

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2021**  
together with  
**INDEPENDENT AUDITOR'S REPORT**

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

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<b>INDEX</b>	<b>PAGE</b>
Independent auditor's report	1-5
Consolidated statement of financial position	6
Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10-44



## KPMG Professional Services

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P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤  
المركز الرئيسي في الرياض

# Independent Auditor's Report

To the Shareholders of Arabian International Healthcare Holding Company and its Subsidiaries

## Opinion

We have audited the consolidated financial statements of **Arabian International Healthcare Holding Company ("the Company") and its subsidiaries ("the Group")**, which comprise of the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matter

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



# Independent Auditor's Report

To the Shareholders of Arabian International Healthcare Holding Company (continued)

## Revenue recognition

Refer Note 3.3 (C) to the consolidated financial statements for the accounting policy relating to revenue recognition and Note 5 to the consolidated financial statements for related disclosure.

### Key audit matter

During the year ended 31 December 2021, the Group recognized total revenue of SR 618,539,790 (2020: SR 818,689,016).

The Group's sales arrangements are at a point in time and overtime. Sales of medical equipment with and without installation is recognized once goods are delivered which the customer must accept, hence, performance obligation at a point in time. Sale of maintenance services, commission and warranty service is recognised overtime because control is transferred as the customer receives the benefit.

We have identified revenue recognition as a key audit matter because revenue is one of the Group's performance indicators giving rise to inherent risk that revenue could be subject to overstatement to meet targets and expectations. Furthermore, revenue recognition requires the below considerations:

-the analysis of whether the contracts comprise one or more performance obligations

-determining whether the performance obligations are satisfied over time or at a point in time

### How the matter was addressed in our audit

Our audit procedures to assess revenue recognition included the following:

- Assessing the design and implementation, and tested the operating effectiveness of the Group's key internal controls on a sample basis which govern the revenue recognition process;
- Evaluating the Group's revenue recognition policies;
- Evaluating key contractual agreements with customers;
- Testing on a sample of sales transactions closer to the year end to assess that revenue is recorded in the correct accounting period;
- Testing a sample of credit notes for subsequent sales return; and
- Considering the adequacy of the related disclosure in the Group's consolidated financial statements.



# Independent Auditor's Report

To the Shareholders of Arabian International Healthcare Holding Company (continued)

## Allowance for impairment on trade receivables

Refer Note 3.3 (O) to the consolidated financial statements for the accounting policy of Financial instruments and Note 18 to the consolidated financial statements for the related disclosure.

### Key audit matter

As at 31 December 2021, the carrying value of accounts receivable amounted to SR 660,872,573 (2020: SR 959,271,161) and the allowance for expected credit losses on such balance amounted to SR 31,267,362 (2020: SR 49,249,963).

The Group's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of accounts receivable. The ECL model involves the use of various assumptions covering macro-economic factors and study of historical trends all of which involves a significant degree of judgement.

We have identified allowance for impairment on trade receivables a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model for the calculation of the allowance for expected credit losses. This is inherently subjective and requires significant management judgement, which increases risk of error or potential bias.

### How the matter was addressed in our audit

Our procedures to assess the allowance for impairment on trade receivables included the following:

- Assessing the design and implementation of management's key controls relating to credit control, debt collection and estimation of credit losses;
- Obtaining an understanding of the key practices and assumptions of the expected credit loss model adopted by management, including historical default rate and management's estimated loss rates;
- Assessing the reasonableness of management's loss allowance estimate by examining the information used by management to form such judgements, including testing the accuracy of the historical default rate and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward looking information; and
- Inspecting, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade receivable balance as at 31 December 2021 with bank statement and relevant remittance documents;

## Other Information

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

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

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

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



# Independent Auditor's Report

To the Shareholders of Arabian International Healthcare Holding Company (continued)

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

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

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

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

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

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

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

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

# Independent Auditor's Report

To the Shareholders of Arabian International Healthcare Holding Company (continued)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Arabian International Healthcare Holding Company ("the Company") and its subsidiaries ("the Group")**.

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

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

### KPMG Professional Services

**Fahad Mubark Aldossari**  
License No: 469



Al Riyadh: 10 Sha'aban 1443H  
Corresponding to: 13 March 2022



**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2021

	<i>Notes</i>	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	13	3,977,343	5,838,953
Right-of-use assets	14	10,874,221	13,173,417
Intangible assets	15	2,410,864	274,678
Investment in a joint venture	16	49,881,306	46,385,903
<b>Total non-current assets</b>		<b>67,143,734</b>	<b>65,672,951</b>
<b>Current assets</b>			
Inventories, net	17	191,940,425	223,761,306
Trade receivables, net	18	629,605,211	910,021,198
Contract assets, net	19	67,038,677	36,584,207
Prepayments and other current assets	20	52,375,104	53,935,874
Amounts due from related parties	22	7,485,913	6,148,374
Cash and cash equivalents	21	11,028,249	13,110,271
<b>Total current assets</b>		<b>959,473,579</b>	<b>1,243,561,230</b>
<b>TOTAL ASSETS</b>		<b>1,026,617,313</b>	<b>1,309,234,181</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	200,000,000	200,000,000
Statutory reserve	24	18,060,420	9,829,040
Retained earnings		115,329,829	122,613,221
<b>Total equity</b>		<b>333,390,249</b>	<b>332,442,261</b>
<b>Non-current liabilities</b>			
Employee defined benefit liabilities	25	25,278,046	26,844,276
Non-current portion of contract liabilities	26	30,105,294	30,517,468
Loans and borrowings	27	75,000,000	100,000,000
Non-current portion of lease liabilities	14	6,824,742	9,521,537
<b>Total non-current liabilities</b>		<b>137,208,082</b>	<b>166,883,281</b>
<b>Current liabilities</b>			
Trade and notes payables	28	150,958,876	282,483,539
Accrued expenses and other current liabilities	29	130,071,532	157,645,028
Amounts due to related parties	22	2,105,655	32,425,319
Current portion of contract liabilities	26	57,421,164	85,200,295
Current portion of lease liabilities	14	4,037,468	3,154,458
Loans and borrowings	27	200,000,000	225,000,000
Zakat payable	12	11,424,287	24,000,000
<b>Total current liabilities</b>		<b>556,018,982</b>	<b>809,908,639</b>
<b>Total liabilities</b>		<b>693,227,064</b>	<b>976,791,920</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,026,617,313</b>	<b>1,309,234,181</b>

These consolidated financial statements shown on pages 6 to 44 were approved by the Board of Directors on Thursday 07 Shaban 1443H (corresponding to 10 March 2022) and signed on their behalf by:

  
Ziad AlTunisi  
Chairman

  
Alaa Ameen  
Chief Executive Officer

  
Murali Mohan  
Chief Financial Officer

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.



