NATIONAL MEDICAL CARE COMPANY

A SAUDI JOINT STOCK COMPANY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

NATIONAL MEDICAL CARE COMPANY
A SAUDI JOINT STOCK COMPANY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
National Medical Care Company
A Saudi Joint Stock Company
Riyadh- Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **National Medical Care Company** (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes from (1) to (26) to the financial statements, including a summary of significant accounting policies.

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Financial Statements* section of our report". We are independent of the Company in accordance with the professional code of conduct and that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with its 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 financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

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<table>
<tr><td colspan="2">Application of IFRS No. (9) "Financial Instruments"</td></tr>
<tr><td>Key audit matter</td><td>How the key audit matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2019 the carrying value of trade receivables amounted to SR 363 Million (2018: SR 370 Million) and the provision for impairment of trade receivables amounted to SR 73 Million (2018: SR 69 Million).

The Company assessed at each reporting period whether the financial assets carried at amortized cost are credit-impaired. The Company's management has applied the simplified expected credit loss model ("expected credit loss") to determine the allowance for impairment of trade receivables. The expected credit loss model involves the use of various assumptions, macroeconomic factors, and the study of historical trends relating to the Company's trade receivables collection experience.

We considered this a key audit matter due to the judgments and estimates involved in the application of the expected credit loss model.</td><td>Our performed procedures are as follows:

• Compared the expected loss model developed by management to that required by IFRS (9) and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested the arithmetical accuracy of the model.
• Tested key assumptions, such as those used to calculate the likelihood of default and subsequent loss on default, by comparing to historical data. We also considered the incorporation for forward-looking factors (predominantly economic) to reflect the impact of future events on expected credit losses.
• Involved our accounting subject matter specialists to review the methodology used in the expected credit loss model, and compare this against accepted best practices.
• Reviewed the adequacy of the Company's disclosures included in note no. (8) to the accompanying financial statements.</td></tr>
<tr><td colspan="2">For more details refer to notes (4-1, 8)</td></tr>
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Application of IFRS No. (15) "Revenue from Contracts with Customers"	
Key audit matter	***How the key audit matter was addressed in our audit***
The Company recognized revenue of SR 708 million for the year ended 31 December 2019 (2018: SR 764 million). The Company recognizes revenue through five steps, as mentioned in IFRS (15) revenues form contracts with customers and these steps require using judgement from the management. We considered this as a key audit matter as there is a risk that revenue may be misstated due to management's override of controls, judgement involved in estimating the performance obligation and the assistant of variable considerations, represent mainly governmental customer' rejection rates and that the timing and amount of revenue recognized in a financial period can have a material effect on the Company's financial performance.	Our performed procedures are as follows: • Considering the appropriateness of revenue recognition as per the Company's policies and assessing compliance IRFS (15) "revenues from contracts with customers". • Testing the design and effectiveness of internal controls implemented by the Company through the revenue cycle. • Testing sample of sales transactions taking place at either side of the statement of financial position date to assess whether the revenue was recognized in the correct period. • Evaluating the method of variable considerations calculation related to rejections for sample of governmental customers. • Evaluating the discounts for the key customers, by re-calculating the discounts awarded based on the contractual terms. • Performing analytical review on revenue based on trends of monthly sales and profit margins. • Reviewed the adequacy of the Company's disclosures.
For more details refer to note (4-12, 15)	

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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 financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged with Governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance, in particular the Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Dr. Mohamed Al-Amri & Co.,

Jamal M. Al-Amri
Certified Public Accountant
Registration No. 331

د. محمد العمري وشركاه - محاسبون قانونيون
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Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on: 29 Jumada 'II 1441 H
Corresponding to: 23 February 2020 G

NATIONAL MEDICAL CARE COMPANY
A Saudi Joint Stock Company

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECMBER 2019
Saudi Riyals

	Note	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	5	**536,536,503**	596,263,711
Intangible assets	6	**1,597,285**	370,388
Total non-current assets		**538,133,788**	596,634,099
Current assets			
Inventories	7	**51,838,945**	55,196,157
Trade and other receivables	8	**382,957,897**	391,484,662
Contract assets	15	**3,648,035**	4,539,873
Cash and cash equivalents	9	**379,665,910**	344,557,818
Total current assets		**818,110,787**	795,778,510
Total assets		**1,356,244,575**	1,392,412,609
Equity and liability			
Equity			
Share capital	1	**448,500,000**	448,500,000
Statutory reserve		**186,021,947**	186,021,947
Retained earnings		**398,368,587**	362,342,715
Total equity		**1,032,890,534**	996,864,662
Liabilities			
Non-current liabilities			
Long- term loans	11	**95,074,788**	146,471,508
Employee defined benefit liabilities	12	**85,148,670**	81,532,797
Total non-current liabilities		**180,223,458**	228,004,305
Current liabilities			
Trade and other payables	13	**87,383,974**	107,854,361
Contract liabilities	15	**5,292,286**	1,178,298
Current portion of long- term loans	11	**5,942,174**	24,123,992
Zakat provision	14	**44,512,149**	34,386,991
Total current liabilities		**143,130,583**	167,543,642
Total liabilities		**323,354,041**	395,547,947
Total equity and liabilities		**1,356,244,575**	1,392,412,609

The accompanying notes from 1 to 26 are integral part of those financial statements.

