Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Consolidated Financial Statements
For the year ended December 31, 2021
Together with Independent Auditor's Report

Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

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Index

Crowe

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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Al Hammadi Company For Development And Investment (the "Company") and its subsidiaries (collectively the "Group")**, which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Key Audit Matters *(Continued)*

<table>
<tr><td colspan="2">Carrying value of goodwill</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>At December 31, 2021, the Group had goodwill which arose on business combinations amounting to SAR 21.76 million.

In accordance with IAS 36 "Impairment of assets" an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.

Goodwill is monitored by management at the level of cash-generating units ("CGUs"). An impairment exercise was carried out in respect of goodwill allocated to the CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which utilized the most recent five-year business plan prepared by the Group's management. The outcome of this exercise did not result in any impairment loss to be recognized.

We considered impairment testing of goodwill as a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment were:
• Assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates;
• Assumptions of the impact of the actions of the Group's main competitors on expected revenue and gross margin assumptions; and
• Discount rate used in the value-in-use cash flow model.</td><td>We assessed management's impairment assessment of goodwill by performing the following procedures:

• Assessed the methodology used by management to determine a recoverable amount based on the value-in-use and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the model used;
• Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved budgets and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;
• Engaged our valuation experts to assist in the review of the methodology of value-in-use calculations and use of certain assumptions including discount rates and long-term growth rates; and
• Performed sensitivity analyses over key assumptions, principally sales growth rate, terminal value multiple and discount rates, in order to assess the potential impact of a range of possible outcomes.

We also reviewed the adequacy of the Group's disclosure included in the consolidated financial statements.</td></tr>
<tr><td colspan="2">Refer to note (5-11) for the accounting policy and note (18) for related disclosures.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT ***(Continued)***
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Key Audit Matters ***(Continued)***

Investment in an associate	
Key audit matter	**How the matter was addressed in our audit**
On July 9, 2021, the Company signed an agreement to purchase the entire shares of the Gulf Investment Corporation (GIC), which represents 35% of Sudair Pharmaceuticals Company. The purchase was completed on November 9, 2021, after obtaining all the necessary regulatory approvals. The purchase price of the investment amounted to SAR 118.13 million. The investment was accounted for using the equity method in accordance with IAS 28 from the date the investment became an associate due to having significant influence on the investee. On November 9, 2021, the identifiable assets and liabilities of the acquired investment were valued at their fair values. This resulted in net assets measured at fair value by the amount of SAR 54.93 million and goodwill by the amount of SAR 63.19 million included in the carrying value of the investment. We considered the recognition of the investment in the associate as a key audit matter since the fair valuation of the investment's identifiable assets and liabilities requires considerable judgement on the part of management.	Our procedures included the following: • We verified the purchase agreement of the relevant investee and the paid purchase consideration; • We assessed the relationship resulting from the investment; • We evaluated the objectivity, independency, competence and experience of the management's valuator; • We tested the accuracy and relevance of the input data used in the model by the management and which was relied upon by the management valuator by referring to supporting evidence; • We assessed the methodical approach in identifying the assets acquired and liabilities assumed at the purchase date and recalculated the share of the Company's net assets; and • We involved our valuation specialist to review the valuation technique and methodology used by the management valuator. We also examined the presentation and adequacy of the disclosures related to the investment included in the consolidated financial statements in accordance with the requirements of IAS 28.
Refer to notes (5-8) for the accounting policy and note (19) for related disclosures.	

INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Key Audit Matters *(Continued)*

Revenue recognition	
Key audit matter	**How the matter was addressed in our audit**
The Group recognized revenue of SAR 1,083.59 million for the year ended 31 December 2021, of which an amount of SAR 131.70 million is related to discontinued operations (2020: SAR 993.62 million, of which an amount of SAR 229.35 million is related to discontinued operations). Revenue represent clinical services revenue and retail of pharmacy and cosmetics goods. The Group recognizes revenue through five steps, as mentioned in IFRS (15) "Revenue from contracts with customers" and these steps require using judgement from the management. We considered this as a key audit matter due to judgment involved in estimating the performance obligation and the existence of variable consideration, represent mainly insurance companies' rejection rates and that the timing and amount of revenue recognized in a financial period can have material effect on the Group's financial performance.	Our procedures included the following: • Considering the appropriateness of revenue recognition as per the Group's policies and assessing compliance with IFRS (15) "Revenue from contracts with customers". • Testing the design and effectiveness of internal controls implemented by the Group through the revenue cycle. • Testing sample of sales transactions taking place at either side of the consolidated statement of financial position date to assess whether the revenue was recognized in the correct period. • Evaluating the method of variable consideration calculation related to rejections for sample of insurance companies. • 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. We assessed the adequacy of the Group's disclosures included in the consolidated financial statements.
Refer to notes (5-20) for the accounting policy and note (8 & 15) for related disclosures.	

INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

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 and 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 the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, 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.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT *(Continued)*
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

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

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

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

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

العظم والسديري وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148 ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Salman B. Al Sudairy
License No. 283

21 Shaaban 1443H (March 24, 2022)
Riyadh, Kingdom of Saudi Arabia

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	For The Year Ended December 31, 2021 SAR	2020 SAR
Revenue	(8)	951,887,495	764,055,597
Cost of revenue	(9)	(587,840,128)	(511,226,061)
GROSS PROFIT		**364,047,367**	**252,829,536**
Selling and marketing expenses	(10)	(5,040,388)	(6,434,502)
Administrative and general expenses	(11)	(79,291,692)	(81,392,607)
Expected credit loss provision	(22,23)	(154,474,881)	(61,094,790)
Impairment losses on goodwill	(18)	(9,688,990)	-
Impairment losses on property and equipment	(12)	-	(4,994,185)
Other operating income	(13)	15,677,796	10,344,555
OPERATING PROFIT		**131,229,212**	**109,258,007**
Company share of profit from associate	(19)	2,048,366	-
Finance costs	(14)	(15,717,117)	(25,051,807)
NET PROFIT BEFORE ZAKAT		**117,560,461**	**84,206,200**
Zakat expense	(32)	(18,692,335)	(19,883,950)
NET PROFIT FROM CONTIUNED OPERATIONS		**98,868,126**	**64,322,250**
(Loss) profit from discontinued operations	(15)	(8,780,289)	66,504,706
NET PROFIT FOR THE YEAR		**90,087,837**	**130,826,956**
Earnings per share:			
Basic and diluted profit for the year attributable to ordinary equity holders	(16)	0,75	1.09

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	For The Year Ended December 31, 2021 SAR	2020 SAR
NET PROFIT FOR THE YEAR		90,087,837	130,826,956
Items that will not be subsequently reclassified into profit or loss			
Re-measurement income on defined benefit plans	(31)	2,454,496	1,703,815
The company's share in other comprehensive of an associate	(19)	85,298	-
Other comprehensive income for the year		**2,539,794**	**1,703,815**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**92,627,631**	**132,530,771**

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	As of December 31, 2021 SAR	2020 SAR
ASSETS			
Non-current assets			
Property and equipment	(17)	1,546,936,349	1,672,300,790
Intangible assets and goodwill	(18)	32,150,289	45,741,412
Investment in associate	(19)	120,258,664	-
Total Non-Current Assets		**1,699,345,302**	**1,718,042,202**
Current assets			
Inventories	(20)	53,606,322	61,844,950
Other receivables	(21)	4,849,584	4,394,621
Prepayments	(22)	11,446,239	35,890,277
Contract Assets	(8-3)	7,390,087	5,230,424
Trade receivables	(23)	364,219,105	595,961,584
Cash and cash equivalents	(24)	120,857,509	13,649,955
Total current assets		**562,368,846**	**716,971,811**
TOTAL ASSETS		**2,261,714,148**	**2,435,014,013**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	(25)	1,200,000,000	1,200,000,000
Statutory reserve	(26)	73,230,165	64,221,381
Retained earnings		386,059,072	434,440,225
TOTAL SHAREHOLDRS' EQUITY		**1,659,289,237**	**1,698,661,606**
LIABILITIES			
Non-current liabilities			
Loans	(28)	179,120,978	197,446,575
Government grants	(29)	129,331,720	136,744,609
Lease liabilities	(30)	751,627	12,464,891
Employees' terminal benefits	(31)	65,853,216	63,684,084
Total non-current liabilities		**375,057,541**	**410,340,159**
Current liabilities			
Loans	(28)	29,570,441	47,428,480
Government grants	(29)	7,412,889	7,613,597
Lease liabilities	(30)	7,752,599	5,446,332
Accrued zakat	(32)	18,347,114	19,883,931
Trade payables	(33)	60,968,560	53,053,218
Accrued expenses		22,699,557	26,841,031
Other payables	(34)	28,334,773	39,167,661
Contract liabilities	(8-3)	52,281,437	126,577,998
Total current liabilities		**227,367,370**	**326,012,248**
TOTAL LIABILITIES		**602,424,911**	**736,352,407**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,261,714,148**	**2,435,014,013**