**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME**  
For the year ended 31 December 2021

	<i>Notes</i>	<b>31 December 2021 SR</b>	31 December 2020 SR
Revenue	5	618,539,790	818,689,016
Cost of revenue	6	<u>(475,021,322)</u>	<u>(620,309,116)</u>
<b>GROSS PROFIT</b>		<b>143,518,468</b>	<b>198,379,900</b>
Selling and marketing expenses	7	(62,398,922)	(65,589,984)
General and administrative expenses	8	(28,561,301)	(31,554,981)
Reversal / (impairment loss) on trade receivables	18	17,538,643	(2,950,000)
Share of profit of joint venture	16	11,499,462	8,157,007
Other income	9	30,079,332	46,422,212
Other expenses, net	10	<u>(4,568,990)</u>	<u>(10,353,652)</u>
<b>OPERATING PROFIT</b>		<b>107,106,692</b>	<b>142,510,502</b>
Finance charges	11	<u>(13,368,603)</u>	<u>(22,720,098)</u>
<b>PROFIT BEFORE ZAKAT</b>		<b>93,738,089</b>	<b>119,790,404</b>
Zakat	12	<u>(11,424,287)</u>	<u>(24,000,000)</u>
<b>PROFIT FOR THE YEAR</b>		<b>82,313,802</b>	<b>95,790,404</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gain on employee defined benefit liabilities	25	939,553	1,223,854
Share of other comprehensive income of joint venture	16	<u>374,633</u>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>83,627,988</u></b>	<b><u>97,014,258</u></b>
<b>EARNINGS PER SHARE</b>			
Basic and diluted earnings per share	34	4.1	73.3

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 <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <b>Ziad AlTunisi</b> Chairman	 <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <b>Alaa Ameen</b> Chief Executive Officer	 <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> <b>Murali Mohan</b> Chief Financial Officer
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The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2021

	Capital SR	Additional contribution to capital SR	Statutory reserve SR	Retained earnings SR	Total SR
As at 1 January 2020	500,000	179,310,546	250,000	86,217,457	266,278,003
Profit for the year	--	--	--	95,790,404	95,790,404
Other comprehensive income	--	--	--	1,223,854	1,223,854
Total comprehensive income for the year	--	--	--	97,014,258	97,014,258
Transfer to statutory reserve	--	--	9,579,040	(9,579,040)	--
Increase in share capital	199,500,000	(179,310,546)	--	(20,189,454)	--
Dividends - (Note 35)	--	--	--	(30,850,000)	(30,850,000)
As at 31 December 2020	200,000,000	--	9,829,040	122,613,221	332,442,261
As at 1 January 2021	200,000,000	--	9,829,040	122,613,221	332,442,261
Profit for the year	--	--	--	82,313,802	82,313,802
Other comprehensive income	--	--	--	1,314,186	1,314,186
Total comprehensive income for the year	--	--	--	83,627,988	83,627,988
Transfer to statutory reserve	--	--	8,231,380	(8,231,380)	--
Dividends - (Note 35)	--	--	--	(82,680,000)	(82,680,000)
As at 31 December 2021	200,000,000	--	18,060,420	115,329,829	333,390,249

These consolidated financial statements shown on pages 6 to 44 were approved by the Board of Directors on Thursday 07 Shaban 1443H (corresponding to 10 March 2022) and signed on their behalf by:

  
**Ziad AlTunisi**  
 Chairman

  
**Alaa Ameen**  
 Chief Executive Officer

  
**Murali Mohan**  
 Chief Financial Officer

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2021

	<i>Notes</i>	31 December 2021 SR	31 December 2020 SR
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		93,738,089	119,790,404
<i>Adjustments for:</i>			
Provision for employee defined benefit liabilities	25	4,091,131	4,039,840
Depreciation of property and equipment	13	3,161,078	3,853,458
Depreciation of right of use assets	14	3,476,033	3,326,233
Charge for provision for obsolete and slow-moving inventories	17	3,500,000	2,573,915
Accrued interest for leases	13	763,826	880,554
Amortization of intangible assets	15	597,314	351,273
Gain on disposal of property and equipment		-	(438,579)
Share of profit of joint venture	16	(11,499,462)	(8,157,007)
(Reversal) / impairment loss on trade receivables	18	(17,538,643)	2,950,000
		<b>80,289,366</b>	<b>129,170,091</b>
<i>Changes in operating assets and liabilities:</i>			
Inventories		28,320,881	(20,622,697)
Trade receivables		297,954,630	(19,530,475)
Contract assets		(30,454,470)	73,913,928
Prepayments and other current assets		1,560,770	(5,150,917)
Due from related parties		(1,337,539)	(4,732,077)
Due to related parties		(30,319,664)	31,268,035
Trade payable and notes payables		(131,524,663)	12,144,538
Accrued expenses and other current liabilities		(27,167,124)	25,607,983
Contract liabilities		(28,191,305)	19,470,802
Cash generated from operations		159,130,882	241,539,211
Employee defined benefit liabilities paid	25	(4,717,808)	(3,176,074)
Zakat paid	12	(24,000,000)	(15,600,000)
Net cash generated from operating activities		<b>130,413,074</b>	<b>222,763,137</b>
<b>INVESTING ACTIVITIES</b>			
Purchase from disposal of property and equipment	13	(1,299,468)	(1,279,690)
Proceeds from disposal of property and equipment		-	683,321
Purchase of intangible assets	15	(2,733,500)	(153,371)
Dividend received from joint venture	16	8,378,692	7,329,122
Net cash from investing activities		<b>4,345,724</b>	<b>6,579,382</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of short-term loans from Ultimate Parent Company, net (Repayment) / proceeds from long-term loans from Parent Company, net		(25,000,000)	(296,000,000)
Payment of lease liabilities	14	(4,160,820)	(3,603,041)
Dividends paid		(82,680,000)	(30,850,000)
Net cash used in financing activities		<b>(136,840,820)</b>	<b>(230,453,041)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,082,022)</b>	<b>(1,110,522)</b>
Cash and cash equivalents at beginning of the year	21	13,110,271	14,220,793
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>11,028,249</b>	<b>13,110,271</b>
<b>NON-CASH TRANSACTIONS:</b>			
Remeasurement gain on employee defined benefit liabilities	25	939,553	1,223,854
Addition in right of use asset	14	1,234,434	1,219,979
Increase in share capital		-	199,500,000
Share of other comprehensive income of joint venture		374,633	-

These consolidated financial statements shown on pages 6 to 44 were approved by the Board of Directors on Thursday 07 Shaban 1443H (corresponding to 10 March 2022) and signed on their behalf by:

  
**Ziad AITunisi**  
Chairman

  
**Alaa Ameen**  
Chief Executive Officer

  
**Murali Mohan**  
Chief Financial Officer

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

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**1. ACTIVITIES**

Arabian International Healthcare Holding Company (the "Company") (trading as Tibbiyah) is a Saudi Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010380429 dated 10 Sha'aban 1434H (corresponding to 19 June 2013).

The Company, hereinafter to referred as the Group, is engaged in the retail and wholesale trading of medical and surgical equipment and tools, artificial - handicapped systems, surgical operation's accessories, hospital supplies, medical systems and programs, lab chemical analysis systems, measurement, testing and scientific measurement systems, maintenance of medical and analytical lab systems and equipment.

The registered office of the Group is located at the following address:

Qurtubah District  
Business Gate, Building No. 9  
P.O. Box 62961  
Riyadh 11595  
Kingdom of Saudi Arabia

The subsidiaries included in these consolidated financial statements are as follows:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Effective shareholding %</i>
Al Faisaliah Medical Systems Company	Kingdom of Saudi Arabia	100*
International Medical Supplies Company	Kingdom of Saudi Arabia	100*
International Healthcare Optimization Company	Kingdom of Saudi Arabia	100*
Health Care Technologies Company	Kingdom of Saudi Arabia	100*

\*1% shareholding is held by second shareholder (a subsidiary of the Ultimate Parent Company).

The Group has changed its status from a limited liability company to a closed joint stock company during the year with effect from 30<sup>th</sup> March 2021 through ministerial resolution. Subsequent to listing, the Group has changed the status from Closed Joint Stock Company to Saudi Joint Stock Company.

The Group's head office is located in Riyadh. The Group has following branches. The assets, liabilities and results of operations of the branches are included in these consolidated financial statements.

