

Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting – Member Crowe Global

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

**TO: THE SHAREHOLDERS OF
Ayyan Investment Company
(A Saudi Joint Stock Company)**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **AYYAN Investment Company, (the "Company")**, and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of 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 December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as 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 International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

INDEPENDENT AUDITORS' REPORT (CONTINUED)
**Ayyan Investment Company
(A Saudi Joint Stock Company)**
Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|--|
| 1- Impairment of Investment properties | |
| <p>As of December 31, 2022, the Group has investment properties amounted to 126.5 million (2021: SR 123.9 million) which is carried at cost. Management conducts impairment review on an annual basis to assess whether there is any indication of potential impairment for the Group's Investment properties. If this review has resulted in an indication of impairment, an impairment study is performed for assessing the impairment value based on the recoverable amount as per related market indicators.</p> <p>Impairment of investment properties is valued through valuation techniques which involve professional judgment, estimates and assumptions.</p> <p>The book value of investment properties is adjusted by any long term impairment.</p> <p>Based on the materiality of the investment properties and the uncertainty associated with the judgments related to the assessment of the impairment this matter has been considered as a key audit matter.</p> <p>Refer to the note (3-13 & 4g) for the accounting policies and note (10) for the management estimates and judgments.</p> | <ul style="list-style-type: none"> - We have obtained the valuation reports of the independent valuator who is accredited from Saudi Association of Valuators ("Taqeem"). - We performed audit procedures to test whether the basic information presented by the management to the valuator Company is appropriate and dependable. - We have verified the final valuation reports and assessed whether there was any impairment to be recorded to investment properties. - We have discussed the valuation reports with the management to assess the market data and assumptions used. - We have reviewed the valuation report and ensured that methods and assumptions used are consistent with last year. - Based on our assessment, we have ensured that the disclosure is appropriate in the consolidated financial statements. |
| 2- Investments in equity instruments designated at fair value through other comprehensive income | |
| <p>As of December 31, 2022, the Group has investments in equity instruments designated at fair value through other comprehensive income amounted to SR 121.9 million (2021: SR 148.5 million).</p> <p>These investments have been classified as investment at fair value through other comprehensive income based on the Group's business model and contractual cash flow specifications.</p> <p>This matter has been considered as a key audit matter based on the fact that IFRS 9 requires significant judgment for the business model testing and the contractual cash flow specifications.</p> <p>Refer to the note (3-17 & 4e) for the accounting policy and note (8) for the management estimates and judgments.</p> | <ul style="list-style-type: none"> - We have checked the appropriateness of the Group classification of the financial instruments as per the Group's business model and the related contractual cash flow. - We have obtained the valuation reports of the independent valuator who is accredited from Saudi Association of Valuators ("Taqeem") to measure the fair value of financial instruments. - We performed audit procedures to test completeness and accuracy of information presented by the management to the valuator. - We have discussed the valuation reports with the management to verify market data and assumptions used. - We have reviewed the valuation report and ensured that methods and assumptions used are consistent with last year. - We have reviewed the related disclosure in the financial statements to ensure the compliance with the requirements of IFRS 9 and IFRS 7. |



INDEPENDENT AUDITORS' REPORT (CONTINUED)

**Ayyan Investment Company
(A Saudi Joint Stock Company)**

Other Information

Management are responsible for the other information. The other information comprises the information included in the Company's annual report, other than 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 do not express any form of assurance or conclusion thereon.

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

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

Responsibilities of the 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 IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA), Company's By-laws and the applicable requirements of Companies' regulations, 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 ISAs as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

**Ayyan Investment Company
(A Saudi Joint Stock Company)**

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

- 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 exist related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



**Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting**



**Abdullah M. AlAzem
License No. 335**

07 Ramadan, 1444H (29 March, 2023)
Khobar, Kingdom of Saudi Arabia

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

| | Note | 2022 SR | 2021 SR |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 6 | 1,061,689,553 | 995,578,772 |
| Intangible assets, net | 7 | 1,156,775 | 1,614,146 |
| Investments in equity instruments designated at fair value through other comprehensive income | 8 | 121,942,163 | 148,460,390 |
| Investment in an associate | 9 | 20,184,068 | 15,427,499 |
| Investment properties, net | 10 | 126,500,412 | 123,987,912 |
| Right-of-use assets, net | 11 | 64,363,706 | 3,196,975 |
| Goodwill | 12 | 2,094,678 | 2,094,678 |
| Total non-current assets | | 1,397,931,355 | 1,290,360,372 |
| Current assets | | | |
| Inventory, net | 13 | 30,171,486 | 21,503,501 |
| Trade receivables, prepayments and other assets, net | 14 | 131,090,072 | 118,446,037 |
| Investment in equity instruments at fair value through profit or loss | 15 | - | 57,601,912 |
| Cash and cash equivalents | 16 | 77,049,943 | 29,491,626 |
| Total current assets | | 238,311,501 | 227,043,076 |
| TOTAL ASSETS | | 1,636,242,856 | 1,517,403,448 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 1 | 806,363,280 | 806,363,280 |
| Share premium | 36 | 65,478,995 | 65,478,995 |
| Statutory reserve | 17 | 7,786,135 | 7,786,135 |
| (Accumulated losses) Retained earnings | | (42,978,981) | 1,788,755 |
| Reserve for acquisition of additional shares in a subsidiary | 18-36 | (122,454,330) | (122,454,330) |
| Fair value reserve | | 15,932,210 | 42,450,437 |
| Reserve for re-measurement of employees' defined benefit obligations | | 5,608,499 | 7,245,223 |
| Total equity attributable to shareholders | | 735,735,808 | 808,658,495 |
| Non-controlling interest | 36 | 8,357,566 | 8,243,668 |
| TOTAL EQUITY | | 744,093,374 | 816,902,163 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long term loans – non-current portion | 19 | 471,282,531 | 491,127,918 |
| Lease liabilities - non-current portion | 11 | 65,746,541 | 57,067,144 |
| Employees' defined benefits obligations | 21 | 38,958,097 | 37,598,597 |
| Total non-current liabilities | | 575,987,169 | 585,793,659 |
| Current liabilities | | | |
| Long term loans – current portion | 19 | 80,809,025 | - |
| Short term loans | 20 | 117,293,085 | 14,876,073 |
| Trade payables, accrued expenses and other liabilities | 22 | 96,063,185 | 82,941,400 |
| Lease liabilities - current portion | 11 | 16,114,534 | 11,365,371 |
| Zakat provision | 23 | 5,882,484 | 5,524,782 |
| Total current liabilities | | 316,162,313 | 114,707,626 |
| Total liabilities | | 892,149,482 | 700,501,285 |
| TOTAL EQUITY AND LIABILITIES | | 1,636,242,856 | 1,517,403,448 |