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

For the year ended 31 December 2021

	Share Capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Total Shareholders' Equity SAR
As at January 1, 2020	1,200,000,000	51.138.685	314.992.150	1.566.130.835
Net profit for the year	-	-	130,826,956	130,826,956
Other comprehensive income	-	-	1,703,815	1,703,815
Total comprehensive income	-	-	132,530,771	132,530,771
Transfer to statutory reserve (note 26)	-	13,082,696	(13,082,696)	-
As at December 31, 2020	**1,200,000,000**	**64,221,381**	**434,440,225**	**1,698,661,606**
As at January 1, 2021	**1,200,000,000**	64,221,381	434,440,225	1,698,661,606
Net profit for the year	-	-	90,087,837	90,087,837
Other comprehensive income	-	-	2,539,794	2,539,794
Total comprehensive income	-	-	**92,627,631**	**92,627,631**
Transfer to statutory reserve (note 26)	-	9,008,784	(9,008,784)	-
Dividends (note 27)	-	-	(132,000,000)	(132,000,000)
As at December 31, 2021	**1,200,000,000**	**73,230,165**	**386,059,072**	**1,659,289,237**

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	For The Year Ended December 31, 2021 SAR	2020 SAR
OPERATING ACTIVITIES			
Net profit		90,087,837	130,826,956
Adjustments to reconcile net profit to net cash flow:			
Depreciation of property and equipment and right of use assets	(17-2)	105,214,109	102,453,131
Amortization of intangible assets	(18-3)	4,216,113	1,428,396
Losses on disposals of property from discontinued operations	(15)	39,181,615	-
Losses on disposals of property and equipment		(29,996)	343,713
Impairment losses of property and equipment	(12)	-	4,994,185
Losses on disposals of right of use assets		65,769	-
Impairment losses of goodwill	(18-1)	9,688,990	-
Company share of profits from associate	(19)	(2,048,366)	-
Provision for slow-moving inventory	(20-1)	120,600	-
Impairment loss on trade receivables and other debit balances	(22-23)	154,474,881	61,094,790
Government grants released	(29)	(7,613,597)	(7,613,597)
Current services cost of employees' terminal benefits	(30-c)	12,565,995	12,824,834
Reverse of legal provision	(13)	(4,831,048)	-
Lease liability generated during the year	(8-3)	52,710,355	121,621,168
Finance expenses	(14-15)	15,825,572	25,164,999
Zakat charge during the year		18,692,335	19,883,950
		488,321,164	**473,022,525**
Working capital adjustments:			
Inventories		8,118,028	(12,826,507)
Other receivables		(454,963)	1,518,373
Prepayments		24,982,416	2,450,975
Contract assets		(2,159,663)	9,436,421
Net changes in related parties		(42,045)	770,188
Trade receivables		77,544,162	(97,248,850)
Trade payables		6,231,847	(2,244,203)
Accrued expenses		(4,141,474)	(10,458,692)
Other payables		(6,348,749)	6,217,223
Contract liability		(127,006,916)	(16,320,193)
		465,043,807	**354,317,260**
Employees' terminal benefits paid	(31)	(9,936,038)	(9,190,663)
Zakat paid	(32)	(20,471,744)	(16,619,801)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**434,636,025**	**328,506,796**
INVESTING ACTIVITIES			
Purchase of property and equipment		(14,601,454)	(12,980,731)
Cash proceeds from sale of property and equipment		29,996	8,696
Purchase of intangible assets	(18)	(313,980)	(14,170,522)
Investment in associate	(19)	(118,125,000)	-
NET CASH USED IN INVESTING ACTIVITIES		**(133,010,438)**	**(27,142,557)**
FINANCING ACTIVITIES			
Proceeds from bank borrowings		50,843,600	73,173,205
Repayment of bank and government borrowings		(98,267,600)	(413,997,983)
Lease liabilities paid		(13,277,939)	(11,473,008)
Finance cost paid		(2,063,002)	(11,056,065)
Dividends paid		(131,653,092)	-
NET CASH USED IN FINANCING ACTIVITIES		**(194,418,033)**	**(363,353,851)**
Net changes in cash and cash equivalents		**107,207,554**	**(61,989,612)**
Cash and cash equivalents at the beginning of the year		**13,649,955**	**75,639,567**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**120,857,509**	**13,649,955**

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

Supplementary information for non-cash transactions			
Right-of-use assets additions	(17)	5,738,895	6,493,073
Right-of-use assets disposals	(17)	1,959,531	-
Related parties receivables		242,592	-
Transfer from lease liabilities to trade payables		(1,153,190)	-

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

Mohammed ~~Said~~ Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

1. Corporate information

Al Hammadi Company for Development and Investment (the "Company") is a Saudi joint stock company registered under Commercial Registration No. 1010196714 issued on Safar 23, 1425H (corresponding to April 13, 2004) in Riyadh. The Company's shares are listed in Saudi Stock Exchange (Tadawul) since Ramadan 17, 1435H (corresponding to July 15, 2014).

The Company's registered address is P.O. Box 55004, Riyadh 11534, Saudi Arabia.

The main activities of the Company and its subsidiaries (the "Group") are wholesale and retail trading of medical equipment, pharmaceutical and cosmetic products, establishing, maintaining, managing and operating hospitals and medical centers, wholesale and retail trading of food and beverages, acquisition and rental of land for constructing buildings and investing them by means of selling or renting in favor of the Group, establishment or participation in different industrial projects, establishment of commercial centers, operating, and maintaining them in Saudi Arabia.

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest 2021	Ownership Interest 2020
Medical Support Services Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	**100%**	100%
Pharmaceutical Services Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	**100%**	100%
Al-Hammadi for Hospitals Operations and Management Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	**100%**	100%
Medical Industries Company Limited	Saudi Arabia	Industrial Company	Saudi Riyals	**100%**	**100%**

These consolidated financial statements include the accounts of the Group and following branches, which operate under separate commercial registrations:

Branch Name	Commercial Registration No.	City
Al Hammadi Hospital, Olaya	1010263026	Riyadh
Al Hammadi Hospital, Al-Suwaidi	1010934227	Riyadh
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh
Maintenance & Operations	1010374273	Riyadh
Arabian Hospitality	1010610529	Riyadh
Medical Support Services Training Center	1010500366	Riyadh
Medical Support Services Female Training Center	1010651084	Riyadh
Bio and Pharmaceutical Industries Complex	1126105966	Sudair

1. **Corporate information – continued**

Impact of COVID-19

In response to the spread of the Covid-19 virus in the world and the resulted disruptions to economic activities in the markets. The Group's management has proactively assessed the impact on its operations to ensure the continuity of providing its services. Notwithstanding these challenges, the operations currently remain largely unaffected as 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 Group's operations or its supply chain. The Group's management continues to monitor the financial and operational effects of the spread of Covid-19 as well as the economic effects in general. The Group's measures have focused on managing the crisis in terms of operating efficiency and benefiting from various government initiatives that aimed to support the health sector in the Kingdom. In addition, the Group's management has taken measures to sustain the supply chain of medicines and medical as well as non-medical supplies, which had the effect of increasing its stocks to secure operational needs in anticipation of any unexpected disruptions and meeting the unusual increase in demand for medicines and medical supplies. Moreover the Group's management has focused on the availability of sufficient cash balances to finance operational requirements to ensure the continuation of its activities under such circumstances.

Despite the difficulty to determine the extent and duration of impact from the Covid-19 epidemic spread, the Group's management believes that it will not have a material impact on the Group's ability to continue its activities. The management will continue to monitor the situation closely, and will reflect any required impacts or changes in the relevant financial reporting periods.

Going concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future for a period of at least 12 months from end of reporting period. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

2. **Basis of preparation**

2.1 Statement of commitment

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and regulations adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

2.2 Preparing of financial statements

The consolidated financial statements have been prepared on the historical cost basis except the defined benefit obligation which measured at present value of future obligations using the Projected Unit Credit method as described in the accounting policies.

3. **Basis of Consolidation**

These consolidated financial statements comprising the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and notes to the consolidated financial statements of the Group including assets, liabilities and the results of operations of the Company and its subsidiaries, as set out in note (1). Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill in consolidated statement of financial position. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group. Unless otherwise stated all figures are rounded to the nearest Riyal (Saudi Riyal).

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below; these policies have been consistently applied to all years presented, unless otherwise noted.

5. Significant Accounting policies

5.1. New Standards, Amendment to Standards and Interpretations:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021.

5.1.1. Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

5.1.2. Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The adoption of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

5.2. Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

5.2.1. Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

5.2.2. Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

5. Significant Accounting policies – Continued

5.2. Standards issued but not yet effective - Continued

5.2.3. Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

5.2.4. Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

5.3 Current versus Non-current classification

The Group presents its assets and liabilities in the consolidated statement of financial position based on a current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current assets.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within 12 months after the reporting period; or
- When there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

5-4 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

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.

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.