<b><u>Branch location</u></b>	<b><u>C.R Number</u></b>	<b><u>Date</u></b>
Jeddah	4030280314	13 Rabi Thani 1436H (corresponding to 2 February 2015)
Khobar	2051062515	17 Sha'aban 1437H (corresponding to 24 May 2016)
Jeddah	4030280313	13 Rabi Thani 1436H (corresponding to 2 February 2015)
Khobar	2051060081	22 Rabi Thani 1436H (corresponding to 11 February 2015)
Jeddah	4030280345	15 Rabi Thani 1436H (corresponding to 4 February 2015)
Khobar	2051060082	22 Rabi Thani 1436H (corresponding to 11 February 2015)
Jeddah	4030280342	15 Rabi Thani 1436H (corresponding to 4 February 2015)
Khobar	2051062516	17 Sha'aban 1437H (corresponding to 24 May 2016)

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

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**2. IMPACT OF COVID 19**

The novel Coronavirus (COVID19) which was declared a pandemic by the World Health Organisation (WHO) in March 2020, continues to evolve. It is currently difficult to predict the full extent and duration of the impact of this pandemic on the business and the economy in which the Group operates. The extent and duration of the impact of the pandemic remains uncertain and depends on future developments (such as the transmission rate of the virus), which cannot be accurately predicted at this point in time.

The Group has taken containment steps that, as at 31 December 2021, have limited the adverse impact of the virus on the financial results of the Group. The Group does not expect future, significant and adverse impact on the going concern, the Group will continue to reassess its position and the related impact on regular basis.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred as “IFRS as endorsed in KSA”).

The consolidated financial statements have been prepared on the historical cost basis except for the employee defined benefit liability, that are measured at present value using projected unit credit method as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The consolidated financial statements have been prepared using accrual basis of accounting and going concern concept.

The consolidated financial statements are presented in Saudi Riyals (“SR”), which is also the Group’s functional currency, and is rounded to nearest SR unless otherwise indicated.

**3.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (as listed in note 1 above) (collectively, the “Group”).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Basis of consolidation (continued)**

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**3.3 Summary of significant accounting policies**

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements. These are consistent with the prior periods.

**A Current versus non-current classification**

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

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

The Group classifies all other assets as non-current.

A liability is classified as current when:

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

The Group classifies all other liabilities as non-current.

**B Fair value measurement**

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

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

The 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 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

**B Fair value measurement (continued)**

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the level 2 of the fair value hierarchy in which is the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

**C Revenue Recognition**

The Group recognizes revenue from the sale of goods, both with and without installation, construction of civil works, the sale of warranties and the sale of maintenance contracts. Revenue is measured based on the consideration specified in a contract with a customer net of returns and allowances, trade discounts and volume rebates and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The specific recognition criteria described below must also be met before revenue is recognized.

**(i) Sales of goods**

Revenue from the sale of goods is recognized when at a point in time when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery) and duly received and accepted by the customer. Revenue from the installation of goods is recognized at a point in time once the installation has been performed and accepted by the customer. A receivable is recognized by the Group when the performance obligation is satisfied in full and the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group also considers the effects of variable consideration, the existence of significant financing components, non cash consideration, and consideration payable to the customer (if any).

**(ii) Revenue on civil works**

The Group performs civil works under long-term contracts with customers. Such contracts are entered into before construction of the civil work begins. Revenue from civil works is recognized over time on a percentage of completion method i.e. based on the proportion of work completed to the estimated total scope of work mentioned in the contract. The Group considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

**(iii) Sale of warranty**

Sales-related warranties, associated with goods which cannot be purchased separately, serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Revenue is recognized overtime over the period in which the service-type warranty is provided based on the time elapsed. The management consider that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

**(iv) Revenue on maintenance contracts**

Maintenance contracts with customers require that the Group maintains a specified piece of equipment at specific time intervals. Revenue is recognized overtime when such time period elapses, and the service is rendered to the customer. The Group considers that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.



**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

**C Revenue Recognition (continued)**

*(iv) Revenue on maintenance contracts (continued)*

Under the Group's standard contract terms, customers have a right of return. No refund liability has been raised given the historically insignificant level of returns of goods. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent low levels of returns over previous years.

**D Trade receivables**

Trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 3.3(O) for further details.

**E Contract assets and contract liabilities**

Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

**F Leases**

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

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (L) Impairment of tangible and intangible assets.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

**F Leases (continued)**

*ii) Lease liabilities*

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

**G Employee benefits**

*Employee defined benefit liabilities*

The employee defined benefit liability is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Group presents the first two components of defined benefit costs in profit or loss in relevant line items.

*Short-term employee benefits*

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

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

**H Zakat**

Zakat was calculated and provided for by the Al Faisaliah Group Holding Company (the “Ultimate Parent Company”) and its effectively wholly-owned subsidiaries in accordance with Saudi Arabian fiscal regulations. However, during the year, Zakat is calculated separately from the Ultimate Parent Company as the Group is in the process of being listed on Nomu. Zakat is computed on the higher of the zakat base or adjusted net income. Zakat is calculated using rates that have been substantively enacted at the reporting date in the consolidated statement of profit or loss and other comprehensive income. Any difference in the estimate is recorded when the final assessment is approved, at which time the amount provided for is cleared.

**I VAT**

The Company is subject to a VAT on a monthly basis. It is paid and settled through the monthly statements submitted by the Group to the Zakat, Tax and Customs Authority “ZATCA”.

**J Property and equipment**

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

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

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

Following are the useful life used to calculate depreciation for all periods presented in these consolidated financial statements:

Leasehold improvements	7 years or the lease term whichever is shorter
Machinery and tools	3 to 10 years
Furniture and fixtures	5 years
Office equipment	6 to 7 years
Computer hardware	3 years
Motor vehicles	4 years

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

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

**K Intangible assets**

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

The Group applies an annual rate of amortization ranging from 14.3% to 20% to its software. Distributor license fees are amortized over the period of the underlying legal agreement.

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

**L Impairment of tangible and intangible assets**

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

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

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

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

**M Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on the weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

**N Cash and cash equivalents**

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

**O Financial Instruments - initial recognition and subsequent measurement**

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

**i) Financial assets**

*Initial recognition and measurement*

All financial assets are recognised initially at fair value net of directly attributable transaction costs.

The Group's financial assets at amortised cost includes trade receivables, contract assets and amounts due from related parties.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

*Subsequent measurement*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; 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.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

***O Financial Instruments - initial recognition and subsequent measurement (continued)***

***i) Financial assets (continued)***

*Impairment of financial assets*

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

Credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

***ii) Financial liabilities***

*Initial recognition and measurement*

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans from Ultimate Parent Company, contract liabilities and amounts due to related parties which are subsequently measured at amortised cost.

*Subsequent measurement*

After initial recognition, all financial liabilities, including the short-term loans from Ultimate Parent Company are measured at amortised cost. In case of long-term interest-bearing loans, EIR method will be applied.

*Derecognition*

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

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

**O Financial Instruments - initial recognition and subsequent measurement (continued)**

**iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**P Foreign currency translation**

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate 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 recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

**Q Dividend**

The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the bye-laws of the Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**R 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

**S Investment in joint venture**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.



**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

**S Investment in joint venture (continued)**

Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture.

When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, 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 recognized 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 the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated statement of profit or loss and other comprehensive income in the period in which the investment is acquired. The requirements of IFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

**S Investment in joint venture (continued)**

liabilities. When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

**T Trade payables and other liabilities**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. No interest charged on trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

**U Expenses**

Selling and marketing expenses are those arising from the Group's efforts underlying the marketing and selling functions. All other expenses, excluding cost of sales and finance cost, are classified as general and administrative expenses. Allocations of common expenses between cost of sales, selling and marketing, and general and administrative expenses, when required, are made on a consistent basis.

