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

Consolidated Financial Statements
For the year ended 31 December 2022
Together with Independent Auditor's Report

Al Hammadi Holding Company (Previously Al Hammadi for Development and Investment)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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Independent auditor's report

To the shareholders of
Al Hammadi Holding Company (Previously Al Hammadi Company for Development and Investment)
(a Saudi Joint Stock Company)
Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of **Al Hammadi Holding Company (Previously Al Hammadi Company for Development and Investment)** (the "Company") and its subsidiaries (collectively the "Group"), which comprise of the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders'equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the (*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements)* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our 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.

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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 for the current year ended. 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.

Revenue recognition	
Key audit matter	**How the key audit matter was addressed in our audit**
The Group recognized revenue of SAR 1.1 billion during the year ended 31 December 2022 (31 December 2021: SAR 0.95 billion). The Group recognizes revenue upon satisfaction of performance obligations attached to medical and related services at the fair value of consideration received or receivable, net of variable consideration. Certain contracts with customers include variable considerations in the form of prompt payment discount or any expected discounts for some of the services provided. Significant accounting judgments, estimates and assumptions are made by the management to determine the variable consideration. Revenue recognition is considered as a key audit matter due to the existence of risks associated with the amount of revenues related to the controls and judgments that mainly depend on management's estimates when the amount of revenue is recognized.	Our procedures for auditing revenue recognition included the following: - Assessed the appropriateness of the Group's revenue recognition and its compliance with International Financial Reporting Standard No. (15) "Revenue from Contracts with Customers". - Assessed the appropriateness of significant accounting judgments, estimates and assumptions made by the management to determine the revenue recognition and the variable consideration based on the contracts' terms. - Assessed the design and implementation of the operating effectiveness of relevant controls in relation to revenue recognition. - Involved our IT experts in testing the applied IT controls and the internal control around them. - Performed analytical procedures on revenues. - Performed tests (on a sample basis) of settlements, claims and collections made with major clients of the Group. - Assessed the adequacy of relevant disclosures in the consolidated financial statements.
Refer to note 5 for the accounting policies and note 8 for the related disclosures	

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key audit matters include – (continued)

Allowance for expected credit loss of trade receivable	
Key audit matter	**How the key audit matter was addressed in our audit**
As at 31 December 2022, the Group trade receivable balance amounted to SAR 640 million (31 December 2021: SAR 606 million), and the allowance for expected credit loss balance amounted to SAR 159 million (31 December 2021: SAR 243 million). The Group assesses at each reporting date whether the trade receivables is impaired. Management has applied an expected credit loss ("ECL") model to determine the appropriate allowance for impairment loss. Further, the Group performs an assessment based on a defined policy for certain categories of customers. The determination of allowance for expected credit losses of trade receivables is based on certain assumptions that relate mainly to risk of default and expected loss rates. The Group applies judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, market conditions, as well as forward looking estimates. We considered this as a key audit matter due to the level of judgment applied and estimates made in the application of the ECL model and the assessment of allowance for expected credit losses.	Our procedures for auditing an expected credit loss included the following - Obtained an understanding of the process used by management in determining the allowance for expected credit losses of accounts receivable. - Assessed significant assumptions used in the ECL model's calculation such as; future events and macro-economic variables that are used to determine the allowance for expected credit losses. - Tested the completeness and mathematical accuracy of the ECL model. - Assessed the assumptions used by management in connection to the determination of allowance for expected credit losses for certain customers' categories. - Tested, on a sample basis, the calculation performed by management of allowance for expected credit losses for these categories of customers. - Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.
Refer to note 5 for the accounting policies and note 23 for the related disclosures	

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Other information

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and Regulations for Companies and the Company's Bylaws 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 have no realistic alternative but to do so.

Those Charged with Governance, in particular the Audit Committee for the Group is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, on: 20 Sha'ban 1444H

Corresponding to: 12 March 2023 G

Al Hammadi Holding Company (Previously Al Hammadi Company for Development and Investment) (A Saudi joint stock company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022
(In Saudi riyals)

	Notes	For the year ended 31 December 2022	2021
Revenue	(8)	**1,122,397,025**	951,887,495
Cost of revenue	(9)	**(706,378,359)**	(587,840,128)
GROSS PROFIT		**416,018,666**	364,047,367
Selling and marketing expenses	(10)	**(6,172,580)**	(5,040,388)
Administrative and general expenses	(11)	**(92,699,058)**	(79,291,692)
Allowance for expected credit loss	(37)	**(54,338,966)**	(154,474,881)
Impairment losses on goodwill	(18)	**-**	(9,688,990)
Other operating income	(12)	**28,976,899**	15,677,796
OPERATING PROFIT		**291,784,961**	131,229,212
Company share of profit from associate	(19)	**4,075,422**	2,048,366
Finance costs	(13)	**(21,709,418)**	(15,717,117)
NET PROFIT BEFORE ZAKAT		**274,150,965**	117,560,461
Zakat expense	(32)	**(16,814,797)**	(18,692,335)
NET PROFIT FROM CONTINUED OPERATIONS		**257,336,168**	98,868,126
(Loss) profit from discontinued operations	(14)	**-**	(8,780,289)
NET PROFIT FOR THE YEAR		**257,336,168**	90,087,837
Earnings per share:			
Basic and diluted profit for the year attributable to ordinary equity holders	(15)	**1.61**	0.56

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Holding Company (Previously Al Hammadi Company for Development and Investment) (A Saudi joint stock company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(In Saudi riyals)

	Notes	For the year ended 31 December 2022	2021
NET PROFIT FOR THE YEAR		**257,336,168**	90,087,837
Items that will not be subsequently reclassified into profit or loss			
Re-measurement (loss) gain on defined benefit plans	(31)	**(5,973,054)**	2,454,496
The company's share in other comprehensive (loss) / income of an associate	(19)	**(89,662)**	85,298
Other comprehensive (loss) / income for the year		**(6,062,716)**	2,539,794
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**251,273,452**	92,627,631

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Holding Company (Previously Al Hammadi Company for Development and Investment) (A Saudi joint stock company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(In Saudi riyals)