Chairman	**Chief Executive Officer**	**Chief Financial Officer**
Saad Abdulmohsen Alfadly	Abdulaziz Alobaid	Jahanzeb Ahmed Khan

NATIONAL MEDICAL CARE COMPANY
A Saudi Joint Stock Company

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

	Note	2019	2018
Revenue	15	**708,393,995**	763,804,127
Cost of revenue		**(542,738,344)**	(597,294,006)
Gross profit		**165,655,651**	166,510,121
Selling and marketing expenses		**(593,120)**	(488,856)
General and administrative expenses	16	**(76,692,226)**	(86,123,605)
Other income	17	**16,467,590**	8,527,855
Impairment loss on property, plant and equipment	5	**-**	(2,166,294)
Gain / (loss) on disposal of property, plant and equipment		**95,350**	(184,407)
Profit before finance charges and zakat		**104,933,245**	86,074,814
Finance charges		**(2,221,619)**	(2,464,121)
Profit before zakat		**102,711,626**	83,610,693
Zakat	14	**(22,621,911)**	(21,428,305)
Profit for the year		**80,089,715**	62,182,388
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial re-measurement gains of employee defined benefit liabilities	12	**786,157**	1,429,055
Comprehensive income for the year		**80,875,872**	63,611,443
Basic and diluted earnings per share from profit for the year	19	**1.79**	1.39

The accompanying notes from 1 to 26 are integral part of those financial statements.

Chairman	Chief Executive Officer	Chief Financial Officer
Saad Abdulmohsen Alfadly	Abdulaziz Alobaid	Jahanzeb Ahmed Khan

NATIONAL MEDICAL CARE COMPANY
A Saudi Joint Stock Company

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
Saudi Riyals

	Share capital	Statutory reserve	Retained earnings	Total
For the year ended 31 December 2019				
Balance as at 1 January 2019	**448,500,000**	**186,021,947**	**362,342,715**	**996,864,662**
Profit for the year	**-**	**-**	**80,089,715**	**80,089,715**
Other comprehensive income	**-**	**-**	**786,157**	**786,157**
Comprehensive income for the year	**-**	**-**	**80,875,872**	**80,875,872**
Dividends (Note 20)	**-**	**-**	**(44,850,000)**	**(44,850,000)**
Balance as at 31 December 2019	**448,500,000**	**186,021,947**	**398,368,587**	**1,032,890,534**
For the year ended 31 December 2018				
Balance as at 1 January 2018 after adjustment	448,500,000	186,021,947	343,581,272	978,103,219
Profit for the year	-	-	62,182,388	62,182,388
Other comprehensive income	-	-	1,429,055	1,429,055
Comprehensive income for the year	-	-	63,611,443	63,611,443
Dividends	-	-	(44,850,000)	(44,850,000)
Balance as at 31 December 2018	448,500,000	186,021,947	362,342,715	996,864,662

The accompanying notes from 1 to 26 are integral part of those financial statements.

Chairman
Saad Abdulmohsen Alfadly

Chief Executive Officer
Abdulaziz Alobaid

Chief Financial Officer
Jahanzeb Ahmed Khan

NATIONAL MEDICAL CARE COMPANY

A Saudi Joint Stock Company

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

Saudi Riyals

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		**102,711,626**	83,610,693
Adjustments			
Depreciation of property, plant and equipment	5	**68,082,776**	72,151,905
Gain / (loss) on disposal of property, plant and equipment		**(95,350)**	184,407
Impairment of property, plant and equipment	5	**-**	2,166,294
Amortization of intangible assets	6	**584,294**	730,761
Provision for expected credit losses	8	**5,403,146**	15,120,522
Provision for expected medical rejections	8	**44,692,665**	54,540,509
Provision for slow moving and obsolete inventories	7	**144,469**	62,459
Liability for employees' end of service benefits	12	**16,237,174**	15,086,022
Finance charges		**2,221,619**	2,464,121
Changes in operating assets and liabilities:			
Inventories		**3,212,743**	3,203,036
Trade and other receivables		**(41,569,046)**	127,911,127
Contract assets		**891,838**	(4,539,873)
Trade and other payables		**(20,470,387)**	(36,265,592)
Contract liabilities		**4,113,988**	1,178,298
Cash generated from operations		**186,161,555**	337,604,689
Employee benefits paid	12	**(11,835,144)**	(13,679,575)
Zakat paid	14	**(12,496,753)**	(6,157,388)
Net cash flows generated from operating activities		**161,829,658**	317,767,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	**(9,787,976)**	(19,194,603)
Proceeds from disposal of property, plant and equipment		**175,000**	72,000
Acquisition of intangible assets	6	**(458,433)**	-
Net cash flows used in investing activities		**(10,071,409)**	(19,122,603)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments for long-term loans		**(69,578,538)**	(24,123,992)
Dividends paid	20	**(44,850,000)**	(44,850,000)
Finance charges paid		**(2,221,619)**	(2,464,121)
Net cash flows used in financing activities		**(116,650,157)**	(71,438,113)
Net change in cash and cash equivalents		**35,108,092**	227,207,010
Cash and cash equivalents at the beginning of the year		**344,557,818**	117,350,808
Cash and cash equivalents at the end of the year		**379,665,910**	344,557,818

