of Directors of the Company resolved to cease the operations of the subsidiary and appointed a liquidator in accordance with the Regulations of Companies in Saudi Arabia. The liquidation proceedings were completed on 18 October 2020 and the residual proceeds were distributed to the shareholders of the subsidiary.

The Company through its multiple branches is engaged in the acquisition, management, operation and maintenance of hospitals, medical centers, drug stores, pharmacies and wholesale of medical equipment and drugs.

<u>Branch</u>	<u>Commercial Registration Number</u>	<u>Date</u>
Dammam	2050046891	18/09/1425H
Dammam	2050111494	20/04/1438H
Dammam	2050111780	25/05/1438H
Dammam	2050086573	27/11/1433H
Khobar	2051064380	12/09/1438H
Jubail	2055004626	09/03/1421H
Jubail	2055006727	19/09/1425H
Madinah	4650029967	06/05/1421H
Madinah	4650030759	11/11/1421H
Madinah	4650083001	18/01/1438H
Riyadh	1010295838	09/11/1431H

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

2.1. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Certified Public Accountants (SOCPA).

2.2. Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for employees' end-of-service benefits obligation which is measured at the present value of the obligations as explained in the relevant accounting policies.

2.3. Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR) which is the Group's functional currency. All financial information presented in these financial statements have been rounded off to the nearest Saudi Riyals, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies stated below have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

a) Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Company (Parent Company) and its subsidiaries as at 31 December 2020. Subsidiaries are all the entities over which the Group has control. 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

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 Company and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

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

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Parent. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized within equity attributable to owners of the Parent Company.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

Non-Controlling Interests (NCI)

Non-Controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Interests in equity accounted investees

The Group's interest in equity-accounted investees comprise interest in an associate.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income, until the date on which significant influence ceases. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity accounted investment equals or exceeds its investment in the investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has incurred obligation or has made payments on behalf of the investee.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in the relevant accounting policy.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests 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 administrative expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised 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 recognised 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 recognised in profit or loss.

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Current and non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

(d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between 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 liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits 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. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fair value measurement (continued)

External valuers are involved for valuation of significant assets, whenever required. The involvement of external valuer is decided by the Group after discussion and approval by the Company's management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the Company's external valuer, which valuation techniques and inputs to use for each case.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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.

(e) Revenue recognition

The Group generates its revenue from sale of pharmaceuticals and rendering of inpatient and outpatient services over time and at a point in time. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The goods and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Operating revenue

Revenues are measured at the transaction price which is the amount of consideration that the Group expects to be entitled to in exchange for the services provided. Revenue primarily comprises fees charged for inpatient and outpatient hospital services. For operating revenues, the revenue is recognized when the treatment is provided, and the invoice is generated (i.e. after satisfaction of performance obligation). Net patient services revenue is recognised at the estimated net realisable amounts from the third-party payers (insurance companies) and others for the services rendered, net of estimated retroactive revenue adjustments (rejection of claims) when the related services are rendered. Unbilled revenue is recorded for the service rendered where the patients are not discharged and final invoice is not raised for the services.

Some contracts include variable considerations such as claims disallowed (rejection of claims) which is not paid by third-party payor, volume discount and prompt payment discount. Discounts comprise retrospective volume discounts granted to certain insurance companies on attainment of certain levels of business and constitute variable consideration. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted against revenue at the end of the arrangement to reflect actual volumes. The normal business process associated with transactions with insurers includes amount of claims disallowed (disallowance provision) which is not paid by the insurer. These disallowed claims could be for various technical or medical reasons. Accordingly, the Group expects an amount of consideration that is less than what was originally invoiced. These disallowances constitute a variable consideration and are assessed based on all information (historical, current and forecast) that is reasonably available to the Group and identify a reasonable number of possible consideration amounts. Management estimates variable consideration using the single most likely amount method for prompt payment discount.

Revenue from inpatient services are recognized over a period of time and outpatient services are recognized at the point in time.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (Continued)

Sale of goods

Sales of goods represents the invoiced value of medicines and drugs supplied by the Group. The Group's contracts with customers for the sale of medicines and drugs generally include one performance obligation. Revenue from sale of medicines and drugs is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery/dispensing of the medicines and drugs.

Interest income on term deposit

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Dividend

Dividend income from investments is recognized when the shareholders right to receive payment has been established.

(f) Foreign currency transactions

Transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income and expense.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property and equipment

Property and equipment excluding land and construction work in progress (CWIP) are carried at cost less accumulated depreciation and any accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land and properties under construction are not depreciated.

The following useful lives are used in the calculation of depreciation:

	<u>Years</u>
Buildings	33 years
Building system and improvements	3 to 10 years
Medical equipment and tools	4 to 10 years
Furniture and fixture	3 to 10 years
Motor Vehicles	4 years

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

Construction work in progress (CWIP)

CWIP is recognized at cost less accumulated impairment, if any. CWIP is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for operational use.

Land is recognised at cost.

(h) Intangibles assets

Intangible assets represent the software license and operating license of certain hospitals. They are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives ranging between 3 to 10 years. Useful lives are reviewed at each reporting date

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangibles assets (continued)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

(i) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

i) Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Currently, Group has no contract which includes lease and non-lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets to restore the underlying assets or the site on which it is located less any lease incentive returned.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability mainly comprise of fixed lease payments.

The lease liability is subsequently carried at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

ii) Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its building properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

(j) 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.

(k) 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.

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

ii) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through OCI ("FVOCI"); or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

ii) Financial assets (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii) Financial assets - Business model and assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

iv) Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

v) Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

vi) Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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(All amounts in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

vii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

viii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(l) Impairment

i) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies the general approach to provide for ECLs on all other financial instruments. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group assesses all the information available, including past due status, credit ratings, the existence of third party insurance and forward-looking economic factors in the measurement of the expected credit losses associated with its trade receivables and contract assets.

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(All amounts in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(1) Impairment (continued)

(i) Impairment of financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

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(All amounts in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(1) Impairment (continued)

(i) Impairment of financial assets (continued)

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii) Impairment of non- financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and contract assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each year at the same time. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount 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. When 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment (continued)

(ii) Impairment of non-financial assets (continued)

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(n) Cash and cash equivalent

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet, if any.

(o) Provisions

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

If the effect of the time value of money is material, provisions are discounted using a discount 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.

Decommissioning liability

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

(p) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, they are recorded in the consolidated statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Zakat and tax

Zakat

The Group is subject to the regulations of the General Authority of Zakat and Income Tax (“GAZT”) in the Kingdom of Saudi Arabia. Zakat is charged to the statement of profit or loss on an accruals basis. The zakat charge is computed on the Saudi shareholders’ share of the zakat base or adjusted net profit whichever is higher. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Value added tax

Expenses and assets are recognised net of the amount of value added tax (“VAT”), except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the GAZT, 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.
- When receivables and payables are stated with the amount of VAT included.
- The net amount of VAT recoverable from, or payable

(r) Employees’ benefits

Retirement benefit costs and termination benefits

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement.