	Notes	As at 31 December 2022	2021
ASSETS			
Non-current assets			
Property and equipment	(16)	**1,606,179,197**	1,546,936,349
Advance payments for the acquisition of property and equipment	(17)	**95,803,611**	-
Intangible assets	(18)	**28,538,729**	32,150,289
Investment in associate	(19)	**124,244,424**	120,258,664
Total Non-Current Assets		**1,854,765,961**	1,699,345,302
Current assets			
Inventories	(20)	**56,232,718**	53,606,322
Other receivables	(21)	**7,182,309**	4,849,584
Prepayments	(22)	**14,755,274**	11,446,239
Contract assets	(8-3)	**7,254,486**	7,390,087
Trade receivables	(23)	**481,054,832**	364,219,105
Cash and cash equivalents	(24)	**60,602,485**	120,857,509
Total current assets		**627,082,104**	562,368,846
TOTAL ASSETS		**2,481,848,065**	2,261,714,148
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	(25)	**1,600,000,000**	1,200,000,000
Statutory reserve	(26)	**37,022,854**	73,230,165
Retained earnings		**73,539,835**	386,059,072
TOTAL SHAREHOLDRS' EQUITY		**1,710,562,689**	1,659,289,237
LIABILITIES			
Non-current liabilities			
Loans	(28)	**202,958,673**	179,120,978
Government grants	(29)	**114,937,924**	129,331,720
Lease liabilities	(30)	**114,510,325**	751,627
Employees' terminal benefits	(31)	**78,826,036**	65,853,216
Total non-current liabilities		**511,232,958**	375,057,541
Current liabilities			
Loans	(28)	**29,163,829**	29,570,441
Government grants	(29)	**9,102,925**	7,412,889
Lease liabilities	(30)	**14,469,351**	7,752,599
Accrued zakat	(32)	**16,898,535**	18,347,114
Trade payables	(33)	**87,043,622**	60,968,560
Accrued expenses	(34)	**35,503,787**	22,699,557
Other payables	(35)	**25,041,463**	28,334,773
Contract liabilities	(8-3)	**42,828,906**	52,281,437
Total current liabilities		**260,052,418**	227,367,370
TOTAL LIABILITIES		**771,285,376**	602,424,911
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,481,848,065**	2,261,714,148

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen	Mohammed Saleh Al Hammadi
Finance Manager	Managing Director & CEO

Al Hammadi Holding Company (Previously Al Hammadi Company for Development and Investment)
(A Saudi joint stock company)

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the year ended 31 December 2022
(In Saudi riyals)

	Share Capital	Statutory Reserve	Retained Earnings	Total Shareholders' Equity
As at 31 January 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 31 December 2021	1,200,000,000	73,230,165	386,059,072	1,659,289,237
As at 31 January 2022	**1,200,000,000**	**73,230,165**	**386,059,072**	**1,659,289,237**
Net profit for the year	-	-	**257,336,168**	**257,336,168**
Other comprehensive loss	-	-	**(6,062,716)**	**(6,062,716)**
Total comprehensive income	-	-	**251,273,452**	**251,273,452**
Transferred to increase share capital (note 25)	**400,000,000**	**(61,940,928)**	**(338,059,072)**	-
Transfer to statutory reserve (note 26)	-	**25,733,617**	**(25,733,617)**	-
Dividends (note 27)	-	-	**(200,000,000)**	**(200,000,000)**
As at 31 December 2022	**1,600,000,000**	**37,022,854**	**73,539,835**	**1,710,562,689**

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Holding Company (Previously Al Hammadi Company for Development and Investment) (A Saudi joint stock company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(In Saudi riyals)

	Notes	For the year ended 31 December 2022	2021
OPERATING ACTIVITIES			
Net profit		**257,336,168**	90,087,837
Adjustments to reconcile net profit to net cash flow:			
Depreciation of property and equipment and right of use assets	(16-C)	**96,718,826**	105,214,109
Amortization of intangible assets	(18-3)	**3,694,685**	4,216,113
Losses on disposals of property from discontinued operations	(14)	**-**	39,181,615
Gain on disposals of property and equipment		**-**	(29,996)
Losses on disposals of the right of use assets		**-**	65,769
Impairment losses of goodwill	(18-1)	**-**	9,688,990
Company share of profits from associate	(19)	**(4,075,422)**	(2,048,366)
Provision for slow-moving inventory	(20-1)	**851,437**	120,600
Allowance for expected credit loss	(37)	**54,338,966**	154,474,881
Government grants released	(12)	**(17,413,665)**	(7,613,597)
Current services cost of employees' terminal benefits	(31-c)	**11,903,783**	12,565,995
Reverse of legal provision	(12)	**-**	(4,831,048)
Lease liability generated during the year	(8-3)	**45,507,376**	52,710,355
Finance expenses	(13)	**21,709,418**	15,825,572
Zakat charge during the year		**16,814,797**	18,692,335
		487,386,369	488,321,164
Working capital adjustments:			
Inventories		**(3,477,833)**	8,118,028
Other receivables		**(3,332,200)**	(454,963)
Prepayments		**(3,486,427)**	24,982,416
Contract assets		**(8,546,066)**	(2,159,663)
Net changes in related parties		**2,674,341**	(42,045)
Trade receivables		**(162,341,207)**	77,544,162
Trade payables		**17,535,855**	6,231,847
Accrued expenses		**12,804,230**	(4,141,474)
Other payables		**(4,279,520)**	(6,348,749)
Contract liability		**(54,959,907)**	(127,006,916)
		279,977,635	465,043,807
Employees' terminal benefits paid	(31-C)	**(8,460,089)**	(9,936,038)
Zakat paid	(32)	**(18,207,612)**	(20,471,744)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**253,309,934**	434,636,025
INVESTING ACTIVITIES			
Purchase of property and equipment		**(16,723,020)**	(14,601,454)
Advance payments for acquisition of property and equipment	(17)	**(95,803,611)**	-
Cash proceeds from sale of property and equipment		**-**	29,996
Purchase of intangible assets	(18)	**(83,125)**	(313,980)
Investment in associate	(19)	**-**	(118,125,000)
NET CASH USED IN INVESTING ACTIVITIES		**(112,609,756)**	(133,010,438)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**146,239,637**	50,843,600
Repayment of bank and government borrowings		**(134,951,637)**	(98,267,600)
Lease liabilities paid	(30)	**(8,155,460)**	(13,277,939)
Finance cost paid		**(5,073,952)**	(2,063,002)
Dividends paid		**(199,013,790)**	(131,653,092)
NET CASH USED IN FINANCING ACTIVITIES		**(200,955,202)**	(194,418,033)
Net changes in cash and cash equivalents		**(60,255,024)**	107,207,554
Cash and cash equivalents at the beginning of the year		**120,857,509**	13,649,955
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**60,602,485**	120,857,509

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

(In Saudi riyals)

	Notes	For the year ended 31 December 2022	2021
Supplementary information for non-cash transactions			
Right-of-use assets additions	(16)	**135,347,262**	5,738,895
Related parties receivables		**55,764**	242,592
Transfer from lease liabilities to trade payables	(30)	**34,150**	1,153,190
Transfer from lease liabilities to related parties payables	(30)	**6,800,000**	-
Share capital increase from retained earnings and statutory reserve	(25)	**400,000,000**	-
Interest capitalized to property and equipment	(16-b)	**3,891,392**	-

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

(All amounts in Saudi Riyals unless otherwise stated)

1. Corporate information

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

The Company's registered address is P.O. Box 10112, Riyadh 11443, Saudi Arabia.

The main activities of the Company are represented in managing its subsidiaries or participating in the management of other companies in which it contributes and providing the necessary support to them, investing its money in shares and other securities in accordance with legal and regulatory controls, owning real estate and movables necessary to conduct its activities, and providing loans, guarantees and financing to its subsidiaries, Owning property rights including patents, trademarks, industrial rights, franchises and other intangible rights, exploiting and leasing them to its subsidiaries or others, and owning, developing and investing real estate by selling, buying, renting, leasing, managing, operating and maintaining it. The company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent agencies, if any.