The consolidated financial statements were approved by the board of directors, on Ramadan 7,1444H corresponding to March 29, 2023 and were signed on its behalf by:


Ahmed Ibrahim
Finance Manager


Raed Mohamed Al Naeem
CEO


Faisal Abdullah Al Qahtani
Chairman


The accompanying notes form an integral part of these consolidated financial statements


AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)


**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**

| | Note | 2022 SR | 2021 SR |
|--|------|---------------------|---------------------|
| Revenues, net | 26 | 266,226,780 | 269,562,709 |
| Cost of revenues | 27 | (249,393,623) | (205,010,728) |
| Gross profit | | 16,833,157 | 64,551,981 |
| General and administrative expenses | 28 | (72,825,239) | (73,723,314) |
| Selling and marketing expenses | 29 | (1,144,722) | (951,797) |
| Operating loss | | (57,136,804) | (10,123,130) |
| Finance cost | 30 | (3,387,122) | (2,934,573) |
| Dividends income | 31 | 4,036,235 | 3,485,526 |
| Share of results from associate | 9 | 5,556,569 | 2,301,324 |
| Realized gain on disposal of equity instruments at fair value through profit or loss | 15 | 1,616,331 | 2,208,765 |
| Unrealized gain on equity instruments at fair value through profit or loss | 15 | - | 10,424,296 |
| Other income | 32 | 10,600,577 | 5,645,907 |
| Net (loss) income before zakat | | (38,714,214) | 11,008,115 |
| Zakat | 23 | (5,916,865) | (4,632,251) |
| Net (loss) income for the year | | (44,631,079) | 6,375,864 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Item that will not be reclassified subsequently to the profit or loss</i> | | | |
| Net movement in fair value of equity instruments designated at fair value through other comprehensive income | 8 | (26,518,227) | (3,264,820) |
| Re-measurement loss on employees' defined benefits obligations | 21 | (1,659,483) | (2,065,942) |
| Other comprehensive losses | | (28,177,710) | (5,330,762) |
| Total comprehensive (loss) income for the year | | (72,808,789) | 1,045,102 |
| Net income for the year attributable to: | | | |
| Shareholders | | (44,767,736) | 4,294,315 |
| Non-controlling interest | | 136,657 | 2,081,549 |
| Net (loss) income for the year | | (44,631,079) | 6,375,864 |
| Total comprehensive income attributable to: | | | |
| Shareholders | | (72,922,687) | (951,385) |
| Non-controlling interest | | 113,898 | 1,996,487 |
| Total comprehensive income for the year | | (72,808,789) | 1,045,102 |
| Earnings per share | | | |
| Earnings per share of net (loss) income for the year | 25 | (0.56) | 0.06 |
| Earnings per share of total comprehensive loss for the year | 25 | (0.90) | (0.01) |
| Number of outstanding Shares | 25 | 80,636,328 | 74,623,553 |

The consolidated financial statements were approved by the board of directors, on Ramadan 7, 1444H corresponding to March 29, 2023 and were signed on its behalf by:


Ahmed Ibrahim
Finance Manager


Raed Mohamed Al Naeem
CEO


Faisal Abdullah Al Qahtani
Chairman

The accompanying notes form an integral part of these consolidated financial statements