5. Significant Accounting policies - Continued

5-4 Fair value measurement- Continued

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
For the purpose of fair value disclosures, The Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

5-5 Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of preparing the consolidated financial statements, cash flows, cash and cash equivalents consist of cash in hand and at banks and other short-term liquid investments, if any, with original maturities of 3 months or less from purchase date.

5-6 Inventories
Inventories are measured at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are determined on a weighted average basis. Net realizable value is based on estimated selling price less any further costs expected to be incurred to disposal.

5-7 Discounts from Suppliers
The Pharmacy segment receives rebates in the ordinary course of business from a number of its suppliers of pharmaceutical products, in accordance with contractual arrangements in place with specific suppliers. Rebates are accounted for once approval has been received from the supplier following the negotiations which have taken place with them. Rebates receivable are accounted for as a deduction from the cost of purchasing pharmaceutical products, once the rebate has been approved by the supplier. When rebates have been agreed in advance, for example when it has been agreed that a certain rebate will be applied to the purchase of specific goods for a set period of time rather than just to a specific one off purchase, then the rebate is recognized as a reduction in the purchase price as soon as the goods are purchased. When rebates are offered based upon the volume purchased and it is probable that the rebate will be earned and the amount can be estimated reliably, then the discount is recognized as a reduction in the purchase price when the goods are purchased and the assessment is reviewed on an ongoing basis. Rebates receivable are accounted for on a net basis, being set off against the accounts payables to which they relate, as they are a reduction in the amount owed to suppliers in respect of pharmaceutical products purchased.

5-8 Investment is Associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates is incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group’s share of the profit or loss and other comprehensive income of the associate. When the Group’s share of losses of an associate exceeds the group’s interest in that an associate (which includes any long-term interests that, in substance, form part of the group’s net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. An investment in an associate or is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group’s share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statement of profit or loss in the period in which the investment is acquired.

5. Significant Accounting policies - Continued

5-8 Investment is Associates- Continued

When a group entity transacts with an associate of the group, profits or losses resulting from the transactions with the associate are recognised in the group's consolidated financial statements only to the extent of interests in the associate that are not related to the group.

5-9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Cost comprises of expenditure that is directly attributable to the acquisition of the asset

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

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

- Building 33 years.
- Equipment and tools 10 to 20 years.
- Furniture, fixtures and office equipment 4 to 10 years.
- Vehicles 4 years.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.
Capital work in progress is stated at cost and is not depreciated. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.
When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of profit or loss as the expense is incurred.
An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss under other operating income when the asset is de-recognized.
The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use and the forecast timing of disposal.

5. Significant Accounting policies - Continued

5-10 Rent Contracts

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

Right-of-use of Assets

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

Lease Liability

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

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

Short-term leases and leases of low-value assets

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

Significant judgment in determining the lease term of contracts with renewal options

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

5. Significant Accounting policies - Continued

5-11 Intangible Assets

Intangible assets acquired separately are recognized at cost. After initial recognition, intangible assets are stated at cost less the accumulated amortization and impairment losses, if any. Internally produced intangible assets, with the exception of development costs, are not capitalized, and are recognized as an expense in the consolidated statement of profit or loss when incurred. The useful lives of intangible assets are estimated to be either finite or indefinite.

Intangible assets with finite useful lives

The amortization period and the amortization method for intangible assets with finite lives are reviewed at the end of each financial year. Changes in the expected useful life or the method for consuming future economic benefits embodied in intangible assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense for intangible assets with finite lives is recognized in the consolidated statement of profit or loss. Knowhow and licenses intangible assets are amortized over 5 years.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized, but are tested annually to ensure that there is no impairment in their value, either individually or at the CGU level. The assessment of indefinite useful lives is reviewed annually to determine whether indefinite useful lives are still a possibility. If it is not, the useful life is changed from indefinite to definite on a prospective basis. Profit or loss resulting from cessation of recognition of intangible assets is measured by the difference between the net proceeds of disposal and the carrying value of intangible assets, and is recognized in the consolidated statement of profit or loss upon disposal of the assets.

Goodwill

Goodwill resulting from the acquisition of operations is recorded at cost as it originated on the date of acquisition of operations, less accumulated impairment losses, if any. For the purposes of reviewing impairment in goodwill, goodwill is allocated to each of the cash-generating units (or group of cash-generating units) that is expected to benefit from the business combination.
The cash-generating unit to which the goodwill has been allocated is reviewed for impairment on an annual basis or more when there is an indication of impairment of the unit. If the recoverable value of the cash-generating unit is less than its book value, the impairment loss is allocated first to reduce the book value of any goodwill that has been allocated to the unit and then to other assets in the unit proportionately on the basis of the book value of each asset of the unit. Any impairment loss on goodwill is recognized directly in the consolidated statement of profit or loss. The impairment loss for goodwill is not reversed in subsequent periods.
When the related cash-generating unit is disposed of, the amount attributable to goodwill is included in determining the gain or loss resulting from disposal.

5-12 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 statement of profit or loss net of any reimbursement.

5-13 Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“Authority”). Zakat provision is estimated and charged to the consolidated statement of profit or loss. Any difference in the estimations is recorded when the final assessment is approved at which time the provision is adjusted. On the finalization of Zakat assessment, additional Zakat due will be accounted for in the year in which the assessment is finalized.

5. Significant Accounting policies - Continued

5-14 Financial instruments accounting policy

The Group 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 Group recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs 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 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 are classified into the following specified categories under IFRS 9:

- Debt instruments at a
- mortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include 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.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the consolidated profit or loss statement.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

5. Significant Accounting policies - Continued

5-14 Financial instruments accounting policy- Continued

Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in the consolidated profit or loss statement and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in the consolidated statement of comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss.

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Group designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through profit or loss. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instrument as FVPL since the date of initial application of IFRS 9 (i.e. 1 January 2018).

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in the consolidated statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the consolidated statement of profit or loss.

Dividend income on investments in equity instruments at FVPL is recognized in consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers.

Investment in equity instruments designated as FVOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

5. Significant Accounting policies - Continued

5-14 Financial instruments accounting policy- Continued

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to consolidated statement of profit or loss and no impairment is recognized in consolidated statement of profit or loss. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to consolidated statement of profit or loss on disposal of the investments.

Dividends on these investments are recognized in consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI such as lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

5. Significant Accounting policies - Continued

5-14 Financial instruments accounting policy- Continued

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Disposal of financial assets

The Group 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 Group, neither transfer nor retains substantially all the risks and reward of ownership and
continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in consolidated statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to consolidated statement of profit or loss.
The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in consolidated statement of profit or loss. Amount presented in liability credit reserve are not subsequently transferred to consolidated statement of profit or loss. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings. Since the date of initial application of IFRS 9 (i.e. 1 January 2018), the Group has also not designated any financial liability as at FVPL.

5. Significant Accounting policies - Continued

5-15 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

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

5-16 Employees' terminal benefits

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

Re-measurements for actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a corresponding credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under cost of revenues and general and administrative expenses)
- Net special commission expense or income (under finance costs).

5-17 Shareholder's equity

The Company has issued ordinary shares that are classified as equity. The difference between the issue price and the par value of an ordinary share is allocated to share premium. The transaction costs incurred for the share issue are accounted for as a deduction from share premium to the extent they are incremental costs directly attributable to the share issue that would otherwise have been avoided.

5-18 Statutory reserve

In accordance with the company's articles of association and the companies' law in the Kingdom of Saudi Arabia, the company must transfer 10% of the net profit for the year to the statutory reserve until it equals 30% of its capital. This reserve is currently not available for distribution to shareholders.

5. Significant Accounting policies - Continued

5-19 Foreign currencies

Transactions in foreign currencies are initially recorded by the Group at their market exchange rate against the functional currency at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

5-20 Revenue accounting policy

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Group accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Group identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- The customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Group determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Group transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Significant accounting judgments and estimates

The following is a description, accounting policies and significant judgments of the principal activities from which the Group generates revenue.

(a) Medical services

Revenue from medical services primarily comprises fees charged for inpatient and outpatient hospitals services. Services include charges for accommodation, medical professional services, equipment, radiology and laboratory. These services are sold either separately or bundled together with the sale of pharmaceutical products to a customer.

Under IFRS 15, the Group assessed that there is only one performance obligation in a contract for bundled medical services, because the transferred services are not capable of being distinct.

Under IFRS 15, the Group concluded that revenue from bundled services will be recognized over time, using the input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy.

5. Significant Accounting policies - Continued

5-20 Revenue accounting policy - Continued

(b) Pharmaceutical products

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

In these contracts, the Group is primarily responsible for fulfilling the promise to provide the specified pharmaceutical and other products. The Group bears inventory risk before the pharmaceutical and other products have been transferred to the customer. In addition, the Group has discretionary authority in establishing the price for the pharmaceutical products. The Group bears credit risk on these transactions as it is obliged to pay the supplier even if the customer defaults on a payment.