On 20 June 2022, the company's shareholders in the general assembly agreed to change the company's name from Al Hammadi Company for Development and Investment to Al Hammadi Holding Company, and to amend the company's objectives. The company's fiscal year begins on the first of January of each year and ends at the end of December of each calendar year.

On 27 Muharram 1444H (corresponding to: 25 August 2022), the company completed the statutory procedures to approve the amendments to the company's articles of association and commercial register.

Details of subsidiary companies are as follows:

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Commercial Registration No.	Business Activity	Functional Currency	Ownership Interest 2022	Ownership Interest 2021
Medical Support Services Company Limited	Saudi Arabia	1010203580	Trading Company	Saudi Riyals	**100%**	100%
Pharmaceutical Services Company Limited	Saudi Arabia	1010173099	Trading Company	Saudi Riyals	**100%**	100%
Al-Hammadi for Hospitals Operations and Management Company Limited	Saudi Arabia	1010374269	Trading Company	Saudi Riyals	**100%**	100%
Medical Industries Company Limited	Saudi Arabia	1010899779	Industrial Company	Saudi Riyals	**100%**	100%

(All amounts in Saudi Riyals unless otherwise stated)

1. Corporate information – continued

These consolidated financial statements include the accounts of the Group and subsidiary companies, and the following branches (collectively, a "Group") described below which operate under separate commercial registrations:

Branch Name	Commercial Registration No.	City
Al Hammadi Hospital, Olaya - branch	1010263026	Riyadh
Al Hammadi Hospital, Al-Suwaidi- branch	1010934227	Riyadh
Al Hammadi Hospital, Al-Nuzha - branch	1010374270	Riyadh
Al Hammadi Hospitals Group	1010740187	Riyadh
Maintenance & Operations	1010374273	Riyadh
Arabian Hospitality	1010610529	Riyadh
Medical Support Services Training Center	1010500366	Riyadh
Medical Support Services Female Training Center	1010651084	Riyadh
Home Medical Care	1010610897	Riyadh
Continuous Medical Education Center	1010503393	Riyadh
Medical Diagnostic Center for Medical Services	1010610524	Riyadh
Telemedicine Limited	1010610532	Riyadh
Unified Procurement Limited	1010610555	Riyadh
Bio and Pharmaceutical Industries Complex	1126105966	Sudair

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 compliance

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 pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA). (Hereinafter referred to as the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia).

2.2 Preparing of financial statements

The consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated in the accounting policies below.

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 thef 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 valuefor 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 2022.

5.1.1. 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.

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 2023 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 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.

5.2.3. 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.

This amendment is not expected to have a significant impact on the Group.

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. Significant accounting policies - Continued

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.

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. Significant accounting policies - Continued

5-8 Investment in Associates

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

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.

5. Significant accounting policies - Continued

5-9 Property and equipment- Continued

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 exceeds 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.

5-10 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.

5. Significant accounting policies - Continued

5-10 Rent Contracts- Continued

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).

5-11 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. Knowledge right 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. Significant accounting policies - Continued

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 each period that 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.

5-14 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 amortized cost;
- Debt instruments at fair value through other comprehensive income, (with reclassified to consolidated profit or losses statement) or
- Equity instruments instruments at fair value through other comprehensive income, (with reclasified to consolidated profit or losses statement) or
- At fair value through profit and loss.

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;

5. Significant accounting policies - Continued

5-14 Financial instruments accounting policy- Continued

- 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.

Financial assets FVOCI with reclassification to consolidated profit or loss statement

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 criteria of amortized cost of FVOCI 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.

5. Significant accounting policies - Continued

5-14 Financial instruments accounting policy- Continued

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).

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.

5. Significant accounting policies - Continued

5-14 Financial instruments accounting policy- Continued

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.

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. Amounts 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. The Group derecognized financial liability is when the obligation under the liability is satisfied, discharged, cancelled or expired.

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. Significant accounting policies - Continued

5-17 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.

5-18 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.

5-19 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.

5. Significant accounting policies - Continued

5-19 Revenue accounting policy - Continued

(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.

(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.

5-20 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.

5-21 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.

5-22 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. Significant accounting policies - Continued

5-23 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 reclassified 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.

5-24 Business combination

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

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

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

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

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

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

6. Significant accounting judgments, estimates, and assumptions

6-1 Estimates and assumptions

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

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

The key assumptions 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.

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

- **Satisfaction of performance obligations**
  The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.
- **Determination of transaction prices**
  The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to insurance claims discount or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.
- **Transfer of control in contracts with customers**
  In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

Allowance for expected credit loss
The allowance for expected credit loss 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.

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.
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.

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

6-1 Estimates and assumptions– Continued

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.

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 years' 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.

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

6-2 Significant judgements in applying accounting standards

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

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

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

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

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

7. Segment information

Operating segments is determined based on the Group’s internal reporting to the Chief Operating Decision Maker

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

The following are selected financial information as at 31 December 2022 and 2021 by business segment:

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

For the year ended 31 December	Medical Services		Pharmaceutical Products		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Revenue	**870,742,517**	737,901,961	**251,654,508**	213,985,534	**1,122,397,025**	951,887,495
Gross Profit	**342,936,415**	299,486,733	**73,082,251**	64,560,634	**416,018,666**	364,047,367
Net income from continuing operations	**221,978,955**	68,885,120	**35,357,213**	29,983,006	**257,336,168**	98,868,126
(loss) income from discontinued operations	-	(12,995,551)	-	4,215,262	-	(8,780,289)
Depreciation and amortization	**97,339,921**	106,179,006	**3,073,590**	3,251,217	**100,413,511**	109,430,223
Net profit	**221,978,955**	55,889,569	**35,357,213**	34,198,268	**257,336,168**	90,087,837
Total Assets	**2,187,944,648**	1,999,054,308	**293,903,417**	262,659,840	**2,481,848,065**	2,261,714,148
Total Liabilities	**717,028,573**	563,905,846	**54,256,803**	38,519,065	**771,285,376**	602,424,911

(All amounts in Saudi Riyals unless otherwise stated)

8. Revenue

8-1 Revenue sources:

	For the year ended 31 December	
	2022	**2021**
Medical services revenue	**870,742,517**	737,901,961
Pharmaceutical sale revenue	**251,654,508**	213,985,534
	1,122,397,025	951,887,495

8-2 Timing of revenue recognition:

	For the year ended 31 December	
	2022	**2021**
Products and services transferred at a point in time	**596,150,172**	500,010,588
Products and services transferred over time	**526,246,853**	451,876,907
	1,122,397,025	951,887,495