Curtailment gains and losses are accounted for as past service costs.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Group's Board of Directors are considered to be the chief operating decision maker. Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. As the operations of the Group are conducted in the Kingdom of Saudi Arabia, accordingly, for management purposes, the Group is organized into business units based on its products and services.

(t) Earnings per share

Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(u) Statutory reserves

In accordance with Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

(v) Short term investments

Short term investments in the statements position are deposits with having maturity of more than three months but less than a year from date of placement.

(w) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements in conformity with IFRS, as endorsed in KSA, requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Further, certain estimates and assumptions include the direct and indirect impact of the COVID-19 pandemic on the Group's business, financial condition and results of operations. The economic impact of the pandemic on the Group's business depends on its severity and duration, which in turn depend on highly uncertain factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. payor groups). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

i. Provision for expected credit losses of trade receivables and contract assets (continued)

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

ii. Employees' end-of-service benefits

The cost of the employees' end-of-service benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate.

iii. Revenue recognition – estimating variable consideration

The Group estimates variable considerations to be included in the transaction price in respect of each of its agreement with customers. In making such estimate the Group assess the impact of any variable consideration in the contract, customers' right to volume discounts, prompt payment discounts and claims disallowance of certain services provided to the patients upon submission of invoices to the customers. The Group uses its accumulated historical experience to estimate the percentage. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected adjustments estimated by the Group.

iv. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget and marketing terms forecast 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 growth rate used for extrapolation purposes.

v. Useful lives of property and equipment

Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

vi. Useful lives of intangible assets

Management reviews the amortization period and the amortization method for any intangible asset with a finite useful life at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the Company changes the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Group changes the amortization method to reflect the changed pattern.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

vii. Zakat

The Group is subject to Zakat in accordance with the General Authority of Zakat and Income Tax (“GAZT”) regulations. Zakat computation involves relevant knowledge and judgement of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by GAZT is carried out until which the Group retains exposure to additional Zakat liability.

5. NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

New and amended standards adopted by the Group during the year

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- *Amendments to References of Conceptual Framework in IFRS Standards;*
- *Definition of a Business - Amendments to IFRS 3;*
- *Definition of Material - Amendment to IAS 1 and IAS 8; and*
- *Interest Rate Benchmark Reform - Amendment to IFRS 9, IAS 39 and IFRS 7.*

The amendments listed above are either not relevant or do not have any material impact on the financial statements of the Group.

Standards and amendments to existing standards issued but not yet effective

Certain new amendments to existing accounting standards have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. The below mentioned amendments to existing standards are not expected to have a material impact on the Group in the year of its adoption:

- *COVID-19 Related Rent Concessions – Amendments to IFRS 16;*
- *Interest Rate Benchmark Reform – Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;*
- *Onerous Contracts-Cost of Fulfilling a Contract – Amendments to IAS 37*
- *Annual Improvements of IFRS Standards 2018-2020;*
- *Property, Plant and Equipment-Proceeds Before Intended Use – Amendments to IAS 16;*
- *Reference to the Conceptual Framework – Amendments to IFRS 3;*
- *Classification of Liabilities as Current or Non-Current (amendments to IAS 1);*
- *Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Accounting Estimates; and*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*

6. OPERATING SEGMENTS

The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the consolidated financial statements.

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

During the year management reviewed the segment disclosure presented in the consolidated financial statements and in order to better align with internal monitoring of operating segments, concluded to provide the selected financial information by following business segments:

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

Accordingly, the disclosure for comparative period has been represented as per above business segments.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

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6. OPERATING SEGMENTS (continued)

Based on nature of services

	<u>Medical Services</u>	<u>Pharmaceuticals</u>	<u>Total</u>
For the year ended 31 December 2020			
Revenues	1,801,070,346	243,961,272	2,045,031,618
Gross profit	894,684,965	65,612,111	960,297,076
Unallocated income / (expenses)			
Selling and marketing expenses			(124,246,714)
General and administrative expenses			(258,214,905)
Share of result of an associate			4,156,267
Other income			8,915,525
Finance cost			(14,039,394)
Profit before zakat			576,867,855
Zakat expense for the period			(15,241,952)
Profit for the period			561,625,903
For the year ended 31 December 2019			
Revenues	1,597,130,202	260,077,504	1,857,207,706
Gross profit	756,186,293	73,084,055	829,270,348
Unallocated income / (expenses)			
Selling and marketing expenses			(108,191,473)
General and administration expenses			(250,591,696)
Share of result of an associate			3,619,069
Finance cost			(20,156,149)
Other income			8,280,013
Profit before zakat			462,230,112
Zakat expense for the period			(13,465,942)
Profit for the period			448,764,170
As at 31 December 2020			
Total assets	3,466,341,733	182,437,445	3,648,779,178
Total liabilities	1,148,571,724	120,565,125	1,269,136,849
As at 31 December 2019			
Total assets	3,161,879,250	166,414,697	3,328,293,947
Total liabilities	1,148,492,660	127,610,296	1,276,102,956

Geographical segments:

All of the Group's operating assets and principal markets of activity are located in the Kingdom of Saudi Arabia.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of the share of results of associates, central administration costs including directors' salaries, profit from term deposit, non-operating gains and losses in respect of financial instruments and finance costs. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

MOUWASAT MEDICAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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7. PROPERTY AND EQUIPMENT

	Land	Buildings	Building system and improvement	Medical equipment and tools	Furniture and Fixture	Motor vehicles	Construction work in Progress	Total
Cost								
1 January 2019	340,818,602	914,460,462	469,582,070	645,409,275	151,785,891	34,318,943	94,340,083	2,650,715,326
Additions	42,282,500	3,360,443	9,607,251	67,103,762	11,616,909	5,843,665	163,751,232	303,565,762
Transfers from CWIP	-	4,025,816	9,953,017	1,821,975	320,538	-	(16,121,346)	-
Transfers	-	(1,891,147)	1,836,147	(53,481)	108,481	-	-	-
Write off	-	(235,000)	-	-	-	(5,761,178)	-	(5,996,178)
Disposals	-	(250)	(377,628)	(2,982,378)	(980,041)	(3,860,954)	-	(8,201,251)
31 December 2019	383,101,102	919,720,324	490,600,857	711,299,153	162,851,778	30,540,476	241,969,969	2,940,083,659
Additions	-	3,167,716	20,277,640	52,344,111	9,423,273	6,508,557	176,855,103	268,576,400
Transfers from CWIP	-	1,425,497	8,633,453	-	-	-	(10,058,950)	-
Disposals	-	-	(108,870)	(3,532,967)	(1,047,633)	(4,175,997)	-	(8,865,467)
31 December 2020	383,101,102	924,313,537	519,403,080	760,110,297	171,227,418	32,873,036	408,766,122	3,199,794,592