The accompanying notes from 1 to 26 are integral part of those financial statements.

Chairman	**Chief Executive Officer**	**Chief Financial Officer**
Saad Abdulmohsen Alfadly	Abdulaziz Alobaid	Jahanzeb Ahmed Khan

1. GENERAL INFORMATION

National Medical Care Company (the "Company") is a Saudi Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010194785 dated 9 Muharram 1425 (H) (corresponding to 29 February 2004). The company carries out its activities through the following branches:

- Riyadh Care Hospital under commercial registration No, 1010195325 dated 22 Muharram 1425 (H) (corresponding to 14 March 2004).

- National Hospital under commercial registration No, 1010195327 dated 22 Muharram 1425 (H) (corresponding to 14 March 2004).

- Care Company for Pharmaceutical and Medical Distribution under commercial registration No, 1010301247 dated 14 Safar 1432 (H) (corresponding to 19 January 2011).

- Family Health Care Center under commercial registration No, 1010397064 dated 29 Muharram 1435 (H) (corresponding to 02 December 2013).

The Company is engaged in the business to establish, own, equip, manage, maintain and operate hospitals, health centers and units. The Company also engages in wholesale and retail trade in medicines, medical equipment and supplies, representing its own companies and owns vehicles-medical equipped or unequipped that are necessary to perform its function. Furthermore, the Company engages in delivery of health services in all fields, as well as in rendering of services and operating businesses that assist in achieving or complementing its objectives. Additionally, the Company is engaged in owning lands and properties for its own benefit.

The Company's share capital of SR 448,500,000 is divided into 44,850,000 shares of SR 10 each. The Head Office of the Company is located in Riyadh, PO Box 29393, Riyadh 11457, Kingdom of Saudi Arabia.

The fiscal year for the Company starts on 1st January and ends on 31st December of each calendar year.

2. BASIS OF PREPARATION

a) Statement of compliance

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

i) Basis of measurement

These financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for employee defined benefit liabilities which are recognised at the present value of future obligation using the Projected Unit Credit Method.

ii) Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR) which is the Company's functional currency.

b) Accounting estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

i) Estimated useful lives of property, plant and equipment and intangible assets

An estimate of the useful lives and residual values of property, plant and equipment and intangible assets is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

The useful lives and residual values of the company property, plant and equipment and intangible assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

ii) Impairment of trade receivable

The company 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. Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis.

iii) Provision for inventory obsolescence

The Company determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging, current condition, and future expectations with respect to its consumption. Assumptions underlying the provision for inventory obsolescence include future consumption trends, and the expected inventory requirements and inventory composition necessary to support future sales and offerings. The estimate of the Company’s provision for inventory obsolescence could materially change from period to period due to changes in the pattern of consumption.

iv) Medical rejections

The medical rejections recorded by the Company are based on historical, current and forecasted information available with the Company for each individual customer.

v) Actuarial valuation of employees defined benefits liabilities

The employees defined benefits liabilities is determined according to a defined unfunded benefit plan and measured using actuarial evaluation. Actuarial evaluation includes assumptions that may differ from actual future developments. These assumptions include determination of the discount rate and future salary increases and turnover rate. 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. Thus, all assumptions are reviewed once a year or more often, as deemed necessary.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has adopted IFRS 16 Leases from 1January 2019. IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 'Leases' introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

There is no significant impact on the financial statements of the Company due to application of this standard, as the Company does not have significant lease contracts.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Financial Instruments

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

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

Financial assets

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

Financial assets at amortized cost

A financial asset is measured at amortized cost if the assets are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the criterion of solely payments of principle and interest "SPPI".

In the reporting period, the Company has no debt instruments at fair value through other comprehensive income, financial assets at fair value through profit and loss, and equity instruments at fair value through other comprehensive income.

Impairment in financial assets

The Company applies the simplified approach to calculate impairment on financial assets. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors and general economic conditions and assessment of forecast direction of conditions at the reporting date, including time value of money where appropriate.

The measurement of expected credit losses is an indicator of the probability of default, loss given default and the exposure at default (i.e. the magnitude of the loss if there is a default). The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

The Company recognizes an impairment gain or loss in the statement of profit or loss through allowance account.