8-3 Contracts balances

Contracts assets

	As at 31 December	
	2022	**2021**
Balance at 1 January	**7,390,087**	5,230,424
Contracts assets generated during the year	**121,751,459**	105,530,878
Transferred from contracts assets to trade receivables	**(113,205,393)**	(103,371,215)
Balance at 31 December	**15,936,153**	7,390,087
Allowance for expected credit loss	**(8,681,667)**	-
	7,254,486	7,390,087

The movement in the allowance for credit loss is as follows:

	For the year ended 31 December	
	2022	**2021**
1 January	-	-
Charge during the year	**8,681,667**	-
31 December	**8,681,667**	**-**

Contracts liabilities

	As at 31 December	
	2022	**2021**
Balance at 1 January	**52,281,437**	126,577,998
Contracts liabilities generated during the year	**45,507,376**	52,710,355
Transferred to revenues	**-**	(54,501,119)
Used from contracts liabilities	**(54,959,907)**	(72,505,797)
Balance at 31 December	**42,828,906**	52,281,437

(All amounts in Saudi Riyals unless otherwise stated)

9. Cost of revenue

	Note	For the year ended 31 December 2022	2021
Medical and pharma consumables		**295,327,519**	233,257,820
Employee costs		**256,073,530**	209,299,602
Depreciation of property, equipment and right of use assets	(16-2)	**85,192,720**	83,698,614
Repairs and maintenance		**23,541,105**	21,022,607
Utilities		**15,087,984**	11,086,193
Non-medical consumables		**14,266,654**	13,543,868
Rent		**2,407,199**	74,500
Amortization of intangible assets	(18-3)	**1,567,092**	1,990,553
Others		**12,914,556**	13,940,871
		706,378,359	587,840,128

10. Selling and marketing expenses

	For the year ended 31 December	
Employee cost	**3,973,735**	2,129,834
Collection service expenses	**411,043**	1,254,603
Training and business development	**158,406**	301,775
Others	**1,629,396**	1,354,176
	6,172,580	5,040,388

11. Administrative and general expenses

	Note	For the year ended 31 December 2022	2021
Employee costs		**55,702,524**	51,302,620
Depreciation of property, equipment and right of use assets	(16-C)	**11,526,106**	11,653,872
Professional fees		**7,528,086**	2,440,109
Utilities		**3,597,052**	3,409,335
Remuneration		**3,357,778**	1,075,000
Fees, licenses and accreditation		**2,915,908**	3,598,212
Amortization of intangible assets	(18-3)	**2,127,593**	2,225,560
Insurance		**465,841**	276,925
Repairs and maintenance		**224,159**	264,158
Donations		**54,000**	162,000
Others		**5,200,011**	2,883,901
		92,699,058	79,291,692

12. Other income

	For the year ended 31 December 2022	2021
Government grants released	**17,413,665**	7,613,597
Human Resources Support Fund	**5,085,770**	312,035
Rental income	**1,823,643**	1,793,912
Reversal of legal provision	**-**	4,831,048
Profit from disposal of property and equipment	**-**	29,996
Others	**4,653,821**	1,097,208
	28,976,899	15,677,796

(All amounts in Saudi Riyals unless otherwise stated)

13. Finance costs

	Note	For the year ended 31 December 2022	2021
Finance costs on government's loans		**11,670,237**	11,240,363
Finance costs on commercial banks' loans long and short term		**6,365,315**	1,954,547
Finance costs on defined benefit plan	(31-C)	**3,556,072**	1,993,671
Finance costs on lease contract liabilities	(30)	**117,795**	528,538
		21,709,418	15,717,117

14. Discontinued operations

The Board of Directors of the company approved in the meeting held on 16 September 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.

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 31 December 2022	2021
Revenues	-	131,700,840
Cost & expenses	-	(101,506,958)
Loss on disposal of property and equipment from discontinued operation	-	(39,181,615)
Other operating income	-	315,899
Finance costs	-	(108,455)
Loss from discontinued operations	-	(8,780,289)
Loss earnings per share from discontinued operations	-	(0.05)

- The cost and expenses item includes staff costs amounting to 50.4 million Saudi Riyal.
- The loss from discontinued operations from Al-Hammadi Olaya Branch Hospital at the end of 31 December 2022 amounted to zero (31 December 2021: 8.8 million Saudi Riyals), and the profit from continuing operations of 257.3 million Saudi Riyals (31 December 2021: 98.9 million Saudi Riyals).
- The Group'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) Effect of disposal on the financial position of the Group

	2021
Property and Equipment's	(39,181,615)
	(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 5.9 million Saudi Riyals (31 December 2021: 6.4 million Saudi Riyals).

(All amounts in Saudi Riyals unless otherwise stated)

15. 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.

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

	As at 31 December	
	2022	**2021**
Net profit for the year	**257,336,168**	90,087,837
Weighted average number of ordinary shares	**160,000,000**	160,000,000
Basic and diluted earnings per share	**1.61**	0.56

The weighted average number of shares as at 31 December 2022 totaled 160,000,000 shares, after the share capital increased by granting free shares to shareholders, the weighted average number of shares was applied to the comparison periods retrospectively for the purposes of calculating earnings per share.

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.

(All amounts in Saudi Riyals unless otherwise stated)

16. Property plant and equipment

Note	Land (16-A)	Buildings	Equipment and tools	Furniture, fixtures and office equipment	Vehicles	Work in progress	Right of use of assets	Total
Cost								
At 1 January 2021	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**
Additions	**-**	**4,855,358**	**6,063,875**	**1,801,199**	**-**	**7,893,980**	**135,347,262**	**155,961,674**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(40,183,209)**	**(40,183,209)**
At 31 December 2022	**287,931,841**	**1,148,525,351**	**493,712,029**	**81,512,818**	**7,990,113**	**10,262,098**	**137,626,003**	**2,167,560,253**
Accumulated Depreciation								
At 1 January 2021	-	305,754,213	244,772,348	83,588,749	6,503,774	-	18,359,589	658,978,673
Charge for the year (16 – 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
Charge for the year (16 - 2)	**-**	**35,413,851**	**41,864,048**	**8,081,449**	**474,316**	**-**	**10,885,162**	**96,718,826**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(40,183,209)**	**(40,183,209)**
At 31 December 2022	**-**	**227,631,162**	**268,417,628**	**56,177,046**	**7,568,404**	**-**	**1,586,816**	**561,381,056**
Net book value								
At 31 December 2022	**287,931,841**	**920,894,189**	**225,294,401**	**25,335,772**	**421,709**	**10,262,098**	**136,039,187**	**1,606,179,197**
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

16. Property and equipment - Continued

(16-A) Land and buildings illustrated above basically include a part of lands with a value of 152.5 million Saudi Riyal and a part of buildings with a net book value as 912.4 million Saudi Riyal as at 31 December 2022 (31 December 2021: 941.5 million Saudi Riyal) 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 28-1).

(16-B) The capitalized financing costs included in property and equipment as at 31 December 2022 amounted to 3.9 million Saudi riyal (31 December 2021: none).