MOUWASAT MEDICAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Saudi Arabian Riyals unless otherwise stated)

7. PROPERTY AND EQUIPMENT (continued)

	Land	Buildings	Building system and improvement	Medical equipment and tools	Furniture and Fixture	Motor vehicles	Construction work in Progress	Total
Depreciation								
1 January 2019	-	195,532,356	145,248,830	301,435,738	72,486,615	25,327,675	-	740,031,214
Charge for the year	-	26,171,509	40,481,973	52,614,497	14,327,850	4,606,984	-	138,202,813
Transfers	-	(4,078,817)	4,269,234	(188,481)	(1,936)	-	-	-
Write offs	-	-	-	-	-	(5,761,178)	-	(5,761,178)
Disposals	-	(249)	(377,606)	(2,982,378)	(937,901)	(3,629,076)	-	(7,927,210)
31 December 2019	-	217,624,799	189,622,431	350,879,376	85,874,628	20,544,405	-	864,545,639
Charge for the year	-	24,032,678	42,148,334	55,761,544	14,780,765	4,084,132	-	140,807,453
Disposals	-	-	(108,862)	(3,491,935)	(1,005,967)	(3,883,114)	-	(8,489,878)
31 December 2020	-	241,657,477	231,661,903	403,148,985	99,649,426	20,745,423	-	996,863,214
Carrying amount								
As at 31 December 2020	383,101,102	682,656,060	287,741,177	356,961,312	71,577,992	12,127,613	408,766,122	2,202,931,378
As at 31 December 2019	383,101,102	702,095,525	300,978,426	360,419,777	76,977,150	9,996,071	241,969,969	2,075,538,020

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7. PROPERTY AND EQUIPMENT (continued)

7.1. Depreciation charge for the year has been allocated as follow:

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Cost of operations	29	112,645,962	110,231,298
General and administration expenses	31	28,161,491	27,971,515
		<u>140,807,453</u>	<u>138,202,813</u>

7.2. As at 31 December 2020, plots of land amounting to SR 56.1 million (2019: SR 56.1 million) have been pledged as security against term loans from Ministry of Finance.

7.3. Construction Work in progress:

Construction work in progress represents costs incurred to construct new hospital and expansion of existing hospitals in Dammam and Madinah respectively. In 2020, borrowing costs of SR 8.63 million (2019: SR 6.46 million) has been capitalised.

8. GOODWILL

On 24 July 2006, the Group acquired 51% of the voting shares of Eastern Medical Services Company Limited (EMS), an unlisted company registered in the Kingdom of Saudi Arabia. The Group performed its annual impairment test in December 2020 and compared the carrying value to their estimated recoverable amount based on appropriate method.

The recoverable amount of the EMS is also determined based on value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increased demand for services. The pre-tax discount rate applied to the cash flow projections is 16% (2019: 17%). The long-term growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 2%. This growth rate of Saudi Arabia is ranging from 1% to 3% (2019: 1% to 2.5%). As a result of the analysis, there is recoverable amounts of SR 156 million (2019: SR 235 million) and management did not identify an impairment for this CGU.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- Gross margins
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Discount rates represent the current market assessment of the risks specific to cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly-available market data.

Growth rate estimates are based on published industry research.

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9. INTANGIBLE ASSETS

	Software	Operating licenses	Total
Cost			
1 January 2019	19,576,026	5,288,888	24,864,914
Additions during the year	2,956,833	2,565,022	5,521,855
Written off during the year	-	(900,269)	(900,269)
31 December 2019	22,532,859	6,953,641	29,486,500
Additions during the year	2,593,307	1,401,218	3,994,525
31 December 2020	25,126,166	8,354,859	33,481,025
Amortization			
1 January 2019	7,516,012	2,564,041	10,080,053
Charge for the year	1,670,603	1,620,803	3,291,406
Written off during the year	-	(900,269)	(900,269)
31 December 2019	9,186,615	3,284,575	12,471,190
Charge for the year	1,938,797	2,148,856	4,087,653
31 December 2020	11,125,412	5,433,431	16,558,843
Carrying amount			
31 December 2020	14,000,754	2,921,428	16,922,182
31 December 2019	13,346,244	3,669,066	17,015,310

The amortization of intangible assets has been allocated as follows:

	2020	2019
Cost of operations (note 29)	1,551,037	1,670,603
General and administration expenses (note 31)	2,536,616	1,620,803
	4,087,653	3,291,406

10. RIGHT-OF-USE ASSET

The Group has a contract for lease of building with an affiliated entity having lease term of 11 years.

	Right-of-use asset	Lease Liabilities
1 January 2020	37,974,563	37,974,563
Depreciation expense	(3,452,232)	-
Interest expense	-	1,727,032
Payments	-	(1,875,000)
31 December 2020	34,522,331	37,826,595

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10. RIGHT-OF-USE ASSET (continued)

	Right-of-use assets	Lease Liabilities
1 January 2019	41,426,796	41,426,796
Depreciation expense	(3,452,233)	-
Interest expense	-	635,376
Payments	-	(4,087,609)
31 December 2019	<u>37,974,563</u>	<u>37,974,563</u>

The depreciation of right-of-use asset has been allocated as follows:

	<u>2020</u>	<u>2019</u>
Cost of operations (note 29)	2,761,786	2,416,563
General and administration expenses (note 31)	690,446	1,035,670
	<u>3,452,232</u>	<u>3,452,233</u>

11. INVESTMENT IN AN ASSOCIATE

The Group has 50% share in Advance Medical Project Company ("AMPC"), a limited liability company registered in the Kingdom of Saudi Arabia. AMPC is engaged in operating ophthalmology, ears, noses and throats clinics.

The movement in the investment during the year was as follows:

	<u>2020</u>	<u>2019</u>
1 January	12,362,672	12,195,770
Share in results	4,156,267	3,619,069
Dividends	(3,619,069)	(3,452,167)
31 December	<u>12,899,870</u>	<u>12,362,672</u>

The financial information of the associate is not material at the Group level, therefore summarised financial information of the associate has not been presented.