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Share Capital | Share premium | Statutory reserve | (Accumulated losses) / retained earnings | Reserve for acquisition of additional shares in a subsidiary | Fair value reserve | Reserve for re-measurement of employees' defined benefit obligations | Total equity attributable to shareholders of the Company | Non-controlling interest | Total equity |
|---|--------------------|-------------------|-------------------|--|--|--------------------|--|--|--------------------------|--------------------|
| | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR |
| Balance as at January 1, 2021 | 737,320,690 | (10,882,110) | 7,356,704 | (579,346) | (33,332,212) | 44,218,474 | 6,701,273 | 750,803,473 | 68,200,265 | 819,003,738 |
| Net income for the year | - | - | - | 4,294,315 | - | - | - | 4,294,315 | 2,081,549 | 6,375,864 |
| Other comprehensive loss | - | - | - | - | - | (3,264,820) | (1,980,880) | (5,245,700) | (85,062) | (5,330,762) |
| Total comprehensive income for the year | - | - | - | 4,294,315 | - | (3,264,820) | (1,980,880) | (951,385) | 1,996,487 | 1,045,102 |
| Transfer to statutory reserve | - | - | 429,431 | (429,431) | - | - | - | - | - | - |
| The effect of acquisition of additional shares in a subsidiary (note 36) | - | - | - | - | (89,122,118) | - | 2,524,830 | (86,597,288) | (61,953,084) | (148,550,372) |
| Loss from disposal of investment in equity instruments at fair value through other comprehensive income | - | - | - | (1,496,783) | - | 1,496,783 | - | - | - | - |
| Transaction with shareholders in their capacity as shareholders | | | | | | | | | | |
| Additional share capital issued | 69,042,590 | 76,361,105 | - | - | - | - | - | 145,403,695 | - | 145,403,695 |
| Balance as at December 31, 2021 | 806,363,280 | 65,478,995 | 7,786,135 | 1,788,755 | (122,454,330) | 42,450,437 | 7,245,223 | 808,658,495 | 8,243,668 | 816,902,163 |
| Balance as at January 1, 2022 | 806,363,280 | 65,478,995 | 7,786,135 | 1,788,755 | (122,454,330) | 42,450,437 | 7,245,223 | 808,658,495 | 8,243,668 | 816,902,163 |
| Net income for the year | - | - | - | (44,767,736) | - | - | - | (44,767,736) | 136,657 | (44,631,079) |
| Other comprehensive loss | - | - | - | - | - | (26,518,227) | (1,636,724) | (28,154,951) | (22,759) | (28,177,710) |
| Total comprehensive income for the year | - | - | - | (44,767,736) | - | (26,518,227) | (1,636,724) | (72,922,687) | 113,898 | (72,808,789) |
| Balance as at December 31, 2022 | 806,363,280 | 65,478,995 | 7,786,135 | (42,978,981) | (122,454,330) | 15,932,210 | 5,608,499 | 735,735,808 | 8,357,566 | 744,093,374 |

The consolidated financial statements were approved by the board of directors, on Ramadan 7, 1444H corresponding to March 29, 2023 and were signed on its behalf by:



Ahmed Ibrahim
Finance Manager



Raed Mohamed Al Naeem
CEO



Faisal Abdullah Al Qahtani
Chairman

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

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022


| | 2022 | 2021 |
|--|---------------------|----------------------|
| | SR | SR |
| OPERATING ACTIVITIES | | |
| Net profit for the year before zakat | (38,714,214) | 11,008,115 |
| <i>Adjustments for:</i> | | |
| Depreciation on property, plant and equipment | 17,512,370 | 15,787,084 |
| Depreciation on investment properties | 183,675 | 183,675 |
| Amortization of right of use asset | 3,414,256 | 1,205,077 |
| Loss from disposal of property, plant and equipment | 176,890 | 735,942 |
| Amortization of intangible assets | 457,371 | 185,339 |
| Finance cost | 3,387,122 | 2,934,573 |
| Share of results from associate | (5,556,569) | (2,301,324) |
| Dividends income | (4,036,235) | (3,485,526) |
| Provision for impairment of doubtful other receivables – write off /reversal | - | (1,433,956) |
| Provision for slow moving items | - | 300,000 |
| Impairment recognized on trade receivables | - | 6,545,200 |
| Realized gain on disposal of equity instruments at fair value through profit or loss | (1,616,331) | (2,208,765) |
| Unrealized gain on equity instruments at fair value through profit or loss | - | (10,424,296) |
| Defined benefits obligations for employees | 7,161,130 | 8,687,189 |
| | (17,630,535) | 27,718,327 |
| Changes in operating assets and liabilities: | | |
| Trade receivables, prepayments and other current assets | (12,644,035) | 646,499 |
| Inventories | (8,667,985) | 2,911,922 |
| Trade payables, accrued expenses and other liabilities | 13,121,785 | 27,451,608 |
| Cash from operations | (25,820,770) | 58,728,356 |
| Defined benefits obligations for employees paid | (7,461,113) | (5,422,329) |
| Zakat paid | (5,559,163) | (5,673,987) |
| Net cash (used in) provided by operating activities | (38,841,046) | 47,632,040 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (146,898,665) | (175,110,964) |
| Proceeds from disposal of property, plant and equipment | 44,534 | 621,248 |
| Purchase of intangibles | - | (1,636,574) |
| Dividend received from investment recognized at equity method | 800,000 | - |
| Cash dividends received | 4,036,235 | 3,485,526 |
| Acquisition of extra shares in a subsidiary | - | (3,146,684) |
| Proceeds of equity instruments at fair value through profit and loss | 83,419,880 | 18,307,709 |
| Purchase of equity instruments at fair value through profit and loss | (24,201,637) | (9,990,310) |
| Net cash used in investing activities | (82,799,653) | (167,470,049) |
| FINANCING ACTIVITIES | | |
| Lease liabilities, net | 6,547,247 | 13,871,052 |
| Due to banks | - | (5,705,488) |
| Loans obtained during the year | 256,571,509 | 454,907,126 |
| Repayment of loans | (93,919,740) | (317,196,619) |
| Net cash provided by financing activities | 169,199,016 | 145,876,071 |
| Net change in cash and cash equivalents | 47,558,317 | 26,038,062 |
| Cash and cash equivalent as at 1 January | 29,491,626 | 3,453,564 |
| Cash and cash equivalents as at 31 December | 77,049,943 | 29,491,626 |

Supplement information related to non-cash transaction are disclosed in note (35).

The consolidated financial statements were approved by the board of directors, on Ramadan 7, 1444H corresponding to March 29, 2023 and were signed on its behalf by:


Ahmed Ibrahim
Finance Manager


Raed Mohamed Al Naeem
CEO


Faisal Abdullah Al Qahtani
Chairman

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

AYYAN Investment Company ("the Company") is a Saudi Joint Stock Company established as per Ministerial Decree No. 573 dated 14 Rabea II 1414H corresponding to October 1, 1993 and registered under Commercial Register No. 2051064048 dated 19 Rajab 1438H corresponding to April 16, 2017. The Company has a branch registered under commercial registration number 2252021816 which is located in Al-Ahsa, Kingdom of Saudi Arabia.