(16-C) The allocation of depreciation expense of property and equipment and the right-of-use assets between cost of revenue, general and administrative expenses and discontinued operation is as follows:

		For the year ended 31 December	
	Note	2022	2021
Cost of revenue	(9)	**85,192,720**	83,698,614
General and administrative expenses	(11)	**11,526,106**	11,653,872
Discontinued operations		**-**	9,861,623
31 December		**96,718,826**	105,214,109

In the opinion of management, no impairment has been recorded in the carrying value of the Group's property and equipment as at 31 December 2022 (31 December 2021: Zero).

17. Advance payments for the acquisition of property and equipment

On 28 March 2022, the Company (“the buyer”) signed with Al-Narjes Community Real Estate Developer (the “Developer”) a land purchase agreement (“the Block”) with a total area of 19,202.68 sqm in Al Narjis District, for the purpose of establishing a hospital on it, with a total amount of 115,600,133 Saudi Riyals, excluding real estate tax and commission fees; so that the first payment in the amount of 92,480,106 Saudi riyals (80% of the price of the land) is due upon signing the contract in addition to commission fees of 3,323,505 Saudi Riyals , and the second payment in the amount of 23,120,026 Saudi Riyals (20% of the price of the land) is to be paid upon title transfer. The Developer will hand over the land and transfer its ownership on 8 September 2022 (the “delivery date”) provided that the buyer pays the full price of the block on its dates without delaying it until the date of delivery and payment of the commission and value-added tax for the commission and payment of the real estate tax, and the delivery is made based on the delivery record signed by both parties. During the second quarter, the company has paid the first payment and commission fees of 95,803,611 Saudi Riyals.

On 08 September 2022, the company received a letter from the developer stating that the delivery date was delayed due to some comments received from the Riyadh Municipality, which were not in the approved preliminary scheme, with the developer's commitment to deliver and transfer ownership before the date of 28 February 2023.

The remaining amount has been paid and the land ownership has been transferred to the company at subsequent period to the financial statements (Note 40).

18. Intangible assets

	Goodwill	License	Knowledge rights	Total
Cost				
Balance at 1 January 2021	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
Additions	**-**	**83,125**	**-**	**83,125**
Balance at 31 December 2022	**31,450,120**	**12,371,214**	**7,510,800**	**51,332,134**
Accumulated Amortization and Impairment				
Balance at 1 January 2021	-	7,398,084	108,792	7,506,876
Charge during the year		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
Charge during the year	**-**	**2,167,420**	**1,527,265**	**3,694,685**
Balance at 31 December 2022	**9,688,990**	**9,941,093**	**3,163,322**	**22,793,405**
Net book value 31 December2022	**21,761,130**	**2,430,121**	**4,347,478**	**28,538,729**
Net book value 31 December 2021	**21,761,130**	**4,514,416**	**5,874,743**	**32,150,289**

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.

	2022	2021
Discount rate	**10.1%**	14.9%
Terminal value growth rate	**2.1%**	3.0%

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 of 2.1% 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 57.2 million Saudi Riyal , therefore there is no impairment in the carrying amount of the goodwill as at 31 December 2022 (31 December 2021: 9,688,990 million Saudi Riyal)

18. Intangible assets and goodwill- Continued

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 discontinued operation is as follows:

		For the year ended 31 December	
	Note	**2022**	**2021**
Cost of revenue	(9)	**1,567,092**	1,990,553
General and administrative expenses	(11)	**2,127,593**	2,225,560
		3,694,685	4,216,113

19. Investment in associate

On 9 November 2021, The company 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 118,125,000 Saudi Riyal, which represents 35% of Sudair Pharmaceutical Company, the owner and developer of Sudair Pharmaceutical Industries Complex, and emptying it in the name of the company, 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):

A. Financial position	**As at 31 December 2022**	**As at 31 December 2021**	**As at 9 November 2021**
			Un audited
Total assets			
Current	**188,889,182**	157,115,083	163,398,161
Non-Current	**286,378,669**	264,293,746	257,332,975
Total liabilities			
Current	**(61,038,870)**	(118,100,650)	(116,437,075)
Non-Current	**(217,994,725)**	(122,570,903)	(130,022,867)
Net Assets	**(196,234,255)**	(180,737,276)	(174,271,194)

19. Investment in associate - Continued

B. Financial performance	**For the year ended 31 December 2022**	**For the year ended 31 December,2021**	**For the period from 9 November till 31 December 2021**
Total revenue	**178,966,173**	155,339,861	36,996,273
Depreciation and amortization	**(10,360,009)**	(10,117,638)	(1,063,169)
Finance cost	**(10,491,894)**	(6,300,284)	(1,734,125)
Zakat expense	**(1,478,854)**	(1,525,297)	(901,892)
Net income	**15,753,157**	16,991,215	5,852,473
Other comprehensive (loss) / income	**(256,177)**	243,709	243,709
Total comprehensive income	**15,496,980**	17,234,924	6,096,182

During the year 2022, the Group appointed an external consultant to evaluate the assets and liabilities of the associate company at fair value as on the date of purchase, and the results were as follows:

	As at 9 November 2021
	Un audited
Cost of investment	**118,125,000**
Company share in net assets, (35%)	60,994,918
Fair value adjustments:	
Inventory	(838,151)
Accounts receivables	(420,184)
Property & equipment's	(6,061,514)
Licenses	15,291,510
Brand value	28,566,518
Fair value of the company share in net assets, (35%)	97,533,097
Goodwill	20,591,903

Reconciling the book value of the investment to the net assets of the Sudair Pharmaceutical Co.:

	As at 31 December	
	2022	**2021**
Net assets	**196,234,255**	180,737,276
Company share in net assets, (35%)	**68,681,989**	63,258,047
Brand value	**28,566,518**	28,566,518
Goodwill	**20,591,903**	20,591,903
Fair value adjustments	**6,404,014**	7,842,196
Book value of investment	**124,244,424**	120,258,664

The table below showing the movement on investment in associate:

	For the year ended 31 December	
	2022	**2021**
Opening balance	**120,258,664**	-
Cost of investment	**-**	118,125,000
Company's share of net profit	**4,075,422**	2,048,366
Company's share of other comprehensive income	**(89,662)**	85,298
Ending balance	**124,244,424**	120,258,664

20. Inventories

	As at 31 December	
	2022	**2021**
Pharmaceuticals and cosmetics	**27,103,300**	25,697,580
Medical tools and consumables	**25,938,520**	23,537,416
Non-medical tools and supplies	**2,825,379**	3,422,451
Spare parts and consumables not for sale	**1,216,956**	1,069,475
Total inventory	**57,084,155**	53,726,922
Provision of slow-moving inventory	**(851,437)**	(120,600)
	56,232,718	53,606,322

20-1 Movement on slow-moving inventory provision

	For the year ended 31 December	
	2022	**2021**
Opening balance	**120,600**	-
Charge during the year	**851,437**	120,600
Written off during the year	**(120,600)**	-
Ending balance	**851,437**	120,600