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

Financial liabilities
Financial liabilities are carried at amortized cost or at fair value through profit or loss. All financial liabilities are carried at amortized cost using the effective yield method. The Company has no financial liabilities at fair value through profit or loss.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expire.

4.2 Property, plant and equipment

Property, plant and equipment, except land and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses. Land and capital work in progress are stated at cost less impairment in value.

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

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The company applied the following bellow estimated useful live years to its property, plant and equipment:

	Years
Buildings	33
Leasehold improvements	10
Medical equipment	6
Elevators and other equipment	6-7
Furniture and office equipment	6-7
Computers hardware	3
Motor vehicles	4

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

4.3 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and 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 prospectively. Intangible assets with unidentified useful lives and acquired separately are carried at cost less accumulated impairment losses.

Intangible assets include software and medical license which are amortized over estimated useful life of 3 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as a difference between net disposal proceeds and the carrying amount of the asset and recognized in statement of comprehensive income when the asset is derecognized.

4.4 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that any of non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. 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, estimated future cash flows are discounted to their present value using a discount rate that reflects current market estimates of the time value of funds and any specific risks to the asset. When determining the fair value less costs of disposal, current transactions in the market are taken into consideration. When these transactions are not available, an appropriate valuation model is used. These calculations are supported by the use of valuation exercises and quoted share prices for listed companies or other available factors for fair value

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's Cash Generating Unit 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 project future cash flows after the fifth year.

Impairment losses for continuing operations are recognized in the consolidated statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset
Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each Cash Generating Unit (or group of Cash Generating Units) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

4.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis, with the exception of medication applying the first-in-first-out. Net realizable value represents the estimated selling price for inventories less estimated costs to complete sale operation.

4.6 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Company unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of change in values.

4.7 Statutory reserve

In accordance with the Company's bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

4.8 Employee's benefits

i) Employee defined benefit liabilities

The end of service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurements, comprising actuarial gains and losses, are 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-measurements recognized in other comprehensive income reflected immediately in retained earnings and will not be reclassified to the profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. 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).
- Interest expense.
- Actuarial re-measurements.

The Company presents the first two components of defined benefit costs in profit or loss in the line item "General and administrative expenses" and "Cost of revenue".

ii) Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

4.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation, at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4.10 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily takes a substantial period of time to get ready for its intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

4.11 Zakat

Zakat is calculated and provided for by the Company in accordance with the regulations of General Authority of Zakat and Income Tax (GAZT) and charged to statement of profit or loss and other comprehensive income. Additional zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

4.12 Revenues

i) Rendering of clinical services

Revenue from services primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, operation theatre, medical professional services, equipment, radiology and laboratory. Clinical services are provided both on their own in separately identified contracts with customers and together as a bundled package along with revenue from pharmacy.

Under IFRS (15) "Revenue from Contracts with Customers", the Company concluded that revenue from bundled services will be recognized over time.

ii) Sale of medicine

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

The Company is primarily responsible for fulfilling the promise to provide the specified pharmaceutical and other specific products. The Company bears inventory risk before the pharmaceutical and other products have been transferred to the customer. In addition, the Company has discretion in establishing the price for the specified pharmaceutical products.

iii) Volume discounts

Certain contracts provide for volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract, less estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

iv) Medical rejections

Medical rejections are assessed based on all information (historical, current and forecast) that is available to the Company and recognized against revenue during the year.

4.13 Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies), which is Saudi Riyals, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in comprehensive income in the period in which they arise.

All amounts are presented in Saudi riyals unless otherwise indicated

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold Improvements	Medical equipment	Elevators and other equipment	Furniture and other equipment	Computer hardware	Motor Vehicles	Capital work in progress	Total
Cost										
At 1 January 2019	58,780,660	737,177,955	24,539,585	323,874,320	29,386,120	25,994,322	20,057,784	8,641,765	1,556,853	1,230,009,364
Additions	-	-	**803,239**	**2,837,893**	**161,726**	**245,676**	**5,530,204**	**209,238**	-	**9,787,976**
Disposal	-	-	-	-	-	-	-	**(708,000)**	-	**(708,000)**
Transfers (Note 6)	-	**(420,455)**	**(1,832,155)**	-	**2,036,250**	**420,455**	-	-	**(1,556,853)**	**(1,352,758)**
At 31 December 2019	**58,780,660**	**736,757,500**	**23,510,669**	**326,712,213**	**31,584,096**	**26,660,453**	**25,587,988**	**8,143,003**	-	**1,237,736,582**
Accumulated depreciation										
At 1 January 2019	-	(315,769,340)	(20,495,584)	(233,151,893)	(20,647,037)	(17,722,073)	(18,528,851)	(7,430,875)	-	(633,745,653)
Charge for the year	-	**(20,578,933)**	**(1,001,608)**	**(37,205,304)**	**(2,816,466)**	**(3,295,728)**	**(2,306,499)**	**(878,238)**	-	**(68,082,776)**
Disposal	-	-	-	-	-	-	-	**628,350**	-	**628,350**
Transfers	-	**267,177**	**1,584,928**	-	**(1,584,928)**	**(267,177)**	-	-	-	-
At 31 December 2019	-	**(336,081,096)**	**(19,912,264)**	**(270,357,197)**	**(25,048,431)**	**(21,284,978)**	**(20,835,350)**	**(7,680,763)**	-	**(701,200,079)**
Net book value										
At 31 December 2019	**58,780,660**	**400,676,404**	**3,598,405**	**56,355,016**	**6,535,665**	**5,375,475**	**4,752,638**	**462,240**	-	**536,536,503**
At 31 December 2018	58,780,660	421,408,615	4,044,001	90,722,427	8,739,083	8,272,249	1,528,933	1,210,890	1,556,853	596,263,711