The authorized, issued and paid up share capital amounted to SR 806,363,280 divided into 80,636,328 shares with par value of SR 10 per share. (As at December 31, 2021: SR 806,363,280 divided into 80,636,328 shares with par value of SR 10 per share).

The main activity of the Company is general construction of non-residential buildings including schools, hospitals, hotels etc.

Going Concern

The current liabilities of the Company have exceeded its current assets by SR 77.9 million as at December 31, 2022 (December 31, 2021: SR Nil). The Company is currently in negotiations with a commercial bank for additional facilities to finance its working capital requirements. Management of the Company believes that it would be successful in obtaining additional facilities in the near future as required. And also if required the company will sale one of its investments from investment properties and investment in equity instruments designated at fair value through other comprehensive income to cover this issue. Accordingly, the financial statements have been prepared assuming that the Company will continue as a going concern.

1.1 Structure of the group

These consolidated financial statements include the financial statements of the Company and the following subsidiaries collectively referred to hereafter as "the Group":

| Company | Legal Form | Incorporation Country | Effective ownership | |
|---|-------------------------------|--------------------------|------------------------|-------|
| | | | 2022 | 2021 |
| A. Al-Ahsa Food Industries Company | Limited Liability Company | Saudi Arabia | 100% | 100% |
| B. Al-Ahsa Medical Services Company | Closed Joint Stock Company | Saudi Arabia | 96.3% | 96.3% |
| C. Al Salam Medical Services Company | Closed Joint Stock Company | Saudi Arabia | 100% | 100% |

The assets, liabilities and result of operations of the above subsidiaries of the company have been included in the accompanying consolidated financial statements.

A. Al-Ahsa Food Industries Company ("AFIC")

Al-Ahsa Food Industries Company is a Saudi limited liability company registered under Commercial Register No. 2252023850 dated 7 Muharram 1416H corresponding to June 6, 1995. The principle activities of Al-Ahsa Food Industries Company are the production of dates and their derivatives and it is wholly owned by the Company. The subsidiary's accumulated losses exceeded its capital. Under the provisions of Article 181 of the Companies Law, the shareholders are required to resolve to continue in the business and provide support to the subsidiary or liquidate it., the Board of Directors resolved to continue to support the subsidiary and provide it with the necessary funding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

1.1 Structure of the group (Continued)

B. Al-Ahsa Medical Services Company ("AMSC")

Al-Ahsa Medical Services Company is a closed joint stock company under Commercial Register No. 2252025213 dated 07 Sha'ban 1418H corresponding to December 07, 1997. Al-Ahsa Medical Services Company is engaged in the establishment, management, operation and maintenance of hospitals. On May 1, 2019, The Company acquired additional 16.32% of the subsidiary's equity shares from the non-controlling interest, this resulted in an increase of the Company's ownership in the subsidiary from 53.61% to 69.9%.

During the year 2021, the Group increase the capital from 737,320,690 to SAR 806,363,280 by issuing new shares (6,904,259 shares) for the acquisition of 26.43% of AMSC shares for SR 148.5 million (note 36).

C. Al Salam Medical Services Company (ASMSC)

Al Salam Medical Services Company is a Saudi Closed Joint Stock Company Registered under commercial registration number 2051059611 dated 16 Safar 1436H corresponding to December 9, 2014. The principal activities of ASMSC include establishing, maintenance and operating hospitals, medical centers, government and private dispensaries. On March 15, 2020, the Group has acquired 100% share capital and voting interest in ASMSC and obtained control .

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

2.2 Preparation of consolidated financial statements

The accompanying consolidated financial statements have been prepared on the historical cost convention except for the end of service benefits which are recognized at the present value of future obligation using the projected unit credit method and investments in equity instruments designated at fair value through other comprehensive income which is measured at fair value. The preparation of financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements. These areas that are significant to the financial statements are disclosed in note 4.

2.3 Operational and presentation currency

These consolidated financial statements are presented in Saudi Riyal ("SR") which is the Group's functional and presentation currency. All amounts have been rounded to the nearest Saudi Riyal, unless otherwise indicated.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries detailed in note 1. Control is achieved when the Group:

- 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 Group 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION (Continued)

2.4 Basis of consolidation (Continued)

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

Consolidated and each component of other comprehensive income are attributed to the owners of the Group. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's 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.

2.4.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified Consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue

Revenue is recognized at the fair value of the consideration received or receivables taking in the consideration the payment terms specified in the contract with the customer excluding any tax or fees. The Group recognize revenues from contracts based on five steps model as follows:

- Identify the contract with the customer i.e. agreement with the Group which create exercisable rights and obligations.
- Identifying the performance obligation such as promises to deliver goods or services.
- Determining the transaction price based on the expected consideration receivables against the satisfaction of the performance obligation (excluding any amounts received on behalf of third parties)
- Allocate the transaction price for each performance obligation based on estimated selling price for goods and service provided to the client.
- Recognize revenue when (or as) the performance obligation is satisfied such as delivery of the contracted goods or services to the client till the client obtain the control which can be at a point of time or over time.

(a) Sale of goods

The sale of goods is recognized when the goods are delivered or shipped, in accordance with agreed contractual terms, when the control of the goods is transferred to the buyer and the Group has no continuing management relationship to the extent normally associated with ownership or effective control over the goods sold.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Revenue (continued)

(b) Rendering of services

Revenue from services are recognized on the satisfaction of the related performance obligations and is classified as revenues from the main operating activities. Certain services are subject to variable considerations such as discounts and rejections. The Group calculate discounts and rejections based on its best estimates and depending on its experience and knowledge about the past and current events.