21. Other receivables

	As at 31 December	
	2022	**2021**
Employees advances	**5,200,672**	2,584,387
Margin of bank guarantees	**1,023,418**	1,626,820
Refundable insurance deposits	**1,864,807**	118,795
Other	**92,887**	519,582
	8,181,784	4,849,584
Allowance for expected credit loss	**(999,475)**	-
	7,182,309	4,849,584

The summary for the movement of allowance for expected credit loss is as follows:

	For the year ended 31 December	
	2022	**2021**
Opening balance	**-**	-
Charge during the year	**999,475**	-
Ending balance	**999,475**	**-**

22. Prepayments

	As at 31 December	
	2022	**2021**
Advances to suppliers	**12,134,736**	11,430,028
Other prepayments	**3,099,522**	1,986,970
Total	**15,234,258**	13,416,998
allowance for expected credit loss	**(478,984)**	(1,970,759)
	14,755,274	11,446,239

The summary for the movement of allowance for expected credit loss is as follows:

	For the year ended 31 December	
	2022	**2021**
Opening balance	**1,970,759**	2,509,137
Charge during the year	**177,392**	-
Written off during the year	**(1,669,167)**	(538,378)
Ending balance	**478,984**	1,970,759

23. Trade receivables

		As at 31 December	
	Note	**2022**	**2021**
Trade receivables – billed		**639,814,100**	606,538,506
Amounts due from related parties	**(36)**	**-**	1,025,048
Total trade receivables		**639,814,100**	607,563,554
Allowance for expected credit loss		**(158,759,268)**	(243,344,449)
		481,054,832	364,219,105

Aging of trade receivables	As at 31 December	
	2022	**2021**
Neither past due nor impaired	**93,882,268**	98,244,670
30 - 60 days	**143,318,674**	48,094,777
61 - 90 days	**114,124,325**	50,461,936
91 - 360 days	**107,621,431**	123,353,615
More than 360 days	**180,867,402**	287,408,556
	639,814,100	607,563,554

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 2022, approximately 97% of the Group's trade receivables' balance was due from various governmental and insurance entities (31 December 2021: 97.0%).

23. Trade receivables- Continued

The Group uses a model for estimating expected credit losses that comply 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 allowance for expected credit loss 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 allowance for expected credit loss is as follows:

	For the year ended 31 December	
	2022	**2021**
1 January	**243,344,449**	88,458,291
Charge during the year	**44,480,432**	155,013,259
Written off during the year	**(129,065,613)**	(127,101)
31 December	**158,759,268**	243,344,449

24. Cash and cash equivalents

	As at 31 December	
	2022	**2021**
Cash in hand	**451,110**	363,488
Cash at banks	**60,151,375**	120,494,021
	60,602,485	120,857,509

25. Share capital

The company's capital as at 31 December 2022 is 1,600 million Saudi riyals (31 December 2021: about 1,200 million Saudi riyals) consisting of 160 million ordinary shares (31 December 2021: 120 million ordinary shares), fully paid up with a nominal value of 10 Saudi riyals.

The company has completed the procedures and statutory requirements to increase the company's capital by 33%, by granting free shares to the shareholders by capitalizing the retained earnings and part of the statutory reserve with a total amount of 400 million Saudi riyals, after the approval of the Capital Market Authority (CMA) that was issued on 18 May 2022 in light and approval the Extraordinary General Assembly of the company held on 20 June 2022.

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 31 December 2022 an amount of 25,733,617 Saudi Riyal was transferred to the statutory reserve (31 December 2021: 9,008,784 Saudi Riyal).

27. Dividends

The Board of Directors of the company approved, in its meeting held on 12 Shaban 1442H (corresponding to 25 March 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 7 Shawwal 1442H(corresponding to 19 May 2021),

The Board of Directors of the company approved, in its meeting held on 6 Rabi' Al-Thani 1443H(corresponding to 11 November 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 9 December 2021.

The Board of Directors of the Company approved, in its meeting held on 21 Sha'ban 1443H (corresponding to 24 March 2022), the distribution of interim cash dividends of 48 million Saudi Riyal to the company's shareholders for the first quarter of 2022 at a rate of 0.40 Saudi riyals (40 Halalas) per share. The company's general assembly, held on 21 Dhu Al-Qa'dah 1443H (corresponding to 20 June 2022), approved dividends.

The Board of Directors of the Company approved, in its meeting held on 3 Dhu Al-Qa'da 1443H (corresponding to 2 June 2022), the distribution of interim cash dividends of 48 million Saudi Riyal to the company's shareholders for the second quarter of 2022 at a rate of 0.40 Saudi riyals (40 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends for the fiscal year 2022 in accordance with the decision of the Ordinary Assembly on 5 Jumada Al-Awwal 1443H (corresponding to 9 December 2021).

The Board of Directors of the Company approved, in its meeting held on 15 Safar 1444H (corresponding to 10 September 2022), the distribution of interim cash dividends of 48 million Saudi Riyal to the company's shareholders for the third quarter of 2022 at a rate of 0.30 Saudi riyals (30 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends for the fiscal year 2022 in accordance with the decision of the Ordinary Assembly on 05 Jumada Al-Awwal 1443H (corresponding to 9 December 2021).

The Board of Directors of the Company approved, in its meeting held on 5 Jumada al-Awwal 1444H (corresponding to 29 November 2022), the distribution of interim cash dividends of 56 million Saudi Riyal to the company's shareholders for the fourth quarter of 2022 at a rate of 0.35 Saudi riyals (35 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends for the fiscal year 2022 in accordance with the decision of the Ordinary Assembly on 05 Jumada Al-Awwal 1443H (corresponding to 9 December 2021).

28. Long-term loans

	As at 31 December	
	2022	**2021**
Current portion		
Loans from Ministry of Finance	**29,163,829**	29,570,441
	29,163,829	29,570,441
Non-current portion		
Loans from Ministry of Finance	**171,667,309**	179,120,978
Loans from commercial banks	**31,291,364**	-
	202,958,673	179,120,978
Total	**232,122,502**	208,691,419

Aggregate maturities of loans are as follows:

	As at 31 December	
	2022	**2021**
Within one year	**20,005,604**	18,714,240
From one year but to five years	**93,571,200**	93,571,200
More than five years	**219,573,858**	208,285,860
Total	**333,150,662**	320,571,300

	As at 31 December	
	2022	**2021**
Future loans payment	**333,150,662**	320,571,300
Less: un-amortized finance costs	**(101,028,160)**	(111,879,881)
Present value of loans payment	**232,122,502**	208,691,419
Less: current-portion of loans	**(29,163,829)**	(29,570,441)
Non-current-portion of loans	**202,958,673**	179,120,978

Interest capitalized during the year ended 31 December 2022 amounted 3.9 million Saudi Riyal (31 December 2021: Zero) (Note 16-B). Finance costs charged to consolidated statement of profit or loss for the year ended 31 December 2022 amounted to 21.7 million Saudi Riyal (31 December 2021: 15.8 million Saudi Riyal) (Note 13).