(c) Volume discounts

Revenue is often recognized with volume discounts based on aggregate sales over a 12 months' period. Revenue from these sales is recognized based on the price specified in the contract, net of the 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. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

(d) Medical claims objections

The objections of medical claims are estimated from customers based on the Company's past experience and are recognized against revenue earned during the year. These estimates are subsequently adjusted to the actual settlement with the customers.

5-21 Government grants

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

5-22 Cost of Revenue

Cost of Revenue represents expenses directly related to the generation of revenue, including but not limited to salaries and benefits, materials and supplies, utilities and other direct costs.

5-23 Selling, marketing, administrative, and general expenses

Selling, marketing, administrative, and general expenses include indirect costs not specifically part of cost of revenue. Allocations between selling, marketing, administrative, and general expenses and cost of revenue, when required, are made on a consistent basis.

5-24 Finance cost

Finance cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalized during idle periods.

To the extent that variable rate financing is used to finance a qualifying asset and is hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in consolidated statement of other comprehensive income and released to consolidated statement of profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized finance costs reflect the hedged interest rate.

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

6. Significant accounting judgments, estimates, and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions are continually evaluated and they are based on past experience and other factors, including expectations of future events that are relevant to the circumstances. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision of expected credit loss

The expected credit loss provision is determined by reference to a combination of factors to ensure that financial assets are not overpriced due to the probability that they will not be collected, including their quality, age, credit rating and collateral. Economic data and indicators are also taken into account.

Expected claim's objections

The Group depend on the estimation of expected objections to its past experience with each individual client. To anticipate these objections, the Group measures the extent to which customers accept the medical services and pharmaceuticals products provided and uses assumptions based on the latest objections to claims and negotiations with customers as well as reliance on data available in the market and in similar companies.

Defined benefit plans

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. (See Note 28)

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of
the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those

Having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries.

Impairment of non-financial assets

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

The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

6. Significant accounting judgments, estimates, and assumptions - Continued

Useful lives of property and equipment

The useful life of each of the group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

Goodwill - Annual impairment testing of goodwill

Goodwill impairment tests are performed for the group of cash generating units ("CGU") to which goodwill is allocated. The group of CGU is defined based on certain acquisitions and CGU's arising from those acquisitions. The structure and groups of CGU are assessed on an annual basis. The impairment test of goodwill is performed at least annually for each group of cash generating units to which goodwill is allocated. To determine the value in use, the discounted cash flow models are used.

The most important parameters in the impairment test include assumptions related to sales growth rate, pre-tax discount rates and expected future free cash flows.

Expected future free cash flows: The projected free cash flows are based on current forecasts and targets set for five year period. These are determined at CGU level in the forecast and target planning process as well as based on external sources of information and industry-relevant observations such as macroeconomic indicators and market conditions. All applied assumptions are challenged through the forecast and target planning process based on management's best estimates and expectations, which are judgmental by nature. They include expectations regarding revenue growth, EBIT margins and capital expenditure.

Provision of slow moving inventory

Inventories are stated at the lower of cost and net realizable value. Adjustments are made to reduce the cost of inventories to net recoverable amount, if necessary.

Influencing factors includes changes in inventory demand, technological changes, deterioration of quality and other quality matters. Accordingly, the Group considers these factors and takes them into account to calculate the provision of idle stock and slow movement. Any adjustments that may result from the difference in these factors are periodically reviewed.

7. Segment information

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

The following are selected financial information as at 31 December 2021 and 2020 by business segment:

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

Certain comparative figures in profit and loss statement have been reclassified to conform to the presentation in the current year (Note 37)

An amount of SAR 5,993,259 for the year 2020 has been reclassified from the assets of pharmaceutical products segment to medical services segment in line with the classification of the current year.

	Medical Services		**Pharmaceutical Products**		**Total**	
For The Year Ended December 31,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue	737,901,961	578,085,825	213,985,534	185,969,772	951,887,495	764,055,597
Gross Profit	299,486,733	98,028,737	64,560,634	54,800,799	364,047,367	252,829,536
Net income from continuing operations	68,885,120	42,432,532	29,983,006	21,889,718	98,868,126	64,322,250
(loss) income from discontinued operations	(12,995,551)	59,585,003	4,215,262	6,919,703	(8,780,289)	66,504,706
Depreciation and amortization	106,179,006	102,145,398	3,251,217	1,736,129	109,430,223	103,881,527
Net income	55,889,569	102,017,535	34,198,268	28,809,421	90,087,837	130,826,956

	Medical Services		**Pharmaceutical Products**		**Total**	
As of December 31,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Total Assets	1,999,054,308	2,234,304,404	262,659,840	200,709,609	2,261,714,148	2,435,014,013
Total Liabilities	563,905,846	705,006,349	38,519,065	31,346,058	602,424,911	736,352,407

8. Revenue

8-1 Revenue sources:

	For The Year Ended December 31, 2021 SAR	2020 SAR
Medical services revenue	737,901,961	578,085,825
Pharmaceuticals sale revenue	213,985,534	185,969,772
	951,887,495	**764,055,597**

8-2 Timing of revenue recognition:

	For The Year Ended December 31, 2021 SAR	2020 SAR
Products and services transferred at a point in time	500,010,588	361,139,150
Products and services transferred over time	451,876,907	402,916,447
	951,887,495	**764,055,597**

8-3 Contracts balances

	Contracts assets As of December 31, 2021 SAR	2020 SAR
Balance at 1 January	5,230,424	14,666,845
Contracts assets generated during the year	105,530,878	112,255,770
Transferred from contracts assets to trade receivables	(103,371,215)	(121,692,191)
Balance at 31 December	**7,390,087**	**5,230,424**

	Contracts liabilities As of December 31, 2021 SAR	2020 SAR
Balance at 1 January	126,577,998	21,277,023
Contracts liabilities generated during the year	52,710,355	121,621,168
Transferred to revenues	(54,501,119)	-
Used from contracts liabilities	(72,505,797)	(16,320,193)
Balance at 31 December	**52,281,437**	**126,577,998**

9. Cost of revenue

	Note	For The Year Ended December 31, 2021 SAR	2020 SAR
Employee costs		209,299,602	179,918,171
Medical and pharma consumables		233,257,820	202,463,317
Depreciation of property, equipment and right of use assets	(17-2)	83,698,614	79,210,174
Repairs and maintenance		21,022,607	16,503,478
Non-medical consumables		13,543,868	14,145,917
Utilities		11,086,193	11,486,730
Amortization of intangible assets	(18-3)	1,990,553	1,002,350
Others		13,940,871	6,495,924
		587,840,128	**511,226,061**

10. Selling and marketing expenses

	For The Year Ended December 31, 2021 SAR	2020 SAR
Employee cost	2,129,834	2,644,115
Collection service expenses	1,254,603	891,185
Training and business development	301,775	1,363,976
Others	1,354,176	1,535,226
	5,040,388	**6,434,502**

11. Administrative and general expenses

	Note	For The Year Ended December 31, 2021 SAR	2020 SAR
Employee costs		51,302,620	49,316,936
Depreciation of property, equipment and right of use assets	(17-2)	11,653,872	10,811,197
Utilities		3,409,335	3,553,384
Fees, licenses and accreditation		3,598,212	2,428,243
Professional fees		2,440,109	1,807,492
Amortization of intangible assets	(18-3)	2,225,560	426,046
Insurance		276,925	670,338
Repairs and maintenance		264,158	330,779
Donations		162,000	1,134,800
Legal provision expense		-	8,000,000
Others		3,958,901	2,913,392
		79,291,692	**81,392,607**

12. Impairment losses on property and equipment

Management has conducted a review of the recoverable amounts of capital work-in-progress that has been on hold since 2011, and they have concluded that it is outside the scope of potential use. Accordingly, the value of the asset has decreased and the impairment loss was recognized during the year 2020 in the amount of 4,994,185 Saudi Riyals.

13. Other income

	Note	For The Year Ended December 31, 2021 SAR	2020 SAR
Government grants released	(29)	7,613,597	7,613,597
Reversal of legal provision		4,831,048	-
Rental income	(34)	1,793,912	1,649,126
Human Resources Support Fund		312,035	-
Profit from disposal of property and equipment		29,996	-
Others		1,097,208	1,081,832
		15,677,796	**10,344,555**

14. Finance costs

	Note	2021 SAR	2020 SAR
Finance costs on commercial banks' loans		1,954,546	10,841,826
Finance costs on government's loans		11,240,363	11,609,794
Finance costs on defined benefit plan	(31-C)	1,993,670	1,882,593
Finance costs on lease contract liabilities	(30)	528,538	717,594
		15,717,117	**25,051,807**

15. (Loss) profit from discontinued operations

The Board of Directors of Al Hammadi Company for Development and Investment approved in the meeting held on September 16, 2021 to stop the operational activities of Al Hammadi Olaya Branch and to establish a new hospital to replace it at an estimated cost of 450 million Saudi Riyals to be financed from bank loans and the company's own cash flows. The new planned hospital has a capacity of 300 beds and 120 medical clinics specializing in general medical services, oncology, treatment of stadium sports injuries, and sports and functional medical rehabilitation. The trial operation of the new hospital is expected to start in the first quarter of 2026. The reception of patients at Al-Hammadi Olaya Branch Hospital has been suspended by the end of September 2021.