All amounts are presented in Saudi riyals unless otherwise indicated

Depreciation charged during the year is recorded as follows:

	2019	2018
Cost of revenue	**53,337,411**	55,002,397
General and administrative expenses (Note 16)	**14,745,365**	17,149,508
	68,082,776	72,151,905

The Company has land and buildings, with net book value of SR 338 million as at 31 December 2019 (2018: SR 350 million) pledged to the Ministry of Finance against a loan granted to the company (Note 11).

The Company capitalized borrowing cost in property, plant and equipment amounting to SR Nil (2018: SR 717,714).

The Company during the year recorded impairment loss for work in progress amounting to SR Nil (2018: SR 2,166,294).

6. INTANGIBLE ASSETS

	31 December 2019	31 December 2018
Cost		
As at 1 January	**2,214,429**	4,500,725
Additions	**458,433**	-
Transfers from capital work in progress (Note 5)	**1,352,758**	-
Disposals	**-**	(2,286,296)
As at 31 December	**4,025,620**	2,214,429
Accumulated amortization		
As at 1 January	**(1,844,041)**	(3,399,576)
Additions	**(584,294)**	(730,761)
Disposals	**-**	2,286,296
As at 31 December	**(2,428,335)**	(1,844,041)
	1,597,285	370,388

7. INVENTORIES

	31 December 2019	31 December 2018
Pharmaceuticals	**31,180,543**	32,810,182
Medical Supplies	**20,620,560**	22,360,714
Consumable and cleaning materials	**1,169,116**	1,012,066
	52,970,219	56,182,962
Provision for slow moving items	**(1,131,274)**	(986,805)
	51,838,945	55,196,157

All amounts are presented in Saudi riyals unless otherwise indicated

The movement of the provision for slow moving items is as follows:

	31 December 2019	31 December 2018
Balance as at 1 January	**986,805**	1,102,711
Additions	**144,469**	62,459
Used	**-**	(178,365)
Balance as at 31 December	**1,131,274**	**986,805**

8. TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
Trade receivables	**310,227,672**	410,408,398
Due from related parties (Note 10)	**233,844,633**	117,469,638
	544,072,305	527,878,036
Deduction		
Provision of expected credit losses	**(73,053,014)**	(69,172,321)
Expected medical rejections	**(107,586,375)**	(88,836,145)
	363,432,916	369,869,570
Suppliers advance payments	**8,262,822**	8,528,349
Letter of guarantees	**5,612,563**	8,719,345
Prepaid expenses	**4,461,692**	3,122,971
Others	**1,187,904**	1,244,427
	382,957,897	391,484,662

Trade and other receivables' balances are non-interest bearing.

As of 31 December 2019 the amounts due from governmental and semi-governmental entities represents 72% of total trade receivables and due from related parties (2018: 66%).

On 29 March 2018 the Company signed a renewal of the contract with General Organization for Social Insurance (related party) for three years starting from 1 January 2018.

Movements of provision of expected credit losses are as follows:

	31 December 2019	31 December 2018
Balance at beginning of the year	**69,172,321**	54,939,952
Charge for the year (Note 16)	**5,403,146**	19,436,844
Provisions reversed during the year (Note 16)	**-**	(4,316,322)
Provision utilized during the year	**(1,522,453)**	(888,153)
Balance at the end of the year	**73,053,014**	69,172,321

Movements of provision for expected medical rejections is as follows:

Balance at beginning of the year	**88,836,145**	65,564,458
Charge for the year	**44,692,665**	54,540,509
Provision utilized during the year	**(25,942,435)**	(31,268,822)
Balance at the end of the year	**107,586,375**	88,836,145

The other classes of trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Company does not hold any collateral as security for trade and other receivables.