28.1 Loans from Commercial Bank

- On 12 Ramadan 1443H (corresponding to 13 April 2022), the company signed a Sharia-compliant bank loan agreement with a local commercial bank, amounting to 365 million Saudi riyal for a financing period of 7 years, including 3 grace years starting from 30 September 2022, to finance expansions and the company's projects, out of which 100 million Saudi riyals were withdrawn during the second quarter of 2022. The loan is collateralized by promissory notes and any other guarantees required by the Bank. Noting that an amount of 70 million riyals was paid in the fourth quarter of the year 2022 out of the amount withdrawn in the second quarter of the same year.
- The company has settled 70 million Saudi riyals in the fourth quarter of the year 2022 out of the amount withdrawn in the second quarter of the same year.

28. Long-term loans- Continued

28-2 Loans from Ministry of Finance

A) 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 Saudi riyal. 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. The company has started paying the installments of this loan since 2018, provided that the date of the last installment will be in 2036.

B) 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 27.5 million Saudi riyal. 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. The company has started paying the installments of this loan since 2018, provided that the date of the last installment will be in 2038.

C) 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 197.6 million Saudi riyals. 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. The company has started paying the installments of this loan since 2021, provided that the date of the last installment will be 2038.

29. Government Grants

	As at 31 December	
	2022	**2021**
At 1 January	**136,744,609**	144,358,206
Government grants released	**(17,413,665)**	(7,613,597)
Adjustments	**4,709,905**	-
At 31 December	**124,040,849**	136,744,609

	As at 31 December	
As presented in the financial position	**2022**	**2021**
Current	**9,102,925**	7,412,889
Non-current	**114,937,924**	129,331,720
	124,040,849	136,744,609

- On September 2013, the Group obtained an 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 interest-free 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 August 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 have been met. The new hospital has started operations in February 2018.

30. Lease Contract Liabilities

	As at 31 December	
	2022	**2021**
As at 1 January	**8,504,226**	17,911,223
Additions during the year	**135,465,060**	6,267,429
Disposal	**-**	(1,243,294)
Payments	**(8,155,460)**	(13,277,939)
Transferred to trade payables	**(34,150)**	(1,153,190)
Transferred to related parties payables	**(6,800,000)**	-
As at 31 December	**128,979,676**	8,504,226

- The Group recognized a finance cost of 117,795 Saudi Riyal on lease contract liabilities during the year ending 31 December 2022 (31 December 2021: 528,838) (Note 14).
- Expenses related to short-term and low-value leases during the year ended as at 31 December 2022 amounted to 3,148,301 Saudi Riyal (31 December 2021: 949,769 Saudi Riyal).

Following is the aggregate maturities of lease liabilities:

	As at 31 December	
	2022	**2021**
Within one year	**15,144,268**	7,803,580
From one year to five years	**69,108,077**	797,216
More than five years	**115,600,000**	-
Total	**199,852,345**	8,600,796

	As at 31 December	
	2022	**2021**
Future minimum lease payment	**199,852,345**	8,600,796
Less: un-amortized finance lease	**(70,872,669)**	(96,570)
Present value of minimum lease liabilities	**128,979,676**	8,504,226
Less: current-portion of lease liabilities	**(14,469,351)**	7,752,599
Non-current-portion of lease liabilities	**114,510,325**	751,627

31. Employees' End of Service 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 at 31 December	
	2022	**2021**
Present value of defined benefit obligation	**78,826,036**	65,853,216

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

	For the year ended 31 December	
	2022	**2021**
Current service cost	**11,903,783**	12,565,995
Interest cost on defined benefit obligation	**3,556,072**	1,993,671
Net defined benefit expense	**15,459,855**	14,559,666

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

	As at 31 December	
	2022	**2021**
Present value of defined benefit obligation at beginning of the year	**65,853,216**	63,684,084
Charge recognized in consolidated statement of profit or loss:		
Current service cost	**11,903,783**	12,565,995
Special commission cost (Note 13)	**3,556,072**	1,993,671
Actuarial loss / (gain) on defined benefit plan recognized in the consolidated statement of comprehensive income	**5,973,054**	(2,454,496)
Benefits paid during the year	**(8,460,089)**	(9,936,038)
Present value of defined benefit obligation at the end of year	**78,826,036**	65,853,216

(d) Principal actuarial assumptions

	2022	**2021**
Discount rate	**5.4%**	3.1 %
Salary increase rate	**3%**	3 %
Retirement age	**60 years**	60 years

(e) Projected future end of service benefits payments

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

Year	Saudi Riyal
2022	8,277,600
2023	8,232,175
2024	8,512,410
2025	8,275,612
2026	12,861,551

31. Employees' End of Service Benefits - Continued

(f) Sensitivity Analysis

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

	As at 31 December 2022		As at 31 December 2021	
		Change %		Change %
Present value of defined benefit obligation as at end of the year	**78,826,036**		65,853,216	
Discount rate base				
+ 1%	**73,784,429**	**(6.4%)**	61,163,955	(7.1%)
- 1%	**84,572,654**	**7.3%**	71,349,352	8.3%
Salary increase rate base				
+ 1%	**85,170,623**	**8.0%**	71,639,194	8,8%
- 1%	**73,161,135**	**(7.2%)**	60,820,674	(7.6%)
Withdrawal rate				
110% of base	**79,017,984**	**0.2%**	65,410,745	(0.7%)
90% of base	**78,611,143**	**(0.3%)**	66,328,705	0.7%
Mortality rate				
110% of base	**78,844,942**	**0.0%**	65,841,173	0%.0
90% of base	**78,807,044**	**0.0%**	65,865,321	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

32-1 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 regulations in the Kingdom of Saudi Arabia. In 2019 the Group had approvals to subject the Group to a single zakat Group.

(a) Zakat base calculation

	As at 31 December	
	2022	**2021**
Shareholders' equity	**1,459,289,237**	1,566,661,606
Beginning provisions and other adjustments	**670,453,567**	512,451,073
Property and equipment (net)	**(1,606,179,197)**	(1,546,936,349)
Other deductions	**(249,803,720)**	(153,478,428)
Adjusted net income	**390,362,599**	330,224,717
Zakat base for the Group	**664,122,486**	708,922,619
Zakat payable	**16,814,979**	18,018,450

32. Accrued Zakat - Continued

(b) Adjusted net income for the year

	For the year ended 31 December	
	2022	**2021**
Net profit before zakat	**274,150,965**	117,560,461
Provisions charged during the year	**116,211,634**	212,664,256
Adjusted net income	**390,362,599**	330,224,717

32.2 Zakat movement

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

	As at 31 December	
	2022	**2021**
Balance as at January 1	**18,347,114**	19,883,931
Previous years adjustments	**-**	673,885
Charged to related parties	**(55,764)**	242,592
Provision for the year	**16,814,797**	18,018,450
Payments during the year	**(18,207,612)**	(20,471,744)
Balance as at 31 December	**16,898,535**	18,347,114

32-3 Status of zakat assessments

Al Hammadi Holding Company

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.