12. ADVANCES TO CONTRACTORS

This represents advances made to contractor for hospital projects under progress and purchase of medical equipment. The movement in advances to contractors was as follows:

	<u>2020</u>	<u>2019</u>
Balance as at 1 January	103,226,793	58,664,165
Payments during the year	96,632,666	83,062,618
Transfer to construction work in progress	(30,221,404)	(38,499,990)
Balance as at 31 December	<u>169,638,055</u>	<u>103,226,793</u>

13. INVENTORIES

	<u>2020</u>	<u>2019</u>
Surgical and consumable tools	92,791,837	76,622,619
Pharmaceuticals and cosmetic materials	88,575,500	85,377,540
Spare parts and consumables	4,214,711	3,326,055
	<u>185,582,048</u>	<u>165,326,214</u>

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13. INVENTORIES (continued)

No expense has been recognized in respect of impairment and reversals of thereof for inventories as expired inventories are recalled by the suppliers before the expiry date as per terms of agreement.

No write downs of inventory to net realisable value and of the reversal of such write-downs have been recognized because sales prices of pharmaceutical inventories are regulated by ministry of health and have not changed subsequent to year end.

14. ACCOUNTS RECEIVABLES

	<u>2020</u>	<u>2019</u>
Accounts receivables – trade	743,801,955	551,845,519
Less: Impairment loss	(55,176,841)	(29,213,550)
	688,625,114	522,631,969
Due from related party (note 35)	954,743	-
	689,579,857	522,631,969

The average credit period on accounts receivables is from 60 to 90 days. No interest is charged on accounts receivables' outstanding balance.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss pattern for different customer segments. The allowances for doubtful debts based on past due status is not further distinguished between the Group's different customer types.

31 December 2020	Trade receivable – days past due					Total
	Not past due	30-90	90 -180	180-360	>360	
Expected credit loss %	3.67%	6.03%	7.63%	7.89%	14.73%	
Gross carrying amount	150,220,667	182,871,870	173,493,822	139,798,091	97,417,505	743,801,955
Lifetime ECL	(5,517,684)	(11,035,368)	(13,242,442)	(11,035,368)	(14,345,979)	(55,176,841)
	144,702,983	171,836,502	160,251,380	128,762,723	83,071,526	688,625,114

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14. ACCOUNTS RECEIVABLES (continued)

31 December 2019	Trade receivable – days past due					Total
	Not past due	30-90	90 -180	180-360	>360	
Expected credit loss %	0.58%	1.93%	1.43%	4.78%	16.24%	
Gross carrying amount	130,056,268	137,088,162	59,551,640	101,343,837	123,805,612	551,845,519
Lifetime ECL	(757,228)	(2,651,695)	(853,200)	(4,842,782)	(20,108,645)	(29,213,550)
	<u>129,299,040</u>	<u>134,436,467</u>	<u>58,698,440</u>	<u>96,501,055</u>	<u>103,696,967</u>	<u>522,631,969</u>

14.1 Following is the movement of allowance for expected credit losses:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	29,213,550	39,881,857
Provision for expected credit loss during the year (note 30)	32,960,556	12,352,654
Write offs	(6,997,265)	(23,020,961)
Balance at 31 December	<u>55,176,841</u>	<u>29,213,550</u>

15. ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>2020</u>	<u>2019</u>
Prepaid expenses	39,602,902	39,404,548
Advances to suppliers	30,172,298	34,945,479
Contract asset (note 28)	3,360,156	7,311,028
Other assets	4,043,690	1,562,325
	<u>77,179,046</u>	<u>83,223,380</u>

16. TERM DEPOSITS

As at December 31, 2020, Islamic term deposits of SR 83 million (2019 – SR 90 million) were placed with a local bank with maturities of more than three months when purchased and earn commission income at an average rate 0.81% to 2.7% (2019: 2.1% to 2.7%).

17. CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
Cash in hand	390,555	490,616
Bank balances	159,762,856	149,133,410
Short term deposit	-	55,000,000
	<u>160,153,411</u>	<u>204,624,026</u>

Cash and cash equivalents comprise cash at banks, cash on hand, short term Islamic term deposits, demand deposits and highly liquid investments with original maturity of three months or less, which are subject to an insignificant risk of changes in value.

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17. CASH AND CASH EQUIVALENTS (continued)

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

18. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 100 million shares (2019: 100 million shares) of SR 10 each.

19. DIVIDENDS

The Board of Directors at their meeting held on 21 Rajab 1441H (corresponding to 16 March 2020G) proposed a cash dividend of SR 2 per share amounting to SR 200 million for the year ended 31 December 2019G, which was subsequently approved by shareholders in General Assembly Meeting held on 29 Sha'ban 1441H (corresponding to 22 April 2020G).

The Board of Directors at their meeting held on 20 Jumada 1440H (corresponding to 25 February 2019G) proposed a cash dividend of SR 1.75 per share amounting to SR 175 million for the year ended 31 December 2018G, which was subsequently approved by shareholders in General Assembly Meeting held on 17 Sha'ban 1440H (corresponding to 22 April 2019G).

20. STATUTORY RESERVE

In accordance with the Saudi Arabian Regulations for Companies, 10% of the profit for the year is required to be transferred to the legal reserve until the balance in the reserve equals 30% of the capital. The Ordinary General Assembly may decide to stop this transfer when the mentioned reserve reaches 30% of the paid capital. The Company continued for such transfer as the ordinary general assembly has not decided to stop the transfer as of the consolidated financial statements date. This reserve is not normally available for distribution except in circumstances specified in the Saudi Arabian Companies Regulations.

21. NON-CONTROLLING INTERESTS

The following table summarises the information relating to the Group's subsidiary (Eastern Medical Services Company) that has material Non-controlling interests (NCI), before any intra group eliminations.

Summarized statements of financial positions

	<u>2020</u>	<u>2019</u>
Non-current assets	106,369,451	100,655,590
Current assets	138,875,565	146,639,564
Non-current liabilities	(18,176,244)	(18,313,072)
Current liabilities	(21,958,285)	(31,884,536)
Net assets	<u>205,110,487</u>	<u>197,097,546</u>
Attributable to:		
Equity holder of parent	<u>104,606,348</u>	<u>100,519,748</u>
Non-controlling interests	<u>100,504,139</u>	<u>96,577,798</u>

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21. NON-CONTROLLING INTERESTS (continued)

Summarized statements of profit or loss and comprehensive income for the year ended 31 December:

	<u>2020</u>	<u>2019</u>
Revenue	244,035,387	215,396,173
Cost of sales	(117,795,247)	(108,171,757)
Selling and distribution expenses	(12,838,802)	(10,098,101)
General and administration expenses	(43,875,464)	(38,557,707)
Other income	553,205	1,011,903
Profit before zakat	70,079,079	59,580,511
Zakat for the year	(1,778,111)	(2,970,402)
Net profit for the year	68,300,968	56,610,109
Other comprehensive loss for the year	(288,027)	(469,596)
Total comprehensive income for the year	<u>68,012,941</u>	<u>56,140,513</u>
Attributable to:		
Profit attributable to non-controlling interest	<u>33,467,474</u>	<u>27,738,953</u>
Total comprehensive income attributable to Non-controlling interests	<u>33,326,341</u>	<u>27,508,851</u>
Dividends to non-controlling interest	<u>29,400,000</u>	<u>24,500,000</u>