All amounts are presented in Saudi riyals unless otherwise indicated

9. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash in hand	**278,794**	290,223
Bank balances – current accounts	**179,387,116**	94,267,595
Time deposits with 90 days maturity	**200,000,000**	250,000,000
	379,665,910	344,557,818

10. RELATED PARTIES

Related parties are key shareholders, directors, key management personnel of the company and affiliated companies. The terms of these transactions have been approved by the Company's management. The following are the most significant transactions with related parties and the resulting balances:

Due from related parties

			Transactions during year ended 31 December		Balance as at 31 December	
	Relation	Nature of transaction	2019	2018	2019	2018
General Organization for Social Insurance (Note 8)	Share holder	Sale of medical service	**278,458,881**	293,132,299	**233,844,633**	117,469,638

Due to related parties

			Transactions during year ended 31 December		Balance as at 31 December	
	Relation	Nature of transaction	2019	2018	2019	2018
Drager Arabian Co. ltd.	Owned by a shareholder	Purchases	**167,573**	95,976	**32,193**	55,509
					32,193	55,509

Key management personnel

	Charged to comprehensive income for year ended 31 December		Balance as of 31 December	
	2019	2018	2019	2018
Short-term benefits	**10,805,032**	10,547,984	**-**	-
Board of directors remunerations (Note 20)	**1,900,000**	1,900,000	**-**	-
Post-employment benefits	**392,743**	277,467	**1,589,285**	2,118,893
	13,097,775	12,725,451	**1,589,285**	2,118,893

All amounts are presented in Saudi riyals unless otherwise indicated

11. LOANS

	31 December 2019	31 December 2018
Total liability of loans	**101,016,962**	176,429,590
Deduct		
Future unamortized finance cost	**-**	(5,834,090)
Present value of long-term loans liabilities	**101,016,962**	170,595,500
Divided to		
Current portion of long-term loans	**5,942,174**	24,123,992
Non-current portion of long-term loans	**95,074,788**	146,471,508
	101,016,962	170,595,500

On 10 December 2012, the Company signed a loan agreement with the Ministry of Finance to finance construction work under progress amounting to SR 154,112,000. The Company received the first installment of SR 66,572,100 on 28 April 2013 and second installment amounting of SR 11,180,900 on 13 January 2014 and the third installment amounting of SR 41,090,485 on 4 November 2014. The loan is repaid annually through 20 equal installments, the first installment of which is due after 5 years of the contract date starting from 11 October 2017. This loan is an interest free loan and secured against real estate mortgage (Note 5)

On 5 November 2015, the Company obtained a Murabha contract amounting to SR 100 million from Riyad Bank for expansion, renewal, renovation and preparation of northern building of National Care Hospital. The company repaid the loan on 4 November 2019.

12. EMPLOYEE DEFINED BENEFIT LIABILITIES

	31 December 2019	31 December 2018
Balance at beginning of the year	**81,532,797**	81,555,405
Service and interest cost	**16,237,174**	15,086,022
Paid during the year	**(11,835,144)**	(13,679,575)
Actuarial re-measurement	**(786,157)**	(1,429,055)
Balance at end of the year	**85,148,670**	81,532,797

The principal actuarial assumptions used to calculate the present value of the liability for employees' end of service indemnities are as follows:

	31 December 2019	31 December 2018
Discount factor	**2.60%**	4.10%
Expected salary growth	**2.65%**	4.07%
Expected growth of benefits paid	**11.30%**	11.30%

All amounts are presented in Saudi riyals unless otherwise indicated

The sensitivity analysis on the balance of the liability for end of service indemnities is as follows for the main assumptions as at reporting date, while maintaining the other assumptions:

	Increase (Decrease)	31 December 2019	31 December 2018
Discount factor	%1	**79,279,698**	75,962,701
	(%1)	**91,930,887**	87,939,364
Expected salary growth	%1	**92,302,163**	88,283,881
	(%1)	**78,841,997**	75,557,063
Expected growth of benefits paid	%10	**84,169,840**	80,683,292
	(%10)	**86,242,286**	82,624,222

13. TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018
Trade payables	**35,444,382**	55,195,844
Accrued vacations and tickets	**17,731,320**	18,729,370
Employees' accruals	**17,647,969**	16,520,173
Accrued expenses	**8,474,162**	11,410,872
Value added tax	**3,282,462**	2,896,043
Other	**4,803,679**	3,102,059
	87,383,974	107,854,361

14. PROVISION FOR ZAKAT

Zakat base	31 December 2019	31 December 2018
Equity	**952,014,661**	978,103,219
Net adjusted income	**168,912,176**	139,220,248
Additions	**322,083,378**	276,109,705
Deductions	**(538,133,788)**	(536,300,960)
	904,876,427	857,132,212

Zakat movement	31 December 2019	31 December 2018
Balance as at 1 January	**34,386,991**	19,116,074
Charged during the year	**22,621,911**	21,428,305
Paid during the year	**(12,496,753)**	(6,157,388)
Balance as at 31 December	**44,512,149**	34,386,991

Zakat position

The Company has submitted its zakat returns for all years up to 2018 and has received Zakat certificates. The Company received final Zakat assessments up to the year 2007. The Company is currently conducting assessment procedures for the years from 2008 to 2015, however, final assessment for these years has not been issued.