**V Operating segment**

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- results of whose operations are continuously analysed by management in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

The Group's operating business are organized and managed separately according to the nature of the services provided with each segment representing a strategic business unit that offers different products to its respective market.

For management purpose, the Group is organised into two segments, as described below:

- Project based business
- Consumable business

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group only operates in KSA and accordingly has no geographical segment.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Summary of significant accounting policies (continued)**

***W Earnings per share***

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of the ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible debt instruments and share options granted to employees, if any.

**3.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**3.4.1 New standards, interpretations and amendments adopted by the Company**

The accounting policies applied by the Group in preparing the financial statements are consistent with those followed in preparing the annual financial statements of the Group for the year ended 31 December 2020, except for the adoption of the new standards which are effective on 1 January 2021 and have no material effect on these financial statements.

<b>Effective from</b>	<b>New standards and amendments</b>
I June 2020	(Covid-19) rental concessions (amendment to IFRS 16)
I January 2021	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Following are the standards and amendments that were issued but not yet effective. The Company does not expect to have a material impact on the financial statements if the below standards and amendments are adopted.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

**3.4.2 Standards issued but not adopted**

1 April 2021	Covid-19 Related rent concessions beyond 30 June 2021 (Amendment to IFRS 16)
1 January 2022	Onerous Contracts -Cost of Fulfilling a Contract (Amendments to IAS 37)
	Annual Improvements to International Financial Reporting Standards 2018- 2020
	Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)
	Refer to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
	IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts
	Disclosure of Accounting Policies (Amendments to International Accounting Standards No. 1 and Practice Statement IFRS No. 2
	Definition of Accounting Estimates (Amendments to IAS 8)
	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

***Impairment of trade receivables and contract assets***

An estimate of the provision for ECL is calculated in accordance with the accounting policy detailed in note 3.3 (O) to the consolidated financial statements.

At the reporting date, gross trade receivables were SR 660.9 million (2020: SR 959.3 million) with SR 31.3 million (2020: SR 49.2 million) being allowance for ECL. Moreover, contract assets at the reporting date were SR 69.6 million (2020: SR 39.2 million) with SR 2.6 million (2020: SR 2.6 million) being provided for ECL. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in profit or loss.

For ECL on trade receivables and contract assets, the Group has divided its trade receivable and contract assets in two broad categories, private customers and government/government controlled entities ("Government customers").

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable/contract asset progressing through successive stages of delinquency to write-off.

Loss rates are based on actual historic credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product growth.

For trade receivable and contract assets from Government customers, the Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions.

***Useful lives and residual values of property and equipment and intangible assets***

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

***Employee defined benefit liabilities***

Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs. These estimates have been disclosed in note 25 to the consolidated financial statements.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**5 REVENUE**

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
<i>Timing of revenue recognition</i>		
<i>At a point in time</i>		
Revenue from delivery of goods	524,011,830	714,290,567
<i>Over time</i>		
Revenue from rendering of services and civil works	84,494,516	95,335,718
Revenue from warranties	10,033,444	9,062,731
	618,539,790	818,689,016

*Seasonal nature of operations*

Due to the seasonal nature of the operations of the medical devices segment, higher revenues and operating profits are usually expected in the last quarter of the year in comparison to the first nine months. In the financial year ended 31 December 2021, 58% (2020: 56%) of revenues accumulated in the first nine months of the year, with 42% (2020: 44%) accumulating in the last three months.

**6 COST OF REVENUE**

	<b>2021 SR</b>	<b>2020 SR</b>
Material cost	453,507,911	597,253,540
Salaries and other employee related costs	15,877,813	17,767,670
Provision for slow-moving inventory	3,500,000	2,661,502
Travel expense	1,744,690	1,706,818
Others	390,908	919,586
	475,021,322	620,309,116

**7 SELLING AND MARKETING EXPENSES**

	<b>2021 SR</b>	<b>2020 SR</b>
Salaries and other employee related costs	45,273,011	48,008,142
Depreciation and amortization	4,557,361	4,967,524
Travel	4,445,273	4,550,956
Communication and information technology	3,162,999	3,039,872
Marketing, advertising and promotion	267,136	1,391,821
Others	4,693,142	3,631,669
	62,398,922	65,589,984

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**8 GENERAL AND ADMINISTRATIVE EXPENSES**

	2021 SR	2020 SR
Salaries and other employee related costs	19,584,498	22,192,629
Legal and professional charges	3,340,101	3,000,309
Depreciation and amortization	2,587,725	2,486,789
Communication and information technology	2,259,599	2,220,657
Utilities and rent expense	473,495	1,274,988
Travelling and transportation expense	315,883	379,609
	<u>28,561,301</u>	<u>31,554,981</u>

**9 OTHER INCOME**

	2021 SR	2020 SR
Income from termination of an arrangement*	14,626,755	34,129,095
Royalty income from joint venture	12,882,241	11,332,147
Other income	2,570,336	960,970
	<u>30,079,332</u>	<u>46,422,212</u>

\*During August 2020, the Company entered into an agreement to terminate an arrangement with one of its suppliers who resolved to set up their own entity in the Kingdom of Saudi Arabia. Partial settlement was received in prior year and complete settlement has been received in the current year.

**10 OTHER EXPENSES, NET**

	2021 SR	2020 SR
Bank charges	3,604,806	5,761,163
Other expenses, net	850,273	1,425,949
Foreign exchange losses	113,911	1,360,124
Provision for supplier balances	-	2,244,995
Gain on sale of property and equipment	-	(438,579)
	<u>4,568,990</u>	<u>10,353,652</u>

**11 FINANCIAL CHARGES**

	2021 SR	2020 SR
Interest on loan	12,234,958	21,282,341
Interest on lease	763,826	880,554
Other charges	369,819	557,203
	<u>13,368,603</u>	<u>22,720,098</u>



**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**12 ZAKAT**

**12.1 Charge for the year**

Previously, the Ultimate Parent Company filed consolidated return on behalf of the Group. However, the management applied for a separate registration number during the year and received approval dated 13 February 2022 under registration number 3000460867. Consequently, the Group will file a separate Zakat return from the Ultimate Parent Company.

**12.2 Movement of provision for zakat**

	<b>2021</b>	2020
	<b>SR</b>	SR
At the beginning of the year	<b>24,000,000</b>	15,600,000
Charge for the year	<b>11,424,287</b>	24,000,000
Extinguished via payment to the Ultimate Parent Company (note 12.3)	<b>(24,000,000)</b>	(15,600,000)
At end of the year	<b><u>11,424,287</u></b>	<u>24,000,000</u>

**12.3 Zakat status**

The Group is effectively a wholly owned subsidiary of the Ultimate Parent Company. The Ultimate Parent Company accounted for and settled the zakat liability on the basis of its consolidated financial statements up to the prior year.