- Previously, the operations of Al Hammadi Olaya Branch Hospital,, were not classified as discontinuous operations. Comparative figures have been restated in the consolidated financial statements of profit or loss and comprehensive income to show discontinued operations separately from continuing operations.

A) Results of discontinued operations:

	For The Year Ended December 31,	
	2021	**2020**
	SAR	**SAR**
Revenues	131,700,840	229,347,140
Cost & expenses	(101,506,958)	(162,566,136)
Loss on disposal of property and equipment from discontinued operation	(39,181,615)	(343,713)
Other operating income	315,899	180,607
Finance costs	(108,455)	(113,192)
(Loss) profit from discontinued operations	**(8,780,289)**	**66,504,706**
(Loss) profit earnings per share from discontinued operations	**(0,07)**	**0,55**

The (loss) profit from discontinued operations from Al-Hammadi Olaya Branch Hospital at the end of the current year amounted to 8.8 million Saudi Riyals (2020: 66,5 million Saudi Riyals), and the profit from continuing operations of 98,8 million Saudi Riyals (2020: 64,3 million Saudi Riyals) are attributable to the owners of the company and there are no minority rights.

The company's management do not expect any material negative impact on the group's future profits as a result of the temporary suspension of the activity of Al-Hammadi Hospital Olaya Branch.

B) Cash flows used in discontinued operation

The cash flows used in operating activities represent losses on disposal of discontinued operations (property and equipment) amounting to SAR 39,181,615 for the period ended September 30, 2021.

C) Effect of disposal on the financial position of the Group

	2021
	SAR
Property and Equipment's	**(39,181,615)**
Net cash flows used	**(39,181,615)**

The net book value of the property and equipment transferred from Al-Hammadi Olaya Branch to Al-Hammadi Al Nuzha Branch and Al Suwaidi Branch, which will continue to be used within the activities of continuing operations amounted to 11.2 million Saudi Riyals.

The net book value of the doctors' housing buildings built on the lands of Al Hammadi Olaya Branch, which will continue to be used within the activities of continuing operations, amounted to 6.4 million Saudi Riyals.

16. Earnings per share

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

The following table reflects the profit and share data used in the basic and diluted EPS computations:

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
Net profit for the year	**90,087,837**	130,826,956
Weighted average number of ordinary shares	**120,000,000**	120,000,000
Basic and diluted earnings per share	**0,75**	**1,09**

17. Property and equipment

Note	Land (15-A)	Buildings	Equipment and tools	Furniture, fixtures and office equipment	Vehicles	Work in progress	Right of use of assets	Total
Cost	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**
At 1 January 2020	287,931,841	1,319,750,183	571,648,135	125,247,251	8,051,482	7,446,460	32,189,513	2,352,264,865
Additions	-	-	8,375,745	1,482,026	237,543	2,885,417	6,493,073	19,473,804
Transfer from projects under construction	-	2,841,817	598,530	1,797,345	-	(5,237,692)	-	-
Disposals	-	-	(34,650,672)	(265,941)	(548,408)	(4,994,185)	-	(40,459,206)
At 31 December 2020	**287,931,841**	**1,322,592,000**	**545,971,738**	**128,260,681**	**7,740,617**	**100,000**	**38,682,586**	**2,331,279,463**
Additions	-	2,583,698	7,591,178	1,716,964	441,496	2,268,118	5,738,895	20,340,349
Disposals	-	(181,505,705)	(65,914,762)	(50,266,026)	(192,000)	-	(1,959,531)	(299,838,024)
At 31 December 2021	**287,931,841**	**1,143,669,993**	**487,648,154**	**79,711,619**	**7,990,113**	**2,368,118**	**42,461,950**	**2,051,781,788**
Accumulated Depreciation								
At 1 January 2020	-	265,962,430	237,348,578	73,239,730	6,352,208	-	8,735,208	591,638,154
Charge for the year (17 – 2)	-	39,791,783	41,769,194	10,567,801	699,972	-	9,624,381	102,453,131
Disposals	-	-	(34,345,424)	(218,782)	(548,406)	-	-	(35,112,612)
At 31 December 2020	**-**	**305,754,213**	**244,772,348**	**83,588,749**	**6,503,774**	**-**	**18,359,589**	**658,978,673**
Charge for the year (17 - 2)	-	38,666,143	42,126,270	10,463,644	782,310	-	13,175,742	105,214,109
Disposals	-	(152,203,045)	(60,345,038)	(45,956,796)	(191,996)	-	(650,468)	(259,347,343)
At 31 December 2021	**-**	**192,217,311**	**226,553,580**	**48,095,597**	**7,094,088**	**-**	**30,884,863**	**504,845,439**
Net book value								
At 31 December 2021	**287,931,841**	**951,452,682**	**261,094,574**	**31,616,022**	**896,025**	**2,368,118**	**11,577,087**	**1,546,936,349**
At 31 December 2020	**287,931,841**	**1,016,837,787**	**301,199,390**	**44,671,932**	**1,236,843**	**100,000**	**20,322,997**	**1,672,300,790**

17. Property and equipment - continued

17-1 Land and buildings

Land and buildings illustrated above basically include a part of lands with a value of SAR 152.5 million and a part of buildings with a net book value as SAR 941,5 million as of December 31,2021 (December 31,2020: SAR 972 million) pledged as a collateral for a long-term loan from the Ministry of Finance to fund part of the construction of the new hospital in Al-Suwaidi area and its housing compound in addition to the construction of the new hospital in Al-Nuzha area. (Note 24-1).

17-2 Depreciation

The allocation of depreciation expense of property and equipment and the right-of-use assets between cost of revenue, general and administrative expenses and non-continued operation is as follows:

		For The Year Ended December 31,	
	Note	**2021**	**2020**
		SAR	**SAR**
Cost of revenue	(9)	83,698,614	79,210,174
General and administrative expenses	(11)	11,653,872	10,811,197
Discontinued operations		9,861,623	12,431,760
31 December		**105,214,109**	**102,453,131**

In the opinion of management, no impairment has been recorded in the carrying value of the Group's property and equipment as of December 31, 2021 (December 31, 2020: SAR4,994,185).

18. Intangible Assets and goodwill

	Goodwill	**License**	**Knowledge rights**	**Total**
Cost				
Balance at 1 January	31,450,120	7,627,646	-	39,077,766
Additions	-	6,659,722	7,510,800	14,170,522
Balance at 31 December 2020	**31,450,120**	**14,287,368**	**7,510,800**	**53,248,288**
Additions	-	313,980	-	313,980
Disposals	-	(2,313,259)	-	(2,313,259)
Balance at 31 December 2021	**31,450,120**	**12,288,089**	**7,510,800**	**51,249,009**
Accumulated Amortization and Impairment				
Balance at 1 January	-	6,078,480	-	6,078,480
Additions	-	1,319,604	108,792	1,428,396
Balance at 31 December 2020	**-**	**7,398,084**	**108,792**	**7,506,876**
Additions	-	2,688,848	1,527,265	4,216,113
Disposals	-	(2,313,259)	-	(2,313,259)
impairment	9,688,990	-	-	9,688,990
Balance at 31 December 2021	**9,688,990**	**7,773,673**	**1,636,057**	**19,098,720**
Net book value 2021	**21,761,130**	**4,514,416**	**5,874,743**	**32,150,289**
Net book value 2020	**31,450,120**	**6,889,284**	**7,402,008**	**45,741,412**

18. Intangible Assets - continued

18-1 Goodwill

A) The goodwill resulted from the acquisition of Medical Support Services Company limited and its subsidiary Pharmaceutical Service Company Limited

B) Impairment test:

The recoverable amount of the Medical Support Services Company Limited was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.
The values assigned to the key assumptions represent management's assessment of future trends in the relevant healthcare activity and have additionally been based on historical data from both external and internal sources.

	2021
Discount rate	**14,9%**
Terminal value growth rate	**3%**

The discount rate was estimated based on the capital assets pricing model. The cash flow projections included specific estimates for five years and a terminal growth rate 3% for the final value. The terminal growth rate was determined based on the actual Kingdom of Saudi Arabia's GDP growth rate for the last 30 years.

The estimated recoverable amount of the Medical Support Services Company Limited SAR 48,145,322, therefore the impairment in the carrying amount of the goodwill amounted SAR 9,688,990 .

18-2 Knowledge rights

During the year 2020, the group signed an industrial agreement with one of the world's leading companies in the field of producing pharmaceutical and biological preparations, to contribute to the localization of important industries in the Kingdom, according to which the rights of technological knowledge are transferred to the group.