Summarised cash flow information for year ended

	<u>2020</u>	<u>2019</u>
Cash from operating activities	50,057,215	105,344,372
Cash used in investing activities	(10,058,389)	(23,532,962)
Cash used in financing activities	(61,929,933)	(51,929,933)
Net (decrease) / increase in the cash and cash equivalents	<u>(21,931,107)</u>	<u>29,881,477</u>
Non-controlling interest percentage	<u>49%</u>	<u>49%</u>

22. LONG-TERM BORROWINGS

	<u>2020</u>	<u>2019</u>
Current		
Loans from commercial banks (a)	162,610,570	112,534,240
Loans from Ministry of Finance (b)	7,876,873	7,876,873
	<u>170,487,443</u>	<u>120,411,113</u>
Non-Current		
Loans from commercial banks (a)	486,987,179	505,847,748
Loans from Ministry of Finance (b)	88,074,849	95,951,723
	<u>575,062,028</u>	<u>601,799,471</u>

Movement in bank loans and borrowings is as follows:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	722,210,584	681,404,085
Additions	135,000,000	120,000,000
Payments made during the year	(111,661,113)	(79,193,501)
Balance at 31 December	<u>745,549,471</u>	<u>722,210,584</u>

a) The Group obtained Islamic loans facilities from various local commercial banks. These loans are secured by promissory notes and assignment of insurance and contract proceeds. The facilities are subject to commission at SIBOR plus 1.15% to 2%.

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22. LONG-TERM BORROWINGS (continued)

b) The Group obtained loans facility of SR 147.3 million from Ministry of Finance for expansions and building of new hospitals and purchase of medical equipment. The loans are secured by a mortgage on the Group's plots of land and are repayable on equal annual installments. These loans do not carry any financial charges.

c) The Group had SR 795 million of unutilized facilities available for drawdown from total facilities of SR 1,765 million (2019: SR 804 million of unutilized facilities available for drawdown from total facilities of SR 1,640 million).

The Group is required to comply with certain covenant under the loan facility agreements mentioned above. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by management, in case of potential breach, actions are taken by management to ensure compliance. The Group was in compliance with financial covenants as of 31 December 2020.

Following are the combined aggregate amounts of future maturities of the term loans as at 31 December:

	<u>2020</u>	<u>2019</u>
2020	-	120,411,113
2021	170,487,443	159,219,899
2022	193,939,089	165,123,300
2023	123,939,089	95,123,300
2024	85,781,195	66,373,300
2025 and onwards	171,402,655	115,959,672
	<u>745,549,471</u>	<u>722,210,584</u>

23. EMPLOYEES' BENEFITS

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labour and Workmen Law. The Group and its subsidiaries recognized the benefits in the consolidated statement of profit and loss. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The Group operates a defined benefits plan in line with the labor law requirements in the Kingdom of Saudi Arabia. The end of service benefits payment under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the consolidated statement of profit or loss and other comprehensive income and amounts recognized in the consolidated statement of financial position.

Included in profit or loss:

	<u>2020</u>	<u>2019</u>
Current service cost	19,732,645	18,962,880
Interest cost on benefit obligation	2,844,612	3,632,171
	<u>22,577,257</u>	<u>22,595,051</u>

Included in other comprehensive income:

Remeasurement loss arising from:

	<u>2020</u>	<u>2019</u>
Actuarial loss due to change in experience adjustments	4,655,165	3,606,025
Actuarial loss due to change in financial assumptions	19,927	23,051
	<u>4,675,092</u>	<u>3,629,076</u>

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23. EMPLOYEES' BENEFITS (continued)

Movement in the present value of defined benefit obligation:

	<u>2020</u>	<u>2019</u>
As at 1 January	97,142,980	79,267,384
Current service cost	19,732,645	18,962,880
Interest cost	2,844,612	3,632,171
Remeasurement losses on the obligation	4,675,092	3,629,076
Benefits paid during the year	(13,141,354)	(8,348,531)
As at 31 December	<u>111,253,975</u>	<u>97,142,980</u>

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	<u>2020</u>	<u>2019</u>
Discount rate	1.75%	2.80%
Future salary increases	2%	3.05%
Mortality rates	WHO SA16 - 75%	WHO SA16 - 75%
Rates of employee turnover	Heavy	Heavy

Assumptions regarding future mortality have been based on published statistics and mortality tables. For current year World Health Organization "WHO" 16 mortality table has been used (2019: World Health Organization "WHO" 16 mortality table was used) for Kingdom of Saudi Arabia. There is no major deviation in the mortality tables used.

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December is shown below:

Assumptions

Sensitivity analysis

Defined benefit obligation as at 2020

Defined benefit obligation as at 2019

Discount rate

0.5% Increase

0.5% Decrease

107,809,825

(115,641,470)

100,317,283

(93,683,797)

Future salary increase

0.5% Increase

0.5% Decrease

115,610,890

(107,800,796)

93,691,395

(100,342,969)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result 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.

The following payments are expected against the defined benefit liability in future years:

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23. EMPLOYEES' BENEFITS (continued)

	<u>2020</u>	<u>2019</u>
Year 1	10,080,371	10,876,892
Year 2	22,860,113	18,626,389
Year 3	12,886,149	12,396,106
Year 4	15,248,691	13,668,068
Year 5	15,781,514	14,733,957
Beyond 5 years	80,230,281	82,336,053
	<u>157,087,119</u>	<u>152,637,465</u>

24. LEASE LIABILITIES

The Group has a contract for lease of building with an affiliated entity. The lease period is of 11 years with an option to renew the lease after that date. Lease payments are agreed at the time of inception of the lease which may change based on mutual consent of both the parties.

Information about leases for which the Group is a lessee is presented below:

24.1 Lease liabilities

	<u>2020</u>	<u>2019</u>
Current portion	6,503,302	4,002,411
Non-current portion	31,323,293	33,972,152
Balance as at 31 December 2020	<u>37,826,595</u>	<u>37,974,563</u>

24.2 Amounts recognized in profit or loss

Leases under IFRS 16	<u>2020</u>	<u>2019</u>
Interest on lease liabilities (note 33)	1,727,032	635,376
Depreciation on right-of-use assets	3,452,232	3,452,233

24.3 Leases as lessor

The Group has no material lease contract as a lessor.