The Ultimate Parent Company has filed the zakat returns to the ZATCA for all previous years up to 2020. Final zakat assessments have been agreed with the ZATCA for all years up to 2016.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**13 PROPERTY AND EQUIPMENT**

	<i>Leasehold improvements</i> SR	<i>Machinery And tools</i> SR	<i>Furniture and fixtures</i> SR	<i>Office equipment</i> SR	<i>Computer hardware</i> SR	<i>Motor Vehicles</i> SR	<i>Total</i> SR
<i>Cost:</i>							
As at 1 January 2021	6,210,108	17,146,655	3,692,324	1,090,853	2,747,225	3,181,393	34,068,558
Additions	44,090	460,622	116,614	168,342	211,600	298,200	1,299,468
As at 31 December 2021	6,254,198	17,607,277	3,808,938	1,259,195	2,958,825	3,479,593	35,368,026
<i>Accumulated Depreciation:</i>							
As at 1 January 2021	4,345,651	15,194,445	3,184,120	722,064	2,536,473	2,246,852	28,229,605
Charge for the year	713,939	1,490,762	144,900	98,294	164,833	548,350	3,161,078
As at 31 December 2021	5,059,590	16,685,207	3,329,020	820,358	2,701,306	2,795,202	31,390,683
<i>Net book value:</i>							
As at 31 December 2021	1,194,608	922,070	479,918	438,837	257,519	684,391	3,977,343

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2021

**13 PROPERTY AND EQUIPMENT (CONTINUED)**

	<i>Leasehold improvements SR</i>	<i>Machinery And tools SR</i>	<i>Furniture and fixtures SR</i>	<i>Office equipment SR</i>	<i>Computer hardware SR</i>	<i>Motor Vehicles SR</i>	<i>Total SR</i>
<i>Cost:</i>							
As at 1 January 2020	5,819,373	17,569,542	3,308,482	935,112	2,629,990	3,181,393	33,443,892
Additions	390,735	232,137	383,842	155,741	117,235	--	1,279,690
Disposal	--	(655,024)	--	--	--	--	(655,024)
As at 31 December 2020	6,210,108	17,146,655	3,692,324	1,090,853	2,747,225	3,181,393	34,068,558
<i>Accumulated Depreciation:</i>							
As at 1 January 2020	3,645,918	13,303,514	3,089,014	646,567	2,391,338	1,710,078	24,786,429
Charge for the year	699,733	2,301,213	95,106	75,497	145,135	536,774	3,853,458
Relating to disposals	--	(410,282)	--	--	--	--	(410,282)
As at 31 December 2020	4,345,651	15,194,445	3,184,120	722,064	2,536,473	2,246,852	28,229,605
<i>Net book value:</i>							
As at 31 December 2020	1,864,457	1,952,210	508,204	368,789	210,752	934,541	5,838,953

**13.1** Depreciation expense is allocated as follows:

	<i>Note</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Allocation of depreciation expense</b>			
Cost of sales		77,090	81,546
Selling and marketing expenses	7	2,394,066	3,150,330
General and administrative expenses	8	689,922	621,582
		<b>3,161,078</b>	<b>3,853,458</b>

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**14 LEASES**

The Group has lease contracts for building used in its operations. Information about assets for which the Group is a lessee is presented below:

	<b>Right of use 2021 SR</b>	<b>Right of use 2020 SR</b>
<i>Cost:</i>		
As at 1 January	<b>18,602,732</b>	18,409,172
Additions during the year	<b>1,234,434</b>	1,219,979
Derecognition of right-of-use assets	<b>(86,475)</b>	<b>(1,026,419)</b>
As at 31 December	<b>19,750,691</b>	18,602,732
 <i>Depreciation:</i>		
As at 1 January	<b>5,429,315</b>	3,129,501
Charge for the year	<b>3,476,033</b>	3,326,233
Derecognition of right-of-use assets	<b>(28,878)</b>	<b>(1,026,419)</b>
As at 31 December	<b>8,876,470</b>	5,429,315
 <i>Net book value:</i>		
At 31 December	<b>10,874,221</b>	13,173,417
 <b>Allocation of depreciation expense</b>		
	<i>Note</i>	
	<b>31 December 2021</b>	<b>31 December 2020</b>
Cost of sales	-	-
Selling and marketing expenses	7 <b>1,591,694</b>	1,461,410
General and administrative expenses	8 <b>1,884,339</b>	1,864,823
	<b>3,476,033</b>	<b>3,326,233</b>

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<b>2021 SR</b>	<b>2020 SR</b>
As at 1 January	<b>12,675,995</b>	14,178,503
Additions during the year	<b>1,642,526</b>	1,219,979
Derecognition of lease liability	<b>(59,317)</b>	-
Accrued interest	<b>763,826</b>	880,554
Payments during the year	<b>(4,160,820)</b>	<b>(3,603,041)</b>
As at 31 December	<b>10,862,210</b>	12,675,995
Non-current portion	<b>6,824,742</b>	9,521,537
Current portion	<b>4,037,468</b>	3,154,458

Amounts recognized in statement of profit or loss and other comprehensive income:

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<b>763,826</b>	880,554
Expenses relating to short term leases	<b>86,498</b>	551,383

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**14 LEASES (CONTINUED)**

Amounts recognized in statement of cash flows

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	4,160,820	3,603,041

Following is the maturity analysis of leases:

	<u>2021</u> SAR	<u>2020</u> SAR
<b><u>Minimum lease payments</u></b>		
Not later than one year	4,070,820	4,170,820
Later than one year and not later than five years	7,705,280	11,776,100
More than five years	-	-
	<u>11,776,100</u>	<u>15,946,920</u>
Less: future finance charges	<u>(913,890)</u>	<u>(3,270,925)</u>
Present value of minimum lease payments	<u>10,862,210</u>	<u>12,675,995</u>

**15 INTANGIBLE ASSETS**

	<i>Distribution rights SR</i>	<i>Software SR</i>	<i>Brands SR</i>	<i>Total SR</i>
<i>Cost:</i>				
As at 1 January 2021	351,633	21,857,500	1,645,600	23,854,733
Additions	<u>2,500,000</u>	<u>233,500</u>	-	<u>2,733,500</u>
As at 31 December 2021	<u>2,851,633</u>	<u>22,091,000</u>	<u>1,645,600</u>	<u>26,588,233</u>
<i>Accumulated amortization:</i>				
As at 1 January 2021	351,633	21,582,822	1,645,600	23,580,055
Charge for the year	<u>488,585</u>	<u>108,729</u>	-	<u>597,314</u>
As at 31 December 2021	<u>840,218</u>	<u>21,691,551</u>	<u>1,645,600</u>	<u>24,177,369</u>
<i>Net book value:</i>				
<b>At 31 December 2021</b>	<u>2,011,415</u>	<u>399,449</u>	-	<u>2,410,864</u>
	<i>Distribution rights SR</i>	<i>Software SR</i>	<i>Brands SR</i>	<i>Total SR</i>
<i>Cost:</i>				
As at 1 January 2020	351,633	21,704,129	1,645,600	23,701,362
Additions	-	<u>153,371</u>	-	<u>153,371</u>
As at 31 December 2020	<u>351,633</u>	<u>21,857,500</u>	<u>1,645,600</u>	<u>23,854,733</u>
<i>Accumulated amortization:</i>				
As at 1 January 2020	351,633	21,231,549	1,645,600	23,228,782
Charge for the year	-	<u>351,273</u>	-	<u>351,273</u>
As at 31 December 2020	<u>351,633</u>	<u>21,582,822</u>	<u>1,645,600</u>	<u>23,580,055</u>
<i>Net book value:</i>				
<b>At 31 December 2020</b>	<u>-</u>	<u>274,678</u>	-	<u>274,678</u>

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**16 INVESTMENT IN A JOINT VENTURE**

The investment in a joint venture pertains to a 50% holding in Philips Healthcare Saudi Arabia Limited (the "Joint Venture"), which is incorporated in the Kingdom of Saudi Arabia.