18-3 Amortization

The allocation of amortization expense of intangible assets between cost of revenue, general and administrative expenses and non-continued operation is as follows:

		For The Year Ended December 31,	
	Note	**2021 SAR**	**2020 SAR**
Cost of revenue	(9)	1,990,553	1,002,350
General and administrative expenses	(11)	2,225,560	426,046
		4,216,113	**1,428,396**

19. Investment in associate

On November 09, 2021, Al Hammadi Company for Development and Investment completed all the preconditions for the purchase process, obtained all the required approvals from the competent authorities, and completed all the legal and agreed procedures for the transfer of ownership of the shares purchased from the Gulf Investment Corporation (GIC) for an amount of SAR 118,125,000, which represents 35% of Sudair Pharmaceutical Company, the owner and developer of Sudair Pharmaceutical Industries Complex, and emptying it in the name of Al Hammadi Company for Development and Investment, including a letter of no objection from the General Authority for Competition and an amendment to the article of association of Sudair Pharmaceutical Company for transfer of ownership.

An investment in an associate or is accounted for using the equity method from the date on which the investee becomes an associate. On the purchase of the investment in an associate, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statement of profit or loss in the period in which the investment is purchased.

The table below shows the financial position and financial performance of the associate company (Sudair Pharmaceutical Company - a limited liability company):

	As of December 31, 2021	As of November 9, 2021 (Not Audited)
Financial position		
Total assets		
Current (includes cash and cash equivalent Dec 2021: 3,858,293, Nov 2021: 1,248,158)	157,115,083	163,398,161
Non-Current	260,550,903	257,332,975
Total liabilities		
Current (includes financial liabilities excluding: Account payable, other payables and provisions Dec 2021: 59,652,750, Nov 2021: 43,545,514)	(118,100,650)	(116,437,075)
Non-Current	(119,197,957)	(130,022,867)
Net Assets	(180,367,379)	(174,271,194)

Financial performance	For the period from November 09 to December 31, 2021
Total revenue	36,996,273
Depreciation and Amortization	(1,063,169)
Finance cost	(1,734,125)
Zakat expense	(901,892)
Net income	5,852,473
Other comprehensive income	243,709
Total comprehensive income	6,096,182

The table below showing the movement on investment in associate:

	2021 SAR	2020 SAR
Opening balance	-	-
Cost of investment	118,125,000	-
Company's share of net profit	2,048,366	-
Company's share of other comprehensive income	85,298	-
Ending balance	**120,258,664**	-

19. Investment in associate - Continued

A reconciliation to the carrying amount to the net assets of Sudair Pharmaceutical Company is as follows:

	As of December 31, 2021	As of November 9, 2021
Net Assets	180,367,379	174,271,194
Decrease in fair value for net assets*	(17,318,316)	(17,318,316)
Net assets at fair value	**163,049,063**	**156,952,878**
Group share at 35%	57,067,171	54,933,507
Goodwill*	63,191,493	63,191,493
Book value of the investment as shown in the consolidated financials	**120,258,664**	**118,125,000**

* The Group has valued the assets and liabilities of the associate company at fair value on the date of purchase, all assets and liabilities are stated at their fair value, except for property, plant and equipment, where its carrying value amounted SAR241,828,316 and its fair value amounted SAR 224,510,000.

20. Inventories

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
Pharmaceuticals and cosmetics	25,697,580	36,754,430
Medical tools and consumables	23,537,416	21,493,718
Non-medical tools and supplies	3,422,451	2,949,562
Spare parts and consumables not for sale	1,069,475	647,240
Total Inventory	**53,726,922**	**61,844,950**
Provision of a slow moving inventory	(120,600)	-
	53,606,322	**61,844,950**

19-1 Movement on a slow moving inventory provision

	For The Year Ended December 31,	
	2021	**2020**
	SAR	**SAR**
Opening balance	-	-
Charge during the year	120,600	-
Ending balance	**120,600**	**-**

21. Other Receivables

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
Due from employees	2,584,387	2,456,582
Margin of bank guarantees	1,626,820	1,703,462
Refundable cash insurance	118,795	118,795
Other	519,582	115,782
	4,849,584	**4,394,621**

22. Prepayments

	As of December 31,	
	2021	2020
	SAR	SAR
Advances to suppliers	11,430,028	32,629,449
Other prepayments	1,986,970	5,769,965
Total	**13,416,998**	**38,399,414**
Provision for doubtful prepayments	(1,970,759)	(2,509,137)
	11,446,239	**35,890,277**

The summary for the movement of provision for doubtful prepayments and other debt balances is as follows:

	For The Year Ended December 31,	
	2021	2020
	SAR	SAR
1 January	2,509,137	2,509,137
Additions during the year	-	-
Reversals	(538,378)	-
31 December	**1,970,759**	**2,509,137**

23. Trade receivables

	Note	As of December 31, 2021 SAR	2020 SAR
Trade receivables – billed		606,538,506	684,209,769
Amounts due from related parties	**(35)**	1,025,048	210,106
Total Trade Receivables		**607,563,554**	**684,419,875**
Provision for expected credit losses		(243,344,449)	(88,458,291)
		364,219,105	595,961,584

Aging of trade receivables	As of December 31, 2021 SAR	2020 SAR
Neither past due nor impaired	98,244,670	92,375,185
30 - 60 days	48,094,777	54,678,441
61 - 90 days	50,461,936	38,607,164
91 - 360 days	123,353,615	331,883,595
More than 360 days	287,408,556	166,875,490
	607,563,554	**684,419,875**

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and they are therefore unsecured.

A majority of the receivables that are past due but not impaired are from government-linked entities which are inherently slow payers due to their long invoice acceptance and approval of payment procedures. Payments continue to be received from these customers and accordingly the risk of non-recoverability is considered to be low.

As at 31 December 2021, approximately 97,3% of the Group's trade receivables' balance was due from various governmental and insurance entities (31 December 2020: 99.0%).

The Group uses a model for estimating expected credit losses that complies with the requirements of IFRS 9 and is based on classifying receivable balances at the individual level into categories according to the economic sector in which each class of clients operates. The estimated value of credit losses for each sector is measured based on a number of historical and current indicators and information and future expectations, whether at the level of the economic sector or the macroeconomic environment of the business environment, affecting the performance of that sector and thus may affect the ability of the customer who works in that sector to fulfill his obligations towards the group. Indicators of impairment in the value of trade receivables are reviewed at the end of the reporting period. The expected credit loss allowance is adjusted in proportion to the periodic changes that occur in these indicators. In the opinion of management, there was no decrease in the value of trade receivables other than what was recorded as a provision for expected credit losses.

The summary for the movement of provision for expected credit losses is as follows:

	For The Year Ended December 31, 2021 SAR	2020 SAR
1 January	88,458,291	30,551,742
Additions during the year	155,013,259	61,094,790
Written off bad debts during the year	(127,101)	(3,188,241)
31 December	**243,344,449**	**88,458,291**

23. Trade receivables- continued

At the end of 2020, Al-Hammadi Group re-evaluated the appropriateness of the assumptions used in the ECL model based on a number of economic variables affecting the business sectors of (“the Group's”) clients in addition to a number of variables at the level of the macroeconomic and global economic indicators. (“The Group”) has modified the macroeconomic indicator used to better reflect the macroeconomic influences on the business environment. Based on the results of the revaluation, it has strengthened its provisions as a result of future indicators at the level of the macroeconomic and global economy to face any potential risks associated with the inability of the group's clients to fulfill their obligations.

24. Cash and cash equivalents

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
Cash in hand	363,488	401,810
Cash at banks	120,494,021	13,248,145
	120,857,509	**13,649,955**

25. Share capital

Share capital of the Company is SAR 1,200,000,000 consists of 120,000,000 fully paid ordinary shares with a par value of SAR 10 (2020: SAR 1,200,000,000).

26. Statutory reserve

In accordance with Saudi Regulations for Companies and the Company’s By-Laws, 10% of the annual net profit is required to be transferred to a statutory reserve until its reserve equals 30% of the capital. This statutory reserve is not available for distribution to shareholders currently. During the year ended December 31, 2021 an amount of SAR 9,008,784, was transferred to the statutory reserve (31 December 2020: SAR 13,082,696).

27. Dividends

The Board of Directors of Al Hammadi Company for Development and Investment approved, in its meeting held on 12 Shaban 1442 AH corresponding to March 25, 2021, the distribution of cash dividends of 60 million Saudi Riyals to the company’s shareholders for the fiscal year 2020 at a rate of 0.50 Saudi Riyals (50 Halalas) per share. The General Assembly approved it in its e meeting held on May 19, 2021.

The Board of Directors of Al Hammadi Company for Development and Investment approved, in its meeting held on Rabi’ Al-Thani 06, 1443 AH, corresponding to November 11, 2021, the distribution of cash dividends of 72 million Saudi Riyals to the company’s shareholders for the fiscal year 2021 at a rate of 0.60 Saudi Riyals (60 Halalas) per share. The General Assembly approved it in its meeting held on December 09, 2021.