The final assessment was issued by the Authority for the years from 2014 to 2020, and the company finalized its Zakat position with the Authority and paid all its Zakat obligations accordingly.

As at 1 January 2019, consolidated financial statements are prepared for the Group including the subsidiaries, which are submitted to the ("Authority") as a single zakat Group, except of Medical Industries Company. The consolidated Zakat return for the year 2022 is under processing.

Pharmaceutical Services Co., Ltd.

Years from inception till 2018

The company submitted all zakat and VAT tax returns until the year ended as at 31 December 2018.

During 2021, the company received final zakat assessment letters for the years 2016 and 2018 requiring the company to pay zakat differences amount of, 711,787 Saudi Riyal. During the year 2022, the company reached a final settlement with the Authority regarding the zakat differences for the years from 2016 to 2018 in return for paying an amount of 189,462 Saudi riyals.

Years from 2019 till 2022

The company submitted all zakat and VAT tax returns until the year ended as at 31 December 2021. The company calculate its zakat based on consolidated zakat return included in submit zakat return for Al Hammadi Company.

33. Trade payable

	Note	As at 31 December 2022	As at 31 December 2021
Medicines and medical supplies vendors		**64,038,265**	49,545,426
Admin and non-medical supplies vendors		**1,867,643**	1,941,825
Services vendors		**12,020,290**	8,868,942
Amounts due to related parties	(36)	**9,117,424**	612,367
		87,043,622	60,968,560

34. Accrued expenses

	Note	As at 31 December 2022	As at 31 December 2021
Accrued employee salaries		**17,207,434**	13,217,047
Others		**18,296,353**	9,482,510
		35,503,787	22,699,557

35. Other payables

	As at 31 December 2022	As at 31 December 2021
Retention from others	**15,188,907**	19,836,489
Legal provisions	**2,305,000**	2,305,000
Dividend payable	**1,620,853**	634,643
Other	**5,926,703**	5,558,641
	25,041,463	28,334,773

36. 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 as per IFRS 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 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: Zero). 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 31 December	
	2022	**2021**
Compensation to key management members	**8,527,527**	7,187,103
Purchases from companies owned by shareholders	**7,435,128**	1,397,231
Rental expense paid to shareholders	**11,767,000**	11,767,000
Rental expense paid to relatives of shareholders	**630,000**	630,000
Clinical services rendered to shareholders	**14,760**	42,149

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

Amounts due from related party		As at 31 December	
	Note	**2022**	**2021**
Key management personnel	(23)	**-**	1,025,048
		-	1,025,048

Amounts due to related party		As at 31 December	
	Note	**2022**	**2021**
Main shareholders and relatives*	(33)	**9,117,424**	612,367
		9,117,424	612,367

***** Includes an amount of 8,646,00 Saudi Riyal that represent payments due on the liabilities of lease contracts concluded with the main shareholders and their relatives.

Key management member's compensation

The Group's senior management members represent the key management members assigned and responsible for planning, directing and monitoring the Group's activities.

	For the year ended 31 December	
	2022	**2021**
Short- term benefits	**7,703,933**	6,781,913
Long- term benefits	**423,594**	405,190
Remunerations of members of the Board of Directors and its committees	**400,000**	-
Rental expense paid to relatives of shareholders	**8,527,527**	7,187,103

37. Allowance for expected credit loss

The table below summarized allowance for expected credit loss incurred during the year:

	For the year ended 31 December	
	2022	**2021**
Listed in trade receivables (note 23)	**44,480,432**	155,013,259
Listed in contract assets (note 8-3)	**8,681,667**	-
Listed in other receivables (note 21)	**999,475**	-
Listed in prepayments (note 22)	**177,392**	(538,378)
	54,338,966	154,474,881

38. 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 11.6 million Saudi Riyal as at 31 December 2022 (approximately 15.4 million Saudi Riyal as at 31 December 2021).

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.

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:

	2022	**2021**
Within one year	**2,010,266**	1,808,855
After one year but not more than five years	**2,402,876**	1,252,876

39. 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 2022 and 31 December 2021.

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 allowance for expected credit loss.

The maximum credit risk for the Group is as follows, and most of them are unsecured:

	For the year ended 31 December	
	2022	**2021**
Trade receivables	**481,054,832**	364,219,105
Other receivables	**7,182,309**	4,849,584
Cash and cash equivalents	**60,602,485**	120,857,509
	548,839,626	489,926,198

39. Financial assets and financial liabilities- Continued

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

As at 31 December 2022	**On demand**	**Within one year**	**After one year but not more than five years**	**More than five years**	**Total**
Loans	**-**	**20,005,604**	**93,571,200**	**219,573,858**	**333,150,662**
Trade payables	**87,043,621**	**-**	**-**	**-**	**87,043,621**
Accrued expenses	**35,503,787**	**-**	**-**	**-**	**35,503,787**
Other payables	**25,041,463**	-	**-**	**-**	**25,041,463**
Lease liabilities	**-**	**15,144,268**	**69,108,077**	**115,600,000**	**199,852,345**

As at 31 December 2021	**On demand**	**Within one year**	**After one year but not more than five years**	**More than five years**	**Total**
Loans	-	18,714,240	93,571,200	208,285,860	320,571,300
Trade payables	60,968,560	-	-	-	60,968,560
Accrued expenses	22,699,557	-	-	-	22,699,557
Other payables	28,334,773	-	-	-	28,334,773
Lease liabilities	-	7,803,580	797,216	-	8,600,796

Capital Management

The Group's objective when managing capital is to preserve the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. and maintaining a strong capital base to support the sustainable development of its business.

The ratio of the Group's adjusted net liabilities to the Group's equity is as follows:

For the year ended 31 December	**2022**	**2021**
Total liabilities	**771,285,376**	602,424,911
Less: Cash at banks	**(60,151,375)**	(120,494,021)
Net liabilities	**711,134,801**	481,930,890
Total shareholder's equity	**1,710,562,689**	1,659,289,237
Net liabilities to Total shareholder's equity	**0,42**	0,29

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

There have been no changes to the objectives, policies and procedures for capital management during the years ending 31 December 2022 and to 31 December 2021.

39. Financial assets and financial liabilities- Continued

Fair Value

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and cash equivalents and accounts receivable. Financial liabilities consist of long-term loans, accounts payable, accruals and other liabilities and zakat payable.

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

The fair values of financial instruments are not materially different from their carrying values.

40. Subsequent events

On 12 February 2022, the company paid the remaining amount of 23,120,026 Saudi Riyal from the price of the Narjis land, and the land ownership has been transferred to the company (Note 17).

The Board of Directors of the company approved, in its meeting held on 10 Shaban 1442H (corresponding to 2 March 2023), the distribution of cash dividends of 56 million Saudi Riyals to the company's shareholders for the first quarter of year 2023 at a rate of 0.35 Saudi Riyals (35 Halalas) per share.

41. Approval of the consolidated financial statements

These consolidated financial statements have been approved by the board of directors on 10 Shaban 1444H (corresponding to 2 March, 2023).