The principal activities of the Joint Venture are importing, installing, repairing and leasing of medical devices and equipment, providing training services and technical support related to the medical devices and equipment, information technology and software. The Joint Venture is accounted for using the equity method in these consolidated financial statements.

Summarized below are the financial information in respect of the Group's share in the Joint Venture. The summarized financial information below represents amounts shown in the Joint Venture's financial statements prepared in accordance with IFRS for SMEs as endorsed in Kingdom of Saudi Arabia.

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Current assets	<b>551,835,656</b>	483,122,063
Non-current assets	<b>19,353,550</b>	17,976,148
Current liabilities	<b>(360,973,180)</b>	(335,652,682)
Non-current liabilities	<b>(112,702,490)</b>	(76,233,416)
Net assets (100%)	<b>97,513,536</b>	89,212,113
Adjustments to net assets*	<b>2,249,076</b>	3,559,693
Adjusted net assets	<b>99,762,612</b>	92,771,806
Group's share in Joint Venture's net assets – 50% (2020: 50%)	<b>49,881,306</b>	46,385,903

\*The adjustments to net assets pertain to zakat expense, income tax expense and financial reporting framework differences between the Group and Joint Venture to arrive at the base amount used for the calculation of the Group's share in the Joint Venture

Summary of the financial performance of the Joint Venture during the year ended 31 December are as follows:

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Revenue	<b>402,053,493</b>	331,759,832
Amended profit for the year	<b>30,328,717</b>	16,314,014
Group's share in Joint Venture's profit – 50% (2020: 50%)	<b>11,499,462</b>	8,157,007
Dividends from Joint Venture during the year	<b>8,378,692</b>	7,329,122
	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
As at 1 January	<b>46,385,903</b>	45,558,018
Share of profit of joint venture	<b>11,499,462</b>	8,157,007
Share of OCI of joint venture	<b>374,633</b>	-
Dividend received	<b>(8,378,692)</b>	(7,329,122)
Investment as at 31 Dec	<b>49,881,306</b>	46,385,903

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**17 INVENTORIES, NET**

	<b>2021</b>	2020
	<b>SR</b>	SR
Goods held for sale and in relation to projects in progress	<b>212,348,818</b>	239,998,381
Spare parts	<b>581,496</b>	614,526
Goods in transit	<b>280,617</b>	1,136,529
	<b>213,210,931</b>	241,749,436
Less: allowance for obsolete and slow-moving inventories	<b>(21,270,506)</b>	(17,988,130)
	<b>191,940,425</b>	223,761,306
	<b>2021</b>	2020
	<b>SR</b>	SR
As at 1 January	<b>17,988,130</b>	16,458,155
Charge during the year	<b>3,500,000</b>	2,573,915
Written off during the year	<b>(217,624)</b>	(1,043,940)
As at 31 December	<b>21,270,506</b>	17,988,130

**18 TRADE RECEIVABLES, NET**

	<b>2021</b>	2020
	<b>SR</b>	SR
Gross amount of trade receivables	<b>660,872,573</b>	959,271,161
Less: impairment loss for ECL (note 31.4)	<b>(31,267,362)</b>	(49,249,963)
Net trade receivables	<b>629,605,211</b>	910,021,198

The average credit period on sales of goods is 90 to 120 days. No interest is charged on outstanding trade receivables.

Set out below is the movement of the allowance for expected credit losses of trade receivables for the year ended 31 December:

	<b>2021</b>	2020
	<b>SR</b>	SR
As at 1 January	<b>49,249,693</b>	46,644,783
(Reversal) / impairment during the year	<b>(17,538,643)</b>	2,950,000
Written off during the year	<b>(443,688)</b>	(345,090)
As at 31 December	<b>31,267,362</b>	49,249,693



**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

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**19 CONTRACT ASSETS, NET**

Amounts relating to contract assets are balances due from customers under various projects that arise when the Group performs services which have not been invoiced to the customer at the reporting date. These amounts will be transferred to trade receivables when they are invoiced to the customer.

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Gross contract assets	<b>69,636,103</b>	39,181,633
Less: impairment loss	<b>(2,597,426)</b>	(2,597,426)
Net contract assets	<b><u>67,038,677</u></b>	<u>36,584,207</u>

Set out below is the movement of the allowance for expected credit losses of contract assets for the year ended 31 December.

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
As at 1 January	<b><u>2,597,426</u></b>	<u>2,597,426</u>
As at 31 December	<b><u>2,597,426</u></b>	<u>2,597,426</u>

**20 PREPAYMENTS AND OTHER CURRENT ASSETS**

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Advances to suppliers	<b>30,931,646</b>	44,441,710
Claims receivable	<b>16,357,696</b>	3,471,586
Other receivables	<b>3,805,487</b>	3,909,653
Prepaid expenses	<b><u>1,280,275</u></b>	<u>2,112,925</u>
	<b><u>52,375,104</u></b>	<u>53,935,874</u>

**21 CASH AND CASH EQUIVALENTS**

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Cash at bank	<b>11,018,249</b>	13,100,271
Cash in hand	<b><u>10,000</u></b>	<u>10,000</u>
	<b><u>11,028,249</u></b>	<u>13,110,271</u>

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**22 RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties of the Company include its shareholder and their affiliated companies where the shareholder has control, joint control or significant influence. In the ordinary course of business, the Company enters into transactions with related parties, which are based on mutually agreed prices and contract terms approved by the management of the Group.

The following are the details of major related parties' transactions during the year and year end balances:

<i>Related party</i>	<i>Nature of transactions</i>	<b>2021</b> <b>SR</b>	2020 SR
	Payments made to the Ultimate Parent Company	<b>51,135,487</b>	53,108,292
	Payment made by the Ultimate Parent Company on behalf of the Group	<b>48,972,508</b>	53,280,082
Ultimate Parent Company	Repayment of loans and borrowings	<b>344,000,000</b>	540,000,000
	Receipts of loans and borrowings	<b>319,000,000</b>	344,000,000
	Receipts for utilization of banking facility	-	26,045,339
	Royalty income	<b>12,882,241</b>	11,332,147
	Dividend received	<b>11,381,189</b>	7,329,122
Philips Healthcare Saudi Arabia Limited (Joint venture)	Payments made to related party	<b>14,082,678</b>	4,655,605
	Expenses paid on behalf of the Company	<b>10,793,847</b>	9,294,734
	Collections made from related party	<b>14,705,898</b>	295,656
	Income received on behalf of the Company	<b>14,840,357</b>	5,576,301

Amounts due from and to related parties are as follows:

	<b>2021</b> <b>SR</b>	2020 SR
<b><i>Amounts due from related parties:</i></b>		
Ultimate Parent Company	<b>2,070,808</b>	867,729
Philips Healthcare Saudi Arabia Limited (Joint venture)	<b>5,415,105</b>	5,280,645
	<b>7,485,913</b>	6,148,374
<b><i>Amounts due to related parties:</i></b>		
Ultimate Parent Company	-	27,030,833
Philips Healthcare Saudi Arabia Limited (Joint venture)	<b>2,105,655</b>	5,394,486
	<b>2,105,655</b>	32,425,319

The amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received. No amount has been expensed in the current year for bad or doubtful debts in respect of amounts owed by related parties. Compensation charged to key management personnel during the year, in the form of short-term benefits, was SR 11,882,978 (2020: SR 11,264,937) and in the form of post-employment benefits expense was SR 4,088,841 (2020: 3,883,863).