(c) Income from operating leases

Income from operating leases is recognized on straight line basis over the life of the lease contract. Un-earned revenues represent amounts received from the customers in advance and recognized as liabilities to be amortized on a straight line basis when earned.

(d) Term deposit income

Income from term deposit for commission-related financial assets is recognized using the effective commission rate.

(e) Dividends

Dividends income is recognized when the Group has the right to receive these dividends. This is usually the case when the shareholders of the investee companies, resolve to distribute dividends.

(f) Other

Other income is recognized on an accrual basis.

3.2 Expenses

Distribution expenses principally comprise of costs incurred in the distribution and delivery of the Group's products.

Marketing expenses principally comprise of costs incurred in marketing and advertising the Group's products and services. All expenses, other than cost of sales, distribution and marketing expenses, are classified as administrative expenses.

Administrative expenses include indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles. Allocations between distribution, marketing and administrative expenses and cost of revenue, when required, are made on a consistent basis.

3.3 Earnings per share

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year. The Group does not have any factors that may result in a reduction in the basic earnings per share. Accordingly, the basic earnings per share is equal to the diluted earnings per share.

3.4 Foreign currency transactions

Presentation currency

The accompanying consolidated financial statements are presented in Saudi Riyals which is the functional currency and presentation currency of the parent company. Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entity operates (the functional currency). All of the Group's subsidiaries operate mainly in the Kingdom of Saudi Arabia.

Transaction and balances

Transactions denominated in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences on monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Employees defined benefit obligations

Liabilities for defined benefit obligations of employees are determined using the projected credit unit method, with an actuarial valuation performed at the end of each financial year. The re-measurement, consisting of actuarial gains or losses, is recognized directly in the consolidated statement of financial position with the addition or reversal of the carrying amount in other comprehensive income in the year in which they occur. Re-measurement recognized in other comprehensive income is recognized immediately in retained earnings and will not be reclassified to consolidated profit or loss in subsequent periods. Changes in the present value of the benefit obligation arising from the plan's adjustments or reductions are recognized directly in profit or loss as an interest expense. Interest cost 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 classified as follows:

- Service cost (including the cost of the current service or the cost of the previous service, plus gains and losses from reductions and adjustments).
- Interest expense
- re-measurement

The Group recognizes the first two items of the defined benefit costs on the consolidated statement of profit or loss under "administrative expenses", while the third component of the "re-measurement" is charged to comprehensive income and is recognized in the consolidated statement of changes in equity. A termination benefit obligation is recognized when the Group cannot withdraw the offer of termination benefits or when the Group recognizes any related restructuring costs, whichever is earlier.

Short-term employee benefits

Employees' accrued liabilities for wages, salaries, annual leaves and sick leaves, which are expected to be repaid within 12 months after the end of the period and are recognized in the period in which the related service is provided, are recognized in the amount expected to be paid for the benefits expected to be paid for that service and disclosed in current liabilities.

3.6 Zakat

The Group is subject to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the kingdom of Saudi Arabia. Zakat is calculated on accrual basis. Zakat is calculated on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3.7 Segmental reporting

The sector represents a unit that can be identified in the group that sells or provides goods and services (the sectors by activity) or those that sell or deliver goods and services within a specific economic environment (the sectors by geographical area). Each sector has its own risk and benefits from the risks and benefits of other sectors. The Group's segments are divided into industrial, service (medical) and investment sectors. Although the Industry Department does not meet the quantitative requirements that qualify it to be a segmental reporting, management is required to disclose it separately as it monitors the sector as a potential sector to grow economically and is expected to contribute significantly to the Group's future revenues.

3.8 Property, plant & equipment

Property, plant and equipment are stated at their cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Property, plant & equipment (continued)

Property and equipment (except freehold land and building under construction) are depreciated over its useful lives using the straight line method.

The estimated useful life of the principal classes of assets are as follows:

| | Year |
|--------------------------------------|--------------|
| Buildings and leasehold improvements | 5 – 33 years |
| Machinery | 10 years |
| Vehicles | 4 years |
| Furniture, and office equipment | 3 – 10 years |
| Computer | 4 years |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The capital work in progress is the cumulative costs incurred by the Group for the construction of additional buildings. Costs incurred on capital work in progress are recorded and transferred to property, plant and equipment upon completion of construction. Finance costs are capitalized from loans relating to the construction of qualifying assets within the period of time required to complete and prepare them for the intended purpose.

Capitalization of costs

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the reporting year in which they are incurred. Maintenance and normal repairs which do not extend the estimated economic useful life of an asset or production output are charged to the consolidated statement of profit or loss and other comprehensive income as and when incurred.

Capital work-in-progress

Assets in the course of construction or development are capitalized in the capital work-in-progress ("CWIP") account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing period. Capital work-in-progress is not depreciated or amortized.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Intangible assets

Intangible assets with finite lives acquired separately are recorded at cost less accumulated amortization and the total impairment loss. Amortization is recognized using the straight-line method over its estimated useful lives. The estimated useful lives and the amortization method are reviewed at the end of each reporting period and any changes in estimates are accounted for on a future basis. Intangible assets with indefinite useful lives that are acquired separately are stated at cost less accumulated impairment losses.

An intangible asset is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Gains or losses on de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated profit or loss on de-recognition of the asset.

The Group's significant intangible assets, their useful lives and the methods used to determine the cost of intangible assets acquired during the business combination are as follows:

| | <u>Productive life</u> |
|-----------------------|------------------------|
| Computer program | 4 years |
| Contractual relations | 5 years |

3.10 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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 consolidated statement of profit or loss and other comprehensive income.