25. ACCOUNTS PAYABLE

	<u>2020</u>	<u>2019</u>
Trade payables	176,141,378	194,964,237
Retention payable	16,239,748	8,914,585
Due to related parties (note 35)	5,638,299	8,025,893
	<u>198,019,425</u>	<u>211,904,715</u>

The average credit period on purchases of goods from related parties is 2 months and other than related parties is 3 months. No interest is charged on the trade payables outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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26. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2020</u>	<u>2019</u>
Accrued employee cost	39,537,490	71,884,612
Accrued management incentives	41,863,748	33,839,129
Accrued finance cost	3,330,426	12,130,589
Accrued material and services cost	9,123,904	7,995,539
Other payables	20,892,165	8,592,088
	<u>114,747,733</u>	<u>134,441,957</u>

27. ZAKAT

The principle elements of zakat base are as follows:

	<u>2020</u>	<u>2019</u>
Non-current assets	(2,560,919,544)	(2,336,027,578)
Non-current liabilities	872,285,309	867,794,679
Opening shareholders' equity	2,152,612,671	1,903,841,665
Profit before zakat	628,221,481	493,614,148
Dividend paid	(200,000,000)	(175,000,000)

Movement of zakat provision as follow:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	33,325,254	37,469,074
Provision during the year	15,241,952	13,465,942
Payments during the year	(17,828,310)	(17,609,762)
Balance at 31 December	<u>30,738,896</u>	<u>33,325,254</u>

Mouwasat Medical Services Company

The Company has submitted its zakat returns up to year ended 31 December 2019, settled zakat as per the returns and obtained the required certificates and official receipts. The assessments for the years from 2013 to 2016 were finalized and settled in 2018. The assessments for the years 2017, 2018 and 2019 are still under review by the General Authority of Zakat and Tax ("GAZT").

Eastern Medical Services Company Limited

EMS has submitted its zakat returns up to year ended 31 December 2019, settled zakat as per the returns and obtained the required certificates and official receipts. The assessments for the years from 2013 to 2016 were finalized and settled in 2018. The assessment for the years 2017, 2018 and 2019 are still under review by the GAZT.

Specialised Medical Clinic Company Limited

The Company has submitted its zakat returns up to year ended 31 December 2019, settled zakat as per the returns and obtained the required certificates and official receipts. The Company has been de-registered from GAZT records as well effective from 18 October 2020.

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28. REVENUE

The Group generates revenue primarily from:

- Services relating to inpatient and outpatient; and
- Sale of pharmaceutical goods.

Disaggregation of revenue

In the following table, revenue from contracts with customers is disaggregated by service lines and timing of revenue recognition. All revenues are generated within Kingdom of Saudi Arabia.

	<u>2020</u>	<u>2019</u>
Revenue by service lines		
Rendering of medical services	1,801,070,346	1,597,130,202
Pharmaceuticals	243,961,272	260,077,504
	<u>2,045,031,618</u>	<u>1,857,207,706</u>
Timing of revenue recognition		
Medical services and pharmaceuticals sales transferred at a point in time	1,140,573,013	1,033,370,439
Medical services transferred over time	904,458,605	823,837,267
	<u>2,045,031,618</u>	<u>1,857,207,706</u>
As at 31 December	<u>2020</u>	<u>2019</u>
Contract assets (note 28.1)	<u>3,360,156</u>	<u>7,311,028</u>
Refund liability (note 28.2)	<u>31,000,754</u>	<u>39,102,903</u>

28.1 Contract assets:

Contract assets are related to in-patients who were provided services during the reporting period but were not discharged or billed as of the reporting date.

28.2 Refund liability:

Certain contracts provide for discounts comprise retrospective volume discounts granted to insurance companies on attainment of certain admission levels / certain levels of patient visits. The retrospective volume discounts give rise to variable consideration. Variable consideration is recognised as a revenue to the extent that it is highly probable that it will not reverse. Discounts are accrued over the course of the period based on the estimates of the level of business expected using single most likely amount method. This is adjusted at the end of the period to reflect actual volumes. Volume discounts are recorded as a reduction in revenue and liabilities are created based on these estimates.

	<u>2020</u>	<u>2019</u>
Balance at 1 January	39,102,903	18,139,939
Addition during the year	36,735,336	40,569,482
Adjusted during the year	(44,837,485)	(19,606,518)
Balance at 31 December	<u>31,000,754</u>	<u>39,102,903</u>

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29. COST OF OPERATIONS

	<u>2020</u>	<u>2019</u>
Employees' cost	441,968,942	437,736,603
Material consumption	168,957,850	138,687,207
Depreciation (note 7)	112,645,962	110,231,298
Drug consumption	82,172,654	71,487,926
Repair and maintenance	27,334,070	22,474,904
Support services	28,310,657	21,701,164
Utilities	14,637,375	12,897,427
Depreciation o right-of-use of asset (note 10)	2,761,786	2,416,563
Amortization of intangible assets (note 9)	1,551,037	1,670,603
Others	26,045,048	21,640,214
	<u>906,385,381</u>	<u>840,943,909</u>

30. SELLING AND MARKETING EXPENSES

	<u>2020</u>	<u>2019</u>
Employee's cost	63,138,420	62,533,802
Allowance for expected credit losses (note 14)	32,960,556	12,352,654
Advertisement and promotion	28,147,738	33,305,017
	<u>124,246,714</u>	<u>108,191,473</u>

31. GENERAL AND ADMINISTRATION EXPENSES

	<u>2020</u>	<u>2019</u>
Employees' cost	126,276,841	125,067,599
Depreciation (note 7)	28,161,491	27,971,515
Management bonus	26,181,153	20,881,525
Repair and maintenance	11,714,602	9,632,102
Support services	11,612,348	9,300,499
Executives' salaries	10,050,000	7,450,000
Office stationery and supplies	8,045,228	9,250,815
Utilities	6,273,160	5,527,467
Board of directors' remuneration	3,600,000	4,050,000
Amortization of intangible assets (note 9)	2,536,616	1,620,803
Depreciation on right-of-use of asset (note 10)	690,446	1,035,670
Rent	99,111	506,133
Others	22,973,909	28,297,568
	<u>258,214,905</u>	<u>250,591,696</u>

32. OTHER INCOME - NET

	<u>2020</u>	<u>2019</u>
Rental income	1,916,710	1,569,828
Suppliers prompt payment discount	1,293,835	1,123,932
Income on term deposits	1,396,104	1,972,777
Gain on disposal of property and equipment	397,159	413,479
Others	3,911,717	3,199,997
	<u>8,915,525</u>	<u>8,280,013</u>

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33. FINANCE COST

	<u>2020</u>	<u>2019</u>
Interest on Islamic loans	12,312,362	19,520,773
Interest on lease liabilities	1,727,032	635,376
	<u>14,039,394</u>	<u>20,156,149</u>

34. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net income for the period attributable to the shareholders of the Company by the weighted average number of outstanding shares during the period as follows:

	<u>2020</u>	<u>2019</u>
Profit for the period attributable to the shareholders of the Company	528,157,033	421,029,467
Weighted average number of outstanding shares during the period (Number of share)	<u>100,000,000</u>	<u>100,000,000</u>
Basic and diluted earnings per share attributable to the shareholders of the Company	<u>5.28</u>	<u>4.21</u>

35. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated companies and their shareholders, key management personnel, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. Terms and conditions of these transactions are approved by the Group's management. During the period, the Group transacted with the following related parties:

<u>Related Party</u>	<u>Nature of transaction</u>	<u>2020</u>	<u>2019</u>
Advance Medical Project Company ("AMPC") – Associate	- Revenue	(2,466,868)	(2,974,548)
	- Purchase of services	6,616,627	6,535,182
	- Other services	(540,861)	(403,130)
Al-Mouwasat International Company – Other related party	- Purchases	17,347,081	25,096,811
	- Rent	2,313,000	2,755,000
	- Expenses	1,305,860	1,292,613
	- Other services	(328,511)	(464,236)
AdVision Media Solution – Other related party	- Advertisement services	19,623,277	23,973,298
Magrabi Hospitals & Centers Company Ltd. – Other related party	- Revenue	1,661,410	(2,088,306)
	- Expenses	-	4,087,609
	- Interest on lease liabilities	1,727,032	635,376

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35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The breakdown of the amounts due to related parties are as follows:

a) Due to related parties

	<u>2020</u>	<u>2019</u>
AdVision Media Solution	3,941,962	4,547,259
Advance Medical Project Company ("AMPC")	1,015,552	259,207
Al-Mouwasat International Company	680,785	1,603,797
Magrabi Hospitals & Centers Company Ltd.	-	1,615,630
	<u>5,638,299</u>	<u>8,025,893</u>

b) Due from related party

	<u>2020</u>	<u>2019</u>
Magrabi Hospitals & Centers Company Ltd.	<u>954,743</u>	<u>-</u>

Amounts due to and due from related parties as at 31 December 2020 principally include balances related to the above mentioned transactions and are included within accounts payables and accounts receivables, respectively in the statement of financial position. Balances above are not subject to interest charges and do not have specific repayments date. Prices and terms of payment of the above transactions are approved by the Group's management.

c) Compensation to key management personnel

The remuneration of directors and other members of key management personnel during the period was as follows:

	<u>2020</u>	<u>2019</u>
Salary and allowances	14,790,000	12,004,000
Incentives and other benefits	15,152,758	12,121,969
	<u>29,942,758</u>	<u>24,125,969</u>

The remuneration of directors and key executives is determined by the remuneration committee considering the performance of individuals and market trends. Board of Directors' fee of SR 3.6 million (2019: SR 3.6 million) have been included as part of key management personnel remuneration.

36. CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees

The Group's bankers have given guarantees, on behalf of the Group, amounting to SR 1.91 million (2019: 0.97 million) mainly in respect of performance guarantees to customers.

Capital commitments

As of 31 December 2020, the Group's capital commitments amounted to SR 156.64 million (2019: SR 269.2 million) relating to certain expansion projects.

The Group has outstanding letter of credits amounting to SR 132.88 million (2019: 50 million) as of 31 December 2020.

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37. FINANCIAL INSTRUMENTS

37.1 Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise loans, lease liability, accounts payables, accrual and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivables, term deposits and 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 regularly 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 any hedging activities. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before Zakat is affected through the impact on floating rate borrowings, as follows:

	<u>2020</u>	<u>2019</u>
Increase/decrease by 50 basis points	<u>-/+ 1,764,183</u>	<u>-/+ 2,316,690</u>

Foreign Currency risk

Foreign currency risk 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 exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries including foreign currency amounts due from related parties.

The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyal is on a fixed parity with the US Dollar, the management believes that the Group does not have any significant exposure to currency risk.

Commodity price risk

The Group is affected by the volatility of certain commodities. The Group's Board of Directors have developed and enacted a risk management strategy dealing with commodity price risk and its mitigation by entering into long-term contracts with Saudi Aramco for supply of fuel.

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37. FINANCIAL INSTRUMENTS (continued)

37.1 Financial instruments risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including deposits with banks and financial institutions.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalent	159,762,856	204,133,410
Term deposit	83,000,000	90,000,000
Accounts receivable	689,579,857	522,631,969
Other current assets	7,403,846	8,873,353
	<u>939,746,559</u>	<u>825,638,732</u>

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Trade receivables of the Group are spread across large number of customers comprising of Ministries, insurance companies and semi-government companies. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow ups. The management has established a credit policy under which each new insurance company is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. 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 trade accounts receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions 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 realise 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 Group manages its liquidity risk by ensuring that bank facilities are available. The Group's term 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.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

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37. FINANCIAL INSTRUMENTS (continued)

37.1 Financial instruments risk management objectives and policies (continued)

Liquidity risk (continued)

Excessive risk concentration (continued)

As at 31 December 2020	Carrying amount	Contractual undiscounted cash flows			Total
		Within 12 months	2 to 5 years	> 5 years	
Account payables	198,019,425	198,019,425	-	-	198,019,425
Accruals and other payables	114,747,733	114,747,733	-	-	114,747,733
Refund liability	31,000,754	31,000,754	-	-	31,000,754
Loans and borrowings	745,549,471	196,719,172	524,466,023	79,251,026	800,436,221
Lease liabilities	37,826,595	4,375,891	22,145,000	18,960,000	45,480,891
	1,127,143,978	544,862,975	546,611,023	98,211,026	1,189,685,024

As at 31 December 2019	Carrying amount	Contractual undiscounted cash flows			Total
		Within 12 months	2 to 5 years	> 5 years	
Account payables	211,904,715	211,904,715	-	-	211,904,715
Accruals and other payables	134,441,957	134,441,957	-	-	134,441,957
Refund liability	39,102,903	39,102,903	-	-	39,102,903
Loans and borrowings	37,974,563	135,511,906	569,715,030	72,183,747	777,410,683
Lease liabilities	722,210,584	4,200,000	21,930,000	23,475,000	49,605,000
	1,145,634,722	525,161,481	591,645,030	95,658,747	1,212,465,258

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37. FINANCIAL INSTRUMENTS (continued)