28. Long-term loans

	As of December 31,	
	2021	**2020**
Current portion	**SAR**	**SAR**
Loans from Ministry of Finance	29,570,441	37,428,480
Loans from commercial banks	-	10,000,000
	29,570,441	**47,428,480**
Non-current portion		
Loans from Ministry of Finance		
Loans from commercial banks	179,120,978	197,446,575
	179,120,978	**197,446,575**
Total	**208,691,419**	**244,875,055**

28. Long-term loans- Continued

- No finance charges were capitalized during the year ended 31 December 2021 (31 December 2020: Null). Finance costs charged in consolidated statement of profit or loss for the year ended 31 December 2021 amounted to SAR 15,8 million (31 December 2020: SAR 25,1 million).

28-1 Loans from commercial banks

- During the year ended 2021, the company paid an amount of SAR 10.0 million, representing the remaining of the outstanding bank loan balances. Accordingly, the Group does not have any bank loan obligations as of December 31, 2021.

28-2 Loans from Ministry of Finance

- On 11 September 2013, The Group obtained a loan from the Ministry of Finance to fund part of the construction of the new hospital in Al-Suwaidi area and the purchase of the indispensable medical and non-medical equipment. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. The value of the loan is 149.1 million SAR. The Group has utilized it in full as at 31 December 2017. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date, as the company began on loan settlement starting from 2018.
- On 26 January 2015, the Group signed another financing agreement with the Ministry of Finance to fund the building of the housing compound related to Al-Suwaidi Hospital project. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. The value of the loan is SAR 27.5 million of which the Group has utilized it in full as at 31 December 2017. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date, as the company began on loan settlement starting from 2020.
- On 20 July 2015, the Group signed a third financing agreement with the Ministry of Finance to fund part of the construction and furnishing costs of the hospital in Al-Nuzha area. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. This loan amounted SAR 197.6 million and the Group has utilized it in full as at 31 December 2018. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date, as the company began on loan settlement starting from 2021.
- The installments of the Ministry of Finance's loans due during the year 2020 amounting to 17.3 million riyals have been postponed for the following year, as part of the Ministry of Finance's initiative to mitigate the economic effects of the COVID-19 pandemic on the private sector. In 2021, the company has paid them along with the current year installments.

29. Government Grants

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
At 1 January	144,358,206	151,971,803
Government grants released	(7,613,597)	(7,613,597)
At 31 December	**136,744,609**	**144,358,206**

	As of December 31,	
As showing in the financial position	**2021**	**2020**
	SAR	**SAR**
Current	7,412,889	7,613,597
Non-current	129,331,720	136,744,609
	136,744,609	**144,358,206**

- On September 2013, the Group obtained a free interest loan from the Ministry of Finance to fund the construction of the new hospital in Al-Suwaidi area and the purchase of the indispensable medical and non-medical equipment. Later, on January 2015 the Group also obtained another free interest loan from the Ministry of Finance to fund building of the housing compound related to Al-Suwaidi Hospital. The conditions and contingencies attached to these grants has been met. Al-Suwaidi hospital has started operations in Aug 2015.
- On July 2015, the Group obtained a free interest loan from the Ministry of Finance to fund the construction of the new hospital in Al Nuzha area and the purchase of the indispensable medical and non-medical equipment. The conditions and contingencies attached to these grants has been met. The new hospital has started operations in Feb 2018.

30. Lease Contract Liabilities

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
Current Portion	7,752,599	5,446,332
Noncurrent Portion	751,627	12,464,891
	8,504,226	**17,911,223**

- The Group recognized a finance cost of SAR 528,538 on lease contract liabilities during the year ending December 31, 2021 (December 31, 2020: 717,594) (Note 14).
- Expenses related to short-term and low-value leases during the year ended December 31, 2021 amounted to SAR 949,769 (December 31, 2020: 3,329,204).

31. Employees' Terminal Benefits

The following tables summarize the components of end of service benefits recognized in the consolidated statement of profit or loss and amounts recognized in the consolidated statement of comprehensive income and consolidated statement of financial position:

(a) Amount recognized in the consolidated statement of financial position

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
Present value of defined benefit obligation	**65,853,216**	**63,684,084**

(b) Benefit expense (recognized in consolidated statement of profit or loss)

	For The Year Ended December 31,	
	2021	**2020**
	SAR	**SAR**
Current service cost	12,565,995	12,824,834
Special commission cost	1,993,671	1,882,593
Benefit expense	**14,559,666**	**14,707,427**

(c) Movement in the present value of defined benefit obligation

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
Present value of defined benefit obligation at beginning of the year	63,684,084	59,871,135
Charge recognized in consolidated statement of profit or loss:		
Current service cost	12,565,995	12,824,834
Special commission cost	1,993,670	1,882,593
Actuarial gain on defined benefit plan recognized in the consolidated statement of comprehensive income	(2,454,496)	(1,703,815)
Benefits paid during the year	(9,936,038)	(9,190,663)
Present value of defined benefit obligation at the end of year	**65,853,216**	**63,684,084**

(d) Principal actuarial assumptions

	2021	**2020**
	SAR	**SAR**
Discount rate	3.1%	3.1 %
Salary increase rate	3%	3 %
Retirement age	60 years	60 years

(e) Projected future terminal benefits payments

Below table provides the projected end of service benefits payments for the next five years:

Year	**SAR**
2022	4,475,464
2023	4,579,112
2024	3,817,707
2025	4,377,863
2026	3,521,951

31. Employees' Terminal Benefits - Continued

(f) Sensitivity Analysis

The table below shows the effect of the change in one of the actuarial assumptions, with the rest of the assumptions being unchanged, at the reporting date:

	As of December 2021		As of December 2020	
	SAR	**Change %**	**SAR**	**Change %**
Present value of defined benefit obligation as at end of the year	65,853,216		63,684,084	
Discount rate base				
+ 1%	61,163,955	**(٪7,1)**	59,123,124	(7.2%)
- 1%	71,349,352	**٪8,3**	69,045,044	8.4%
Salary increase rate base				
+ 1%	71,639,194	**٪8,8**	69,325,166	8.9%
- 1%	60,820,674	**(٪7,6)**	58,791,215	(7.7%)
Withdrawal rate				
110% of base	65,410,745	**(٪0,7)**	63,233,132	(0.7%)
90% of base	66,328,705	**٪0,7**	64,176,412	0.8%
Mortality rate				
110% of base	65,841,173	**٪0,0**	63,672,464	0.0%
90% of base	65,865,321	**٪0,0**	63,695,738	0.0%

The above analysis provides an estimate of the sensitivity of the actuarial assumptions used, despite that it does not take into account the expected future cash payments from the terminal benefits plan.

32. Accrued Zakat

31-1 Components of zakat base

The following are the main components of the Zakat base of the group, which are subject to some modifications according to Zakat, Tax and Customs Authority ("Authority") regulations in the Kingdom of Saudi Arabia.

(a) Zakat base calculation

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
Shareholders' equity	1,566,661,606	1,566,130,835
Beginning provisions and other adjustments	512,451,073	503,145,041
Property and equipment (net)	(1,546,936,349)	(1,678,256,741)
Other deductions	(153,478,428)	(40,432,701)
Adjusted net income	330,224,717	234,652,923
Zakat base for the Group	708,922,619	585,239,357
Zakat payable	**18,018,450**	14,904,442

32. Accrued Zakat - continued

(b) Adjusted net income for the year

	For The Year Ended December 31,	
	2021	**2020**
	SAR	**SAR**
Net profit before zakat	117,560,461	150,710,906
Provisions added during the year	212,664,256	83,942,017
Adjusted net income	**330,224,717**	**234,652,923**

32.2 Zakat movement

The movement of zakat for the group during the year is as follows:

	As of December 31,	
	2021	**2020**
	SAR	**SAR**
Balance as at January 1	19,883,931	16,619,782
Previous years adjustments	673,885	4,979,508
Charged to related parties	242,592	-
Provision for the year	18,018,450	14,904,442
Payments during the year	(20,471,744)	(16,619,801)
Balance as at December 31	**18,347,114**	**19,883,931**

32-3 Status of zakat assessments

Al Hammadi Company for Development and Investment

The company submitted all zakat and tax returns until 2020, and paid the due zakat from the returns submitted to the ("Authority") and obtained a final certificate.

As of January 1, 2019, a consolidated financial statements are prepared for the group including the subsidiaries, which are submitted to the ("Authority") as a single zakat group, with the exception of the Medical Industries Company. The consolidated Zakat return for the year 2021 is under process.

Pharmaceutical Services Co., Ltd.

The company submitted all zakat and tax returns until the fiscal year ended on December 31, 2018.

During 2021, the company received zakat assessment letters for the years 2016 and 2018 requiring the company to pay zakat differences amount of SAR499,572 .

Also, the company received has received during 2021 zakat assessment letter for the year 2017 requiring the company to pay zakat differences amount of SAR212,215.