3.11 Inventory

Inventories are valued at the lower of cost and net realizable value. Cost of inventories is determined on a weighted average basis and includes costs of purchase of inventory, production or conversion costs and other costs incurred to bringing the inventories to their present location and condition. In the case of manufactured goods and work in progress, the cost includes an appropriate share of indirect production costs based on normal operating capacity.

Net realizable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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 some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Investment properties

Initial recognition of investment properties is carried at cost including transaction costs. Investment properties are subsequently measured at cost less accumulated depreciation and any impairment losses. Investment properties in land held for capital appreciation and not for sale in the short term are in the normal course of business, land held for future indefinite use and buildings that are used for leasing. Depreciation of buildings is calculated over a period of 33 years using the straight line method and the depreciation of the land is not accounted for.

The fair values of investment properties that reflect the prevailing market conditions are disclosed at the reporting date. The fair value is determined on the basis of an annual valuation by an independent valuer.

The carrying values of investment properties are reviewed to ensure that there is no impairment in value when events or changes in circumstances indicate that the carrying amount is not recoverable. Where there are indications that the carrying amount of the investment property exceeds its estimated recoverable amount, that difference is recognized as an impairment loss on the consolidated statement of profit or loss and other comprehensive income. Recoverable amount is the higher of fair value less costs to sell or value in use.

Investment properties are derecognised when they are permanently excluded from use or no future economic benefits are expected upon disposal. The difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated profit or loss for the period in which the asset is derecognised.

3.14 Investment in an associate

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes separately in the statement of profit or loss.

Accounting policies of associates are required to be changed where necessary to ensure consistency with the policies adopted by the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

3.16 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis as follows:

(a) Right of use asset

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

(b) Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the additional borrowing rate, which represents the price that the tenant will pay to borrow the money needed to obtain an asset of similar value in a similar economic environment on similar terms and conditions.

Payments relating to short term leases and rentals of low value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease period of 12 months or less.

The lease terms are renegotiated on an individual basis and have a wide range of terms and conditions. The lease agreements do not impose any obligations, but the leased assets may not be used as security for borrowing purposes.

3.17 Financial instruments

3-17-1 Financial assets

The group Classify its financial assets based on the entity's business model for managing the financial assets and the contractual terms of the cash flows as follows:

- Financial assets at amortized cost
- Equity instruments at fair value through other comprehensive income.

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

3-17-1-1 Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. The Group de-recognizes a financial asset at amortized cost when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any gain or loss on de-recognition is recognized in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Financial instruments (Continued)

3-17-1-2 Equity instruments at fair value through other comprehensive income

Equity instruments at fair value through other comprehensive income are those instruments for which the Group has irrevocably elected to present subsequent changes in its fair value in Other Comprehensive Income. This election is made on an instrument-by-instrument basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Change in the fair value of such instruments are recognized in OCI and are never reclassified to profit or loss.

The Group de-recognizes the equity instruments at fair value through other comprehensive income when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any gain or loss on de-recognition is recognized as an equity transaction and are never reclassified to profit or loss.

3-17-1-3 Investment in equity instruments at fair value through profit or loss

The group classifies the following financial assets at fair value through profit or loss (FVTPL):

- debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income (FVTOCI)
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through other comprehensive income.

These assets are subsequently measured at fair value. Change in the fair value of such instruments and dividends are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

The Group de-recognizes the equity instruments at fair value through profit or loss when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any gain or loss on de-recognition is charged to profit or loss.

3-17-2 Financial Liabilities

Financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities of the Group comprise of bank borrowings and trade and other payables.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3-17-3 Impairment of financial assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets, carried at amortized cost.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Financial instruments (Continued)

3-17-4 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.18 Government grant

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them. Government grants are recorded in the period during which they are received and are included as a deduction from the relevant fixed asset.

3.19 Discontinued operations

Discontinued operations represent a component of the Group that either has been disposed of or is classified as held for sale and:

- a) represents a separate major line of business or geographical area of operations,
- b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- c) is a subsidiary acquired exclusively with a view to re-sale.

Discontinued operations are presented in the consolidated statement of profit or loss and other comprehensive income, which includes post-tax gains or losses for discontinued operations plus gains and losses recognized after taxes during the re-measurement of the fair value of the assets or disposal groups, which represents discontinued operations less cost of sale.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Following are the critical judgement and key assumptions:

(a) Impairment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

(b) Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management estimates the useful lives of its property and equipment and intangible assets for the purpose of calculating depreciation and amortization. These estimates are determined after considering the expected usage of the asset or physical wear and tear for useful lives. Useful lives and residual values are reviewed by the management on an annual basis. Any change in the depreciation is accounted for prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) 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 some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants in the principal market 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 to the Company. 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. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(e) Fair value of investments in equity instruments designated at fair value through other comprehensive income

The fair value of investments in equity instruments that are not quoted in active markets is determined by using known valuation techniques such as discounted cash flows and recent transaction prices. Fair value is determined at a given time on the basis of market conditions and available information about the investee companies. These estimates are subjective in nature, involve uncertainties and require a high degree of diligence, and therefore cannot be determined with extreme precision. Future events (such as continued operating profit and financial strength) are uncertain and it is possible, based on current information, that the results for the next fiscal year will differ from earlier assumptions, requiring future adjustments to the carrying amount of investments. In cases where discounted cash flow models are used to estimate fair values, future cash flows are estimated by the management in accordance with the information available with the representatives of the investee and according to the latest available audited or unaudited financial statements.