37.1 Financial instruments risk management objectives and policies (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Note	Liabilities		Equity			Total
		Long-term loans	Lease liabilities	Statutory reserve	Retained earnings	Non-controlling interest	
Balance at 1 January 2020		722,210,584	37,974,563	281,829,508	673,685,617	96,675,866	1,812,376,138
Changes from financing cash flows							
Proceeds from long-term loans	22	135,000,000	-	-	-	-	135,000,000
Repayment of long-term loans	22	(111,661,113)	-	-	-	-	(111,661,113)
Payment of lease liabilities		-	(147,968)	-	-	-	(147,968)
Interest paid		(20,941,749)	(1,727,032)	-	-	-	(22,668,781)
Total changes from financing cash flows		2,397,138	(1,875,000)	-	-	-	522,138
Other changes							
Interest expense	33	12,312,362	1,727,032	-	-	-	14,039,394
Interest capitalised		8,629,387	-	-	-	-	8,629,387
Total liability related changes		20,941,749	1,727,032	-	-	-	22,668,781
Total equity related changes		-	-	18,170,492	305,452,582	3,828,264	327,451,338
Balance at 31 December 2020		745,549,471	37,826,595	300,000,000	979,138,199	100,504,130	2,163,018,395

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37. FINANCIAL INSTRUMENTS (continued)

37.1 Financial instruments risk management objectives and policies (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Note	Liabilities		Equity			Total
		Long-term loan	Lease liability	Statutory reserve	Retained earnings	Non-controlling interest	
Balance at 1 January 2019		681,404,085	-	239,726,561	473,158,071	93,671,265	1,487,959,982
Changes from financing cash flows							
Proceeds from long-term loans	22	120,000,000	-	-	-	-	120,000,000
Repayment of long-term loans	22	(79,193,501)	-	-	-	-	(79,193,501)
Payment of lease liabilities		-	(2,816,857)	-	-	-	(2,816,857)
Interest paid		(25,987,348)	(635,376)	-	-	-	(26,622,724)
Total changes from financing cash flows		14,819,151	(3,452,233)	-	-	-	11,366,918
Other changes							
Interest expense	33	19,520,773	635,376	-	-	-	20,156,149
Interest capitalised		6,466,575	-	-	-	-	6,466,575
New lease		-	40,791,420	-	-	-	40,791,420
Total liability related changes		25,987,348	41,426,796	-	-	-	67,414,144
Total equity related changes		-	-	42,102,947	200,527,546	3,004,601	245,635,094
Balance at 31 December 2019		722,210,584	37,974,563	281,829,508	673,685,617	96,675,866	1,812,376,138

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37. FINANCIAL INSTRUMENTS (continued)

37.1 Financial instruments risk management objectives and policies (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios 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 and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities. There have been no breaches of the financial covenants of any loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2020 and 31 December 2019.

Accounting classifications and fair values

The following table shows the carrying value of financial assets and financial liabilities. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts is a reasonable approximation of fair value.

37.2 Financial assets

	<u>2020</u>	<u>2019</u>
Accounts receivables (note 14)	689,579,857	522,631,969
Other current assets	4,043,690	1,562,325
Term deposit (note 16)	83,000,000	90,000,000
Cash and cash equivalents (note 17)	160,153,411	204,624,026
Total financial assets not measured at fair value	<u>936,776,958</u>	<u>818,818,320</u>

37.3 Financial liabilities

	<u>2020</u>	<u>2019</u>
Loans and borrowings (note 22)	745,549,471	722,210,584
Lease liabilities (note 24)	37,826,595	37,974,563
Trade payables (note 25)	198,019,425	211,904,715
Other current liabilities	84,731,664	117,854,330
Refund liabilities (note 28)	31,000,754	39,102,903
Total financial liabilities not measured at fair value	<u>1,097,127,909</u>	<u>1,129,047,095</u>

37.4 Measurement of fair values

The Group's principal financial assets include cash and cash equivalents, accounts receivables and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise long-term borrowings and accounts payables, due to related parties and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

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37. FINANCIAL INSTRUMENTS (continued)

37.4 Measurement of fair values (continued)

Fair values hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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 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.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

38. CORONA VIRUS PANDEMIC (COVID-19)

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organization on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. Since then the virus spread across the globe including Saudi Arabia and significantly affected business and commercial activities due to suspension of activities considered non-essential including restrictions on movement of the general public. The healthcare sector has been classified as an essential service by the government and as a result no restrictions have been placed by the government of Kingdom of Saudi Arabia on the Group's operations or its supply chain.

Further, during the year ended 31 December 2020, the financial performance of the Group was affected due to drop in patient visit in the month of March, April and May 2020. Management believes that drop in patient visits was due to lockdown rules and precautionary measures implemented by Government authorities. As the Government authorities announced relaxation of coronavirus lockdown rules, the number of patient visits has improved.

Management have assessed the impact of COVID-19 on all aspects of the balance sheet and considered that there has been no material impact on the amounts reported on statement of financial position. Specifically, the carrying value of trade receivables was considered with provisioning reflecting management's best estimate of the impact based on information available at the time of preparing these consolidated financial statements.

The Group's management continues to monitor the situation closely with focus on sustainability of supply chain, availability of sufficient cash balances to fund the operation requirements, availability of required pharmaceuticals and consumables.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these consolidated financial statements.

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38. CORONA VIRUS PANDEMIC (COVID-19) (continued)

These developments could impact the Group's future financial results, cash flows and financial condition. However, management estimates that these effects will not have a significant impact on the Group's ability to continue as going concern for foreseeable future.

39. COMPARATIVE INFORMATION

During the period, management has reviewed the presentation of prompt payment discounts and rejection of claims by the insurer companies in the statement of financial position and has concluded that these should be reclassified and netted off against accounts receivable for better presentation. Previously, these were presented in the statement of financial position as refund liabilities under current liabilities. The comparative as at 31 December 2019 have been reclassified as follows to conform with current period presentation.

<u>Description</u>	<u>Reclassified from</u>	<u>Reclassified to</u>	<u>Amount</u>
Prompt payment discount and rejection of claims	Refund liabilities	Accounts receivables	194,951,280

The reclassification did not have any effect on the statement of profit or loss and other comprehensive income, earning per share and statement of cash flows.

40. SUBSEQUENT EVENTS

The Board of Directors of the Group in their meeting held on 13 Rajab, 1442H corresponding to 25 February 2021G has proposed a cash dividend of SR 2.5 per share (2019 SR: 2 per share) for the year ended 31 December 2020. The approval of the shareholders of the Group for the dividend shall be obtained in their forthcoming Annual General Meeting. The consolidated financial statements for the year ended 31 December 2020 do not include the effect of the aforementioned proposed dividend, which will be accounted for in the consolidated financial statements for the year ending 31 December 2021.

Except for above, no significant subsequent events have occurred subsequent since 31 December 2020 that would have a material impact on the financial position or financial performance of the Group.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 1 Shaban 1442H, corresponding to 14 March 2021G.