All amounts are presented in Saudi riyals unless otherwise indicated

15. REVENUES FROM CONTRACTS WITH CUSTOMERS

	2019	2018
Revenue by category		
Rendering of clinical services	**624,128,890**	669,929,416
Sale of medicine	**84,265,105**	93,874,711
	708,393,995	763,804,127
Revenue time recognition		
Over time	**537,807,685**	544,649,321
At point in time	**170,586,310**	219,154,806
	708,393,995	763,804,127

	For the year ended 31 December 2019	
Contract Balances	**Contract assets**	**Contract liabilities**
Balance as at 1 January	**4,539,873**	**1,178,298**
Contract assets generated during the year	**3,648,035**	**-**
Transferred from contract assets to trade receivables	**(4,539,873)**	**-**
Contract liabilities generated during the year	**-**	**5,292,286**
Contract liabilities transferred to revenues	**-**	**(1,178,298)**
Balance as at 31 December	**3,648,035**	**5,292,286**

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Salaries, wages, and benefits	**34,175,898**	29,216,999
Depreciation (Note 5)	**14,745,365**	17,149,508
Provision of expected credit losses (Note 8)	**5,403,146**	15,120,522
Maintenance expense	**3,981,887**	5,251,401
Professional fees	**2,656,990**	4,063,092
Board of Directors' remuneration	**1,900,000**	1,900,000
Stationery	**1,882,165**	2,318,462
Bank charges	**1,269,689**	386,991
Insurance	**843,099**	720,227
Security services	**687,778**	773,580
Rental expense	**486,798**	1,289,004
Others	**8,659,411**	7,933,819
	76,692,226	86,123,605

17. OTHER INCOME

	2019	2018
Income from time deposits	**6,753,301**	1,143,032
Income for training activities	**3,236,648**	2,623,233
Rental income	**3,048,283**	2,052,406
Delay penalties	**282,392**	455,610
Tenders	**81,500**	66,275
Volume discount	**-**	5,013
Others	**3,065,466**	2,182,286
	16,467,590	8,527,855

All amounts are presented in Saudi riyals unless otherwise indicated

18. SEGMENT REPORTS

The Company's operations principally consist of one main operating segment, which is hospital services. Accordingly, presenting different segmental information is not considered necessary. Furthermore, the Company's operations are conducted in the Kingdom of Saudi Arabia.

19. EARNINGS PER SHARE

	2019	2018
profit for the year	**80,089,715**	62,182,388
Weighted average number of shares	**44,850,000**	44,850,000
Basic and diluted earnings per share from profit for the year	**1.79**	1.39

20. SIGNIFICANT MEETINGS AND DECISIONS

The shareholders of the Company in their General Assembly meeting held on 23 April 2019 approved Board of Directors' recommendation for dividend distributions amounting to SR 44,850,000 (SR 1 per share) for the year 2018 and approved total remuneration amounting to SR 1.9 million for the Board members.

The dividend was distributed to the shareholders during the second quarter of 2019.

On 5 March 2019 the Company received a letter from Hassana Investment Company (Hassana), a subsidiary of the General Organization for Social Insurance (GOSI), indicating that Hassana on behalf of itself and GOSI has reached a final and binding agreement with NMC Emirates (NMC), a fully owned subsidiary of NMC Health Plc, for the transfer of GOSI and Hassana's share in the Company (38.88%) to NMC Saudi Arabia for Health Care.

Subsequently, on 24 May 2019 the Company received a letter from NMC Healthcare Saudi Arabia announcing the closing of definitive agreement between NMC, GOSI and Hassana. Further, additional shares of the Company were acquired by NMC Healthcare Saudi Arabia thereby bringing aggregate shareholding to 49.2%. GOSI indirectly continues to be a shareholder in the Company.

21. CONTINGENT LIABILITIES

The Company has capital commitments resulting from the expansion and renewal of National Care Hospital as of 31 December 2019 amounting to SR 0.9 million (31 December 2018: SR 0.9 million).

The Company has contingent liabilities arising from letters of guarantee issued to certain customers as at 31 December 2019 amounting SR 16.9 million (31 December 2018: SR 21.5 million).

There are various legal cases filed against the Company by former employees and third parties, however, the outcome of these cases is not yet certain as most of the cases are under hearings. Information usually published on the provisions made according to accounting standards was not disclosed, as the management believes that doing so may seriously affect the outcome of negotiations position in the court. The management is confident that the outcome of these cases will be in favor of the Company and no provision is required in this regard.

All amounts are presented in Saudi riyals unless otherwise indicated

22. FINANCIAL INSTRUMENTS, CLASSIFICATION, FAIR VALUE AND RISK MANAGEMENT

a) Classification of financial assets and liabilities

	31 December 2019	31 December 2018
Financial assets		
Financial assets at amortized cost		
Trade receivables	**310,227,672**	410,408,398
Due from related parties	**233,844,633**	117,469,638
Letter of guarantees	**5,612,563**	8,719,345
Cash and cash equivalents	**379,665,910**	344,557,818
Financial liabilities		
Financial liabilities at amortized cost		
Loans	**101,016,962**	170,595,500
Trade payables	**35,444,382**	55,195,844

b) Fair value

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, 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.