(f) Goodwill impairment

An impairment test is performed on cash-generating units by comparing the carrying amount of the cash-generating units and their recoverable amount. The recoverable amount of the cash-generating unit is the higher of its fair value less costs to sell or its value in use. The valuation process used to determine fair value and value in use includes the use of methods such as the discounted cash flow method that uses assumptions to estimate cash flows. The recoverable amount depends largely on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (Continued)**

(g) Investment properties impairment

The Group reviews the carrying amount of investment properties to determine whether there is any indication that the asset is impaired. Where necessary, management uses estimates and judgments to determine whether there is any indication of impairment in value of investment properties. The carrying values of investment properties are reviewed to ensure that there is no impairment in value when events or changes in circumstances indicate that the carrying amount is not recoverable. Where there are indications that the carrying amount of the investment properties exceeds its estimated recoverable amount, that difference is recognized as an impairment loss on the consolidated statement of profit or loss and other comprehensive income. Recoverable amount is the higher of fair value less costs to sell or value in use.

(h) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and unexpected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(i) Employee end of service benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using various assumptions that may differ from actual developments in future. The assumptions used include the discount rate, future salary increases, mortality rates and future pension increases. Changes in these assumptions will impact the carrying amount of the pension obligation. The Group determines the appropriate discount rate at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the expected term of the related pension obligation.

(j) Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete or subject to technological changes, an estimate is made of their net realizable value. Factors considered in determination of markdowns include current and anticipated demand, customer preferences and age of inventories as well as seasonal trends. For individually significant amounts this estimation is performed on an individual basis. Items which are not individually significant, but which are old or obsolete, are assessed collectively and a markdown provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

(k) Rejections and discounts

The Group calculate discounts and rejections based on its best estimates and depending on its experience and knowledge about the past and current events.

5. NEW AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

5. NEW AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (Continued)

| Standard | Description |
|---|--|
| Amendments to IFRS 3 Reference to the Conceptual Framework | The Company has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. |
| Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use | <p>The Company has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.</p> <p>The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.</p> <p>If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost</p> |
| Amendments to IAS 37 Onerous Contracts— Cost of Fulfilling a Contract | The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). |
| Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle | <p>The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.</p> <ul style="list-style-type: none"> - IFRS 1 First-time Adoption of International Financial Reporting Standards - IFRS 9 Financial Instruments - IFRS 16 Leases <p>IAS 41 Agriculture</p> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Standards issued but not yet effective

| Standard | Description |
|---|---|
| IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17) | Insurance Contracts |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

The Company does not expect that the adoption of these new and revised standards and interpretations will have a material impact on its consolidated financial statements.

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. PROPERTY, PLANT AND EQUIPMENT, NET

| | Land | | Buildings and improvements | | Machines | | Vehicles | | Furniture & office equipment | | Computers | | Capital work-in-progress | | Total | |
|---|-------------|-------------|----------------------------|-----------|------------|------------|---------------|---------------|------------------------------|----|-----------|----|--------------------------|----|-------|----|
| | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR |
| Cost | | | | | | | | | | | | | | | | |
| At January 1, 2022 | 136,698,750 | 189,294,191 | 148,238,991 | 5,552,721 | 22,056,778 | 9,556,614 | 704,875,708 | 1,216,273,753 | | | | | | | | |
| Transfer to Right of use assets (note 11) | - | - | - | - | - | - | - | (64,580,987) | | | | | | | | |
| Transfer to investment properties (note 10) | (1,759,588) | - | - | - | - | - | (936,587) | (2,696,175) | | | | | | | | |
| Capitalization | 30,958,244 | 201,194,976 | 636,017 | - | - | 992 | (232,790,229) | - | | | | | | | | |
| Additions | - | 274,458 | 3,634,230 | 78,101 | 546,944 | 1,976,990 | 144,611,014 | 151,121,737 | | | | | | | | |
| Disposals | - | - | (1,875,161) | (173,650) | (62,728) | (136,739) | - | (2,248,278) | | | | | | | | |
| At December 31, 2022 | 165,897,406 | 390,763,625 | 150,634,077 | 5,457,172 | 22,540,994 | 11,397,857 | 551,178,919 | 1,297,870,050 | | | | | | | | |
| Accumulated Depreciation | | | | | | | | | | | | | | | | |
| At January 1, 2022 | - | 89,439,070 | 102,326,580 | 4,803,561 | 15,622,032 | 8,503,738 | - | 220,694,981 | | | | | | | | |
| Charge for the year | - | 7,292,348 | 8,127,957 | 273,298 | 1,306,553 | 512,214 | - | 17,512,370 | | | | | | | | |
| Disposals | - | - | (1,687,593) | (173,648) | (52,359) | (113,254) | - | (2,026,854) | | | | | | | | |
| At December 31, 2022 | - | 96,731,418 | 108,766,944 | 4,903,211 | 16,876,226 | 8,902,698 | - | 236,180,497 | | | | | | | | |
| Net book value | | | | | | | | | | | | | | | | |
| At December 31, 2022 | 165,897,406 | 294,032,207 | 41,867,133 | 553,961 | 5,664,768 | 2,495,159 | 551,178,919 | 1,061,689,553 | | | | | | | | |