The company has objected these zakat assessments due to material differences in the assessments based on the opinion of the company zakat advisor. The letters of objection were submitted, explaining the material differences, and the correct basis for calculating each item, which are still under study by the ("Authority").

33. Trade payable

	Note	As of December 31, 2021 SAR	2020 SAR
Medicines and medical supplies vendors		49,545,426	46,602,293
Admin and non-medical supplies vendors		1,941,825	2,250,931
Services vendors		8,868,942	4,117,932
Amounts due to related parties	(35)	612,367	82,062
		60,968,560	**53,053,218**

34. Other Payables

	As of December 31, 2021 SAR	2020 SAR
Securities withheld from others	19,836,489	23,522,197
Dividend payable*	634,643	287,735
Legal provisions **	2,305,000	8,000,000
Other	5,558,641	7,357,729
	28,334,773	**39,167,661**

There are some legal cases, in the normal course of business, that are still pending in front of the competent authorities, and the management works to resolve them and takes the necessary provisions for these cases.

The management reversed an amount of 4.8 million SAR during the year 2021 from the provision for legal cases based on the latest update related to these cases. (See Note 13).

35. Related party transactions and balances

The Group in the normal course of business carries on business with other enterprises and individuals that fall within the definition of a related party contained in IFRS. These transactions are carried out in normal course of the business and are measured at exchange amounts, being the amounts agreed by both parties. The transactions are made at terms equivalent to those that prevail in arm’s length transactions. Outstanding balances at the year-end are unsecured, interest free and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2020: Null). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

During the ordinary course of business, the Group engaged in several significant transactions with related parties (i.e., major shareholders of the Group) as illustrated below:

	For The Year Ended December 31, 2021 SAR	2020 SAR
Compensation to key management personnel	7,187,103	7,740,865
Purchases from companies owned by shareholders	1,397,231	2,473,276
Rental expense paid to shareholders	11,767,000	10,003,000
Rental expense paid to relatives of shareholders	630,000	630,000
Clinical services rendered to shareholders	42,149	679,887

35. Related party transactions and balances- continued

Significant year-end balances from transactions with related parties are as follows:

	Note	As of December 31, 2021 SAR	As of December 31, 2020 SAR
Main shareholders		-	185,852
Key management personnel		1,025,048	24,254
Amounts due from related party	**(23)**	**1,025,048**	**210,106**

	Note	As of December 31, 2021 SAR	As of December 31, 2020 SAR
Main shareholders		612,367	82,062
Amounts due to related party	**(33)**	**612,367**	**82,062**

36. Commitments and contingencies

letters of guarantee

The Group has letters of guarantee issued in the course of normal business with a total value of approximately 15.1 million SAR as of December 31, 2021 (approximately 29.1 million SAR as on December 31, 2020).

Legal cases provision

There are some legal cases, in the normal course of business, that are still pending in front of the competent authorities, and the management works to resolve them, but the final outcome of these cases is not certain. The management closely monitors the updates and takes the necessary provision, based on the principle of conservatism. The management believes that the current provisions are sufficient and it does not expect that the results of these cases will be material on the consolidated financial statements of the group.

Value added tax

During the fiscal year ending on December 31, 2021, the company received letters from the Zakat, Tax and Customs Authority ("the Authority") stating that the tax returns for value added tax have been amended for all periods of the year 2020, and request a payment of tax differences and fines for the periods referred to, with a total amount of 5,410,688 SAR. On 17 Rabi' al-Akhir, 1443 AH, corresponding to November 23, 2021, all assessments of the Authority were objected to due to the presence of material differences in them, based on the opinion of the zakat and tax advisor of the company. The letters of objection were submitted, explaining the essential differences, and the correct basis for calculating each item, which are still under study by the authority.

Operating lease liability – The group as lessor

The Group as lessor entered into contractual arrangements whereby it provides certain trademarks a particular space within its premises for pre-specified rental payments. These agreements take the form of an operating lease that include contingent rents to be recognized as income during the period.

Future rentals receivable under non-cancellable operating leases are:

	2021 SAR	2020 SAR
Within one year	1,808,855	1,714,577
After one year but not more than five years	1,252,876	2,107,460

37. Financial assets and financial liabilities

Financial instruments risk management objectives and policies

The main financial instruments carried on the group's statement of financial position include cash and cash equivalents, accounts receivables and other debit balances, due from related parties, accounts payables, loans, due to related parties, accrued liabilities and other credit balances. The main purpose behind the Group's financial liabilities is to finance the operations and to provide guarantees to support the operations.

The Group's activities exposed it to various risks. These risks are: Market risk (which includes: Currency risk, fair value and cash flow interest rate risks and price risk), Credit risk and Liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. The board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: 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, borrowings and deposits.

Currency Risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk. The Group has also some transactions in EURO which were not significant as at 31 December 2021 (31 December 2020).

Fair value and cash flow interest rate risks

The exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group monitors the commission rate fluctuations on a continuous basis and acts accordingly. The Group's commission rates principally relate to its borrowings and are subject to change on periodic basis.

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is currently not exposed to price risk as it has no investments in marketable securities.

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 places its cash with banks that have sound credit ratings. Accounts receivables and due from related parties are carried net of expected credit losses provision amounted SAR 243,3 million as of 31 December 2021 (31 December 2020: SAR 88,4 million). (Note 23).

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The total of long-term bank loans as at 31 December 2021 is SAR zero (31 December 2020: SAR 10,0 million).

37. Financial assets and financial liabilities- Continued

Fair Value levels

- **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.

A. Assets and liabilities that are not measured at fair value on a recurring basis:

	As of December 2021			
	Book value	**Fair value**		
SAR		**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Inventory	53,606,322	-	-	-
Other receivables	4,849,584	-	-	-
Prepayments	11,446,239	-	-	-
Contractual assets	7,390,087	-	-	-
Trade receivables	364,219,105	-	-	-
Cash and cash equivalents	120,857,509	-	-	-
Financial Assets				
Loans	208,691,419	-	-	-
Government grants	136,744,609	-	-	-
Trade payables	60,968,560	-	-	-
Accrued expenses	22,699,557	-	-	-
Other payables	28,334,773	-	-	-

	As of December 2020			
	Book value	**Fair value**		
SAR		**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Inventory	61,844,950	-	-	-
Other receivables	4,394,621	-	-	-
Prepayments	35,890,277	-	-	-
Contractual assets	5,230,424	-	-	-
Trade receivables	595,961,584	-	-	-
Cash and cash equivalents	13,649,955	-	-	-
Financial Assets				
Loans	244,875,055	-	-	-
Government grants	144,358,206	-	-	-
Trade payables	53,053,218	-	-	-
Accrued expenses	26,841,031	-	-	-
Other payables	39,167,661	-	-	-

The book value of the financial assets and financial liabilities stated in the group's financial statements approximates their fair value

There are no transfers between Level 1 and Level 2 during the year ended December 31, 2021 and 2020.

38. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation in the current year, to enhance the comparability of information and to be more appropriate for users of consolidated financial statements, as follows:

(As at December 31, 2020)	**Impact of reclassification**		
Consolidated Statement of Financial position	As previously reported	Re-classified	As Classified
Property and equipment	1,678,256,741	(5,955,951)	1,672,300,790
Intangible assets and goodwill	39,785,461	5,955,951	45,741,412

(For the year ended December 31, 2020)	**Impact of reclassification**				
Consolidated Statement of profit or loss	As previously reported	Re-classified	As Classified	Included in discontinued operations	Included in continued operations
Revenue	991,806,641	1,596,096	993,402,737	229,347,140	764,055,597
Cost of revenue	(639,969,364)	(27,407,727)	(667,377,091)	(156,151,030)	(511,226,061)
General and administrative expense	(115,143,495)	27,407,727	(87,735,768)	(6,343,161)	(81,392,607)
Other income	11,777,545	(1,596,096)	10,181,449	(163,106)	10,344,555

39. Subsequent events

The Board of Directors of Al Hammadi Company for Development and Investment has recommended, in its meeting held on Sha'ban 21 1443 AH corresponding to March 24, 2022, the distribution of cash dividends of SAR48 million to the company's shareholders for the first quarter of 2022 at a rate of SAR0.40 Saudi riyals (40 Halalas) per share.

The Board of Directors of Al Hammadi Company for Development and Investment has recommended, in its meeting held on Sha'ban 21, 1443 AH corresponding to March 24, 2022 AH, to increase the company's share capital by SAR (400,000,000) through the capitalization of the retained earnings and part of the statutory reserve and granting shareholders free shares. The purpose for share capital increase is to support the capital base of the company and to enhance the growth plans and future activities of the company and maximizing returns for shareholders.

The company announced on the Tadawul website on March 29, 2022 that it signed a contract to purchase a land in the Al-Narjis area for the purpose of establishing a hospital for an amount of SAR 115,600,133.

40. Approval of the consolidated financial statements

These consolidated financial statements have been approved by the board of directors on 21 Shaban 1443H (24 March, 2022).