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**23 SHARE CAPITAL**

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
20,000,000 shares of SR 10 each	<u>200,000,000</u>	<u>200,000,000</u>

As at 31 December 2020, the share capital of the Company amounting to SR 200,000,000 is divided into 20,000,000 shares of SR 10 each and is owned by the following shareholders:

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Face Value of shares in SR</b>	<b>% of shareholding</b>
Al Faisaliah Group Holding Company	19,800,000	198,000,000	99
Al Faisaliah Commercial Investment Company	200,000	2,000,000	1
	<u>200,000,000</u>	<u>200,000,000</u>	<u>100</u>

During the year, Ministry of Commerce approved the transfer of the shareholding of Al Faisaliah Group (99%) to Advanced Drug Company (99%) which is a subsidiary of Al Faisaliah Holding Company (The Ultimate Parent Company).

On 20 April 2021 (corresponding to 08 Ramadan 1442H), the Board of Directors of the Group has approved the plan for initial public offering (IPO) of the Group by offering 25% shares of the Group for initial public offering by submitting an application and registering the securities to the Nomu Parallel Market (“the Authority”) and listing it through Saudi Stock Exchange (“Tadawul”).

On 25 Jamada Al Awwal 1443H (corresponding to 29 December 2021, the Authority announced the approval to offer 5,000,000 shares for public subscription representing 25% of Group’s shares.

**24 STATUTORY RESERVE**

In accordance with the Saudi Arabian Regulations for Companies and the Company’s byelaws, 10% of the profit for the year (after zakat) is required to be transferred to statutory reserve. The Group may resolve to discontinue such transfers when the reserve total 30% of capital. During the year, Group increased share capital of the Company and transferred 10% of the profit for the year to statutory reserve in accordance with the Saudi Arabian Regulations for Companies and the Company’s byelaws. The reserve is not available for distribution as dividends.

**25 EMPLOYEE DEFINED BENEFIT LIABILITIES**

The Group grants employee defined benefit liabilities (“benefit plan”) to its employees taking into consideration the local labor law requirements in the Kingdom of Saudi Arabia. The benefit provided by this benefit plan is a lump sum based on the employees’ final salaries and allowances and their cumulative years of service at the date of termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of the employee defined benefit liabilities is the present value of the defined benefit obligation at the reporting date. The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**25 EMPLOYEE DEFINED BENEFIT LIABILITIES (CONTINUED)**

The movement of employee defined benefit liabilities for the year is as follows:

	2021 SR	2020 SR
At beginning of the year – present value of defined benefit obligation	26,844,276	27,204,364
Current service cost	3,432,832	3,170,262
Interest cost	559,425	869,578
Past service cost	98,874	--
Paid during the year	(4,717,808)	(3,176,074)
Actuarial gain during the year	(939,553)	(1,223,854)
At end of the year – present value of defined benefit obligation	<u>25,278,046</u>	<u>26,844,276</u>

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2021 %	2020 %
<i>Financial assumptions:</i>		
Net discount rate (per annum)	2.50	2.35
Rate of salary increases (per annum)	2.00	2.00
<i>Demographic assumptions:</i>		
Retirement age	60	60

All movements in the employee defined benefit liabilities are recognized in consolidated statement of profit or loss and other comprehensive income. The actuarial loss / (gain) is recorded in the other comprehensive income.

The sensitivity analysis presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	2021 SR	2020 SR
Increase in discount rate of 1%	(1,411,045)	(1,205,379)
Decrease in discount rate of 1%	3,182,955	3,442,621
Increase in rate of salary of 1%	3,169,955	3,425,621
Decrease in rate of salary of 1%	(1,387,045)	(1,232,379)

**26 CONTRACT LIABILITIES**

	2021 SR	2020 SR
Advance from customers	60,721,405	81,047,336
Unearned warranty revenue	<u>26,805,053</u>	<u>34,670,427</u>
	<u>87,526,458</u>	<u>115,717,763</u>
Non-current portion	<u>30,105,294</u>	<u>30,517,468</u>
Current portion	<u>57,421,164</u>	<u>85,200,295</u>

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**27 LOANS AND BORROWINGS**

	2021 SR	2020 SR
Current portion of loan from Ultimate Parent Company (Note 27.1)	200,000,000	225,000,000
Long term loan from Ultimate Parent Company (Note 27.2)	75,000,000	100,000,000
	<u>275,000,000</u>	<u>325,000,000</u>

**27.1** The Group has obtained unsecured short-term loans from Ultimate Parent Company to finance its working capital requirements and accrues special commission at agreed commercial rates payable on demand. These loans will be renewed by the Ultimate Parent Company, if required.

**27.2** The Group obtained long term loan of SR 100,000,000 in 2020 from ultimate parent Company. Loan amounting to SAR 25 million was paid during the year. The special commission on the loan is payable on quarterly basis with first installment payable on 28 April 2022 and last installment on 31 October 2025.

Special commission on the loans and borrowings from Ultimate Parent Company during 2021 is SR 12,234,958 (2020: SR 21,282,341). The special commission ranges from 3% to 5.6% on short term loans and 3% to 5.98% on long term loans.

**28 TRADE AND NOTES PAYABLES**

	2021 SR	2020 SR
Trade payable	150,656,480	258,049,997
Notes payable*	302,396	24,433,542
	<u>150,958,876</u>	<u>282,483,539</u>

\*No interest is charged on trade payables. The Group has financial risk management policies disclosed in note 31 to the consolidated financial statements in place to ensure that all payables are paid within the credit timeframe.

**29 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	2021 SR	2020 SR
Accrued expenses *	116,667,968	140,611,876
Accrued salaries and related expenses	11,155,112	15,919,188
Other payables	2,248,452	1,113,964
	<u>130,071,532</u>	<u>157,645,028</u>

\*This includes an amount pertaining to customs legal case. During 2018, a legal case was filed against the Al Faisaliah Medical Systems Company Limited (“the Component”) for an allegation of non-payment of custom duties to ZATCA (formerly named as GAZT) amounting to SR 30 million. The management confirms that all due custom amounts were already paid by the Component to ZATCA through its agent who might have not settled the amounts with ZATCA. The external legal counsel hired to represent the Component believes that the case is expected to be decided in favor of the Component. However, the Component management made a provision for this case of SR 7 million and SR 13 million for the year ended 31 December 2019 and 2018, respectively and will reassess the adequacy of the provision regularly until the case is closed.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

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**30 COMMITMENTS AND CONTINGENCIES**

- 30.1** The Group has issued letters of guarantee through its banks amounting to SR 276 million (2020: SR 250 million) in the ordinary course of business.
- 30.2** During the year, Al Faisaliah Medical Systems Company Limited (“the Component”) received penalty from a customer amounting to SR 11.15 million due to delay in delivery of goods. However, the Component filed a claim with the customer who agreed that the delay was on account of civil works which was part of another contractor’s (not the Component or the Group’s subsidiaries) scope of work. The matter has been discussed with the Group’s in-house legal counsel and the management believes that the recovery of the penalty amount is highly probable. Hence, the amount is disclosed as a contingent asset but not recorded in these financial statements.

**31 RISK MANAGEMENT**

**31.1 Capital Management**

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Group’s overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of equity and debt comprising capital, statutory reserve, additional contribution to capital, retained earnings and loans from the Ultimate Parent Company.

**31.2 Market Risk**

The Group was exposed to market risk, in the form of foreign currency risk and interest rate risk as described below.

*A Foreign currency risks*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals during the year. As at the consolidated statement of financial position date, the Group does not have significant foreign currency exposure.

*B Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing liabilities. The Group does not hedge its exposure to movements in interest rates.

With all other variables held constant, the Group’s profit before zakat is affected by a +/- 0.05% due to change in floating rate on borrowings for the year ended 31 December 2021. This will result in increase or decrease of SR 939,012 (2020: increase or decrease of SR 1,877,394).