The Company's management considers that the fair value of trade and other receivables, due from related parties, contract assets, trade and other payables is approximately the same as their carrying value. No transfers between levels 1, 2 and 3 were made during the initial financial reporting period.

c) Risk Management

The Company is exposed to the following risks as a result of its use of financial instruments:

- Foreign currency risk
- Credit risk
- Liquidity risk
- Interest risk

All amounts are presented in Saudi riyals unless otherwise indicated

- **Foreign currency risk**

Foreign currency risk arises from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates. The Company did not undertake significant transactions in currencies other than Saudi Riyals and the US Dollar. Since the Saudi Riyal is pegged to the US Dollar, the Company is not exposed to significant currency risk.

- **Credit risk**

Credit risk is the risk that the Company will incur a financial loss if the customer or counterparty fails to meet its contractual obligations and arises mainly from trade receivables, due from related parties, contract assets, cash and cash equivalents. The carrying amount of financial assets represent the maximum exposure to credit risk,

1. Trade receivables, due from related parties and contract assets

The ageing of trade receivables, due from related parties and contract assets is as follows:

	31 December 2019	31 December 2018
Trade receivables and due from related parties		
Till 6 months	**220,416,129**	206,912,380
From 6 months to one year	**66,580,199**	97,319,199
From one to two years	**101,919,396**	113,487,339
From two to three years	**55,145,185**	60,903,904
More than three years	**100,011,396**	49,255,214
	544,072,305	527,878,036
Contract assets		
Till 6 months	**3,648,035**	4,539,873

The management strategy to reduce the credit risk is to deal with customers with strong financial position. The government and semi-government entities represents 72% form total customers' balance (2018: 66%) and insurance companies represents 16% (2018: 19%).

The provision for expected credit losses as at 31 December 2019 amounted to SR 73,053,014 (2018: SR 69,172,321).

2. Cash and cash equivalents

Cash and cash equivalents are deposited with banks and investment companies with sound credit ratings. Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations related to its liabilities The Company's approach to liquidity management is to ensure that it has adequate liquidity on an ongoing basis and to the extent possible to meet its obligations under normal and critical circumstances, without incurring unacceptable losses or compromising the reputation of the Company.

- **Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from inability to sell financial assets quickly at an amount close to their fair value. The risk is managed through regular monitoring of and ensuring availability of sufficient funds and through committed credit facilities to meet any future commitments.

All amounts are presented in Saudi riyals unless otherwise indicated

The Company's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. For this purpose, the Company has maintained credit lines with a commercial bank in order to meet its liquidity requirements.

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

Maturity Table for financial liabilities

As at 31 December 2019	**Less than one year**	**From 2 to 5 years**	**More than 5 years**	**Total**
Loans	**5,942,174**	**29,710,871**	**65,363,917**	**101,016,962**
Trade and other payables	**87,383,974**	**-**	**-**	**87,383,974**
	93,326,148	**29,710,871**	**65,363,917**	**188,400,936**

As at 31 December 2018	**Less than one year**	**From 2 to 5 years**	**More than 5 years**	**Total**
Loans "included interest"	26,825,976	72,355,347	77,248,267	176,429,590
Trade and other payables	107,854,361	-	-	107,854,361
	134,680,337	72,355,347	77,248,267	284,283,951

- **Interest risk**

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows.

The company has no interest-bearing loan as of 31 December 2019. Time deposits the company has bears no interest risk due to fixed interest rates in the contracts.

23. AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE

The adoption of the following amendments to the existing standards had no significant financial impact on the financial statements of the Company on the current period or prior years and is expected to have no significant effect in future periods:

a) Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 Business Combinations – A company re-measures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 Joint Arrangements – A company does not re-measure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes – A company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23 Borrowing Costs – A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

b) Other Amendments

The following amended standards and interpretations do not have a significant impact on the Company's financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

Pronouncements issued and not yet effective

A number of new pronouncements are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these interim condensed financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendment to IFRS 3)
- Definition of Material (Amendment to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts.
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28).

24. SIGNIFICANT SUBSEQUENT EVENTS

- On 16 January 2020, the company has received a letter from the Ministry of National Guard indicated that the company has awarded a contract for providing of medical services for their long term care patients amounting to SR 278.5 million including VAT. The contract is for a period of three years.

- On 24 January 2020, the Board of Directors' recommended dividends distributions amounting to SR 89,700,000 (SR 2 per share) for the year 2019.

25. COMPARATIVE FIGURES

Certain comparative year figures have been reclassified to conform to the current year classification

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on 29 Jumada 'II 1441H, corresponding to 23 February 2020.