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**31 RISK MANAGEMENT (CONTINUED)**

**31.3 Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 90 to 120 days of the date of sale. Accounts payable are normally settled within 90 days of the date of purchase. The non-current contract liabilities consist of deferred warranty revenue expected to be amortised after 1 year subsequent to year end. All other financial liabilities mature within 1 year subsequent to date of consolidated statement of financial position.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

<b>31 December 2021</b>	Within one year SR	One year to five years SR	Over five years SR	Total SR
<u>Details</u>				
Trade and notes payables	<b>150,958,876</b>	-	-	<b>150,958,876</b>
Lease liabilities	<b>4,070,820</b>	<b>7,705,280</b>	-	<b>11,776,100</b>
<b>31 December 2020</b>	Within one year SR	One year to five years SR	Over five years SR	Total SR
<u>Details</u>				
Trade and other payables	282,483,539	-	-	282,483,539
Lease liabilities	4,170,820	11,776,100	-	15,946,920

**31.4 Credit Risk**

Credit is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivable balances.

The Group sells its products to a large number of Government and quasi-government customers which account for the majority of receivable balance at the end of the year. The Group performs credit-vetting procedures which are reviewed and updated on an ongoing basis before granting credit to its customers. The Group does not hold any significant collateral or other credit enhancements to cover its credit risks associated with its financial assets with respect to non-government customers.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue receivables and contract assets. Furthermore, the Group reviews the recoverable amount of each trade receivable and contract assets on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. As at 31 December 2021, trade receivables consist of a large number of customers, however, Ministry of Health accounts for 45% (2020: 37%) of the Group's trade receivables balance.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**31 RISK MANAGEMENT (CONTINUED)**

**31.4 Credit Risk (Ccontinued)**

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group's credit exposure is primarily limited to its trade receivables and contract assets which is presented below and in notes 18 and 19, respectively. The credit risk on liquid balances is limited because the counterparties are banks with high credit-ratings.

31 December 2021	<i>Contract assets and trade receivables –past due</i>						<i>Total</i> <i>SR</i>
	<i>Not past due</i>	<i>0 – 90 days</i>	<i>91 – 180</i>	<i>181 – 270</i>	<i>271 – 360</i>	<i>Above 365</i>	
			<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	
<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	
Gross carrying amount	198,582,841	67,038,907	39,162,524	35,882,578	54,363,136	335,478,690	730,508,676
Lifetime ECL	(4,046,547)	(1,466,726)	(1,517,569)	(1,825,349)	(2,328,302)	(22,680,295)	(33,864,788)
Net carrying amount	194,536,294	65,572,181	37,644,955	34,057,229	52,034,834	312,798,395	696,643,888

31 December 2020	<i>Contract assets and trade receivables –past due</i>						<i>Total</i> <i>SR</i>
	<i>Not past due</i>	<i>0 – 90 days</i>	<i>91 – 180</i>	<i>181 – 270</i>	<i>271 – 360</i>	<i>Above 365</i>	
			<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	
<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	
Gross carrying amount	269,416,986	90,237,369	45,914,461	41,121,075	160,861,489	390,901,414	998,452,794
Lifetime ECL	(1,545,868)	(2,182,408)	(890,575)	(3,562,884)	(1,647,078)	(42,018,576)	(51,847,389)
Net carrying amount	267,871,118	88,054,961	45,023,886	37,558,191	159,214,411	348,882,838	946,605,405

**32 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of the Group's financial instruments including trade receivables, contract assets, amounts due from related parties, cash and cash equivalents, short-term loans from the Ultimate Parent Company, trade payables, accrued expenses and other current liabilities, contract liabilities, and amounts due to related parties approximate their carrying values due to the relatively short-term maturity of these financial instruments. The carrying amounts of these financial instruments are the reasonable approximation of their fair value. These are categorized within Level 2 of the fair value hierarchy.

During the current and prior year, there were no transfers between into/out of Level 2 of the fair value hierarchy.



**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**33 SEGMENT REPORTING**

The Group's principal business activities involve sale of a broad line of medical goods and services. Selected financial information categorised by these business segments, is as follows:

*Medical Devices* Sales of a broad line of branded Medical Devices  
*Medical Supplies* Sales of a broad line of branded Medical Consumables

	<i>Medical Equipment SR</i>	<i>Medical Supplies SR</i>	<i>Other Activities SR</i>	<i>Total SR</i>
<b>31 December 2021</b>				
Revenue from external Customers	304,209,700	314,330,090	-	618,539,790
Depreciation and Amortisation	3,426,886	1,748,772	2,058,768	7,234,426
Profit for the period	44,772,835	37,540,967		82,313,802
Investment in joint venture	49,881,306	-	-	49,881,306
Other Total Assets	563,469,145	378,183,313	35,083,549	976,736,007
Total Liabilities	424,000,381	253,112,857	16,113,826	693,227,064
	<i>Medical Equipment SR</i>	<i>Medical Supplies SR</i>	<i>Other Activities SR</i>	<i>Total SR</i>
<b>31 December 2020</b>				
Revenue from external Customers	534,573,447	284,115,569	-	818,689,016
Depreciation and Amortisation	3,668,307	1,836,106	2,026,551	7,530,964
Profit for the period	62,339,226	33,451,178	-	95,790,404
Investment in joint venture	46,385,903	-	-	46,385,903
Other Total Assets	870,885,520	375,595,558	16,367,200	1,262,848,278
Total Liabilities	718,460,821	238,774,475	19,556,624	976,791,920

**34 EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of outstanding shares during the period. There were no potentially dilutive shares or options in the period, therefore no difference between the basic and the diluted earnings per share. Basic and diluted earnings (losses) per share are calculated as follows:

	<b>2021 SR</b>	<b>2020 SR</b>
Profit for the year	82,313,802	95,790,404
Weighted average number of outstanding shares during the period (Share)	20,000,000	1,307,000
Basic and diluted earnings per share	4.1	73.3
	<b>2021</b>	<b>2020</b>
No of shares as at 1 January	20,000,000	50,000
Shares issued during the year*	-	19,950,000
No of shares as at 31 December	20,000,000	20,000,000
Weighted average number of shares	20,000,000	1,307,123

\*On 8 December 2020, Company resolved to increase the share capital of the Company by issuing 19,950,000 new shares. As a result, the decrease in EPS primarily pertains to an increase in the average number of shares.

**ARABIAN INTERNATIONAL HEALTHCARE  
HOLDING COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

---

**35 DIVIDENDS**

On 17 Ramadan 1442 H (corresponding to 29<sup>th</sup> April 2021) the shareholders approved dividends of SR 82.7 million at SR 4.13 per share (2020: SR 30.9 million at SR 1.54 per share) for the year ended 31 December 2020 payable to Al Faisaliah Group Holding Company which was paid during 2021.

**36 SUBSEQUENT EVENTS**

- 36.1** On 21 February 2022, the Group received approval for listing and the Ultimate Parent Company offered 25% shares in the Nomu parallel market at a price of SAR 82 per share which were subscribed and announced.

No other events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure thereto.

**37 RECLASSIFICATIONS**

During the year, the Group has identified certain adjustments relating to reclassifications from trade receivables to due from related parties and trade payables to due to related parties which have also been adjusted in the prior year. Such adjustments do not have a material impact on these financial statements.

**38 CONSOLIDATED FINANCIAL STATEMENTS APPROVAL**

The consolidated financial statements were approved on 10 Sha'aban 1443H (corresponding to 13 March 2022).