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

| | Land | | Buildings and improvements | | Machines | | Vehicles | | Furniture & office equipment | | Computers | | Capital work-in-progress | | Total | | |
|---------------------------------|-------------|------------|----------------------------|---|-------------|---|------------|---|------------------------------|--|-----------|--|--------------------------|--|---------------|--|--|
| | SR | | SR | | SR | | SR | | SR | | SR | | SR | | SR | | |
| Cost | | | | | | | | | | | | | | | | | |
| At January 1, 2021 | 136,698,750 | | 175,734,495 | | 143,595,945 | | 6,066,432 | | 24,769,269 | | 9,368,905 | | 523,497,772 | | 1,019,731,568 | | |
| Reclassification | - | 9,798 | 3,862,168 | - | - | - | - | - | (3,806,740) | | (55,426) | | (9,800) | | - | | |
| Transfers | - | 13,129,723 | 2,054,656 | - | - | - | - | - | - | | - | | (15,184,379) | | - | | |
| Additions | - | 420,175 | 3,369,092 | | 591,884 | | 1,418,767 | | 1,418,767 | | 472,221 | | 196,572,115 | | 202,844,254 | | |
| Disposals | - | - | (4,642,870) | | (1,105,595) | | (324,518) | | (324,518) | | (229,086) | | - | | (6,302,069) | | |
| At December 31, 2021 | 136,698,750 | | 189,294,191 | | 148,238,991 | | 5,552,721 | | 22,056,778 | | 9,556,614 | | 704,875,708 | | 1,216,273,753 | | |
| Accumulated Depreciation | | | | | | | | | | | | | | | | | |
| At January 1, 2021 | - | 83,762,541 | 97,606,744 | | 5,211,760 | | 14,733,761 | | 8,537,970 | | - | | - | | 209,852,776 | | |
| Reclassification | - | 172,465 | 277,551 | - | - | - | (230,317) | | (219,699) | | - | | - | | - | | |
| Charge for the year | - | 5,504,064 | 8,229,034 | | 281,461 | | 1,373,068 | | 399,457 | | - | | - | | 15,787,084 | | |
| Disposals | - | - | (3,786,749) | | (689,660) | | (254,480) | | (213,990) | | - | | - | | (4,944,879) | | |
| At December 31, 2021 | - | 89,439,070 | 102,326,580 | | 4,803,561 | | 15,622,032 | | 8,503,738 | | - | | - | | 220,694,981 | | |
| Net book value | | | | | | | | | | | | | | | | | |
| At December 31, 2021 | 136,698,750 | | 99,855,121 | | 45,912,411 | | 749,160 | | 6,434,746 | | 1,052,876 | | 704,875,708 | | 995,578,772 | | |

- Depreciation allocation

| | December 31, 2022 | | December 31, 2021 | |
|---|-------------------|--|-------------------|--|
| | SR | | SR | |
| Cost of revenues (Note 27) | 13,665,106 | | 12,286,455 | |
| General and administrative expenses (Note 28) | 3,805,759 | | 3,443,343 | |
| Selling and marketing expenses (Note 29) | 41,505 | | 57,286 | |
| | 17,512,370 | | 15,787,084 | |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

6. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

For the subsidiary (Al-Salam Medical Services Company)

- As of December 31, 2022 capital work in progress represents the buildings, machinery and equipment and furniture, which are all expected to complete during year 2023 and 2024.
- The project land and construction and maintenance of building of Al-Salam Medical Services Company are pledged against a term loan from Ministry of Finance (note 19).
- Additions to capital work in progress of Al-Salam Medical Services Company includes interest capitalized during the period amounting to SR 25.04 million (December 31, 2021: SR 15.1 million), payroll cost capitalized during the year amounting to SR 17.83 million (December 31, 2021: SR 6.5 million) and impact of re-measurement of lease liability by SR 4.2 million (December 31, 2021: 12.4 million).
- Capital work in progress of Al-Salam Medical Services Company include advances to contractor for capital expenditures amounting SR 10.37 million (December 31, 2021: SR 23.2 million).
- The total expected cost to complete the project of Al-Salam Medical Services Company as at December 31, 2022 is SR 13 million (December 31, 2021: SR 55 million) (note 34).
- Capital work in progress include advances to suppliers and equipment amounting to SR 18.88 million (December 31, 2021: SR 67.7 million), that the Company obtained under leasing arrangement that will be capitalized separately as right of use, as the relevant assets will be ready for use.
- Capital work in progress of Al-Ahsa Medical Services Company mainly represent cost of expansion the building of hospital and capitalized payment. As December 31, 2022, finance cost capitalized amounting to nil (2021: SR 0.32 million).

7. INTANGIBLE ASSETS, NET

Intangible assets comprise of the medical services program used by AMSC. The movement of intangible assets during the year is as follows:

| | 2022 | 2021 |
|------------------------------------|------------------|------------------|
| | SR | SR |
| Cost | | |
| Balance at January 1 | 5,833,935 | 4,197,361 |
| Additions | - | 1,636,574 |
| Balance at December 31 | <u>5,833,935</u> | <u>5,833,935</u> |
| Accumulated amortization | | |
| Balance at 1 January | 4,219,789 | 4,034,450 |
| Charged during the year (Note 7.1) | 457,371 | 185,339 |
| Balance at December 31 | <u>4,677,160</u> | <u>4,219,789</u> |
| Net book value | <u>1,156,775</u> | <u>1,614,146</u> |

7.1 Amortization charged during the year is allocated to the consolidated statement of profit or loss and comprehensive income as follows:

| | 2022 | 2021 |
|---|----------------|----------------|
| | SR | SR |
| General and administrative expenses (Note 28) | 457,371 | 185,339 |
| | <u>457,371</u> | <u>185,339</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

8. INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|--------------------|-------------|
| | SR | SR |
| Unquoted in the Saudi stock market | 121,942,163 | 148,460,390 |
| | 121,942,163 | 148,460,390 |

A) Unquoted in the Saudi stock market

| | <u>Ownership %</u> | | | |
|--|--------------------|-------|--------------------|-------------|
| | <u>2022</u> | 2021 | <u>2022</u> | 2021 |
| | | | SR | SR |
| Industrialization and Energy Services Co. TAQA | 0.95 | 1.36 | 80,356,290 | 113,787,114 |
| Taleem Investment Co. Ltd | 12.78 | 12.78 | 19,200,341 | 19,857,334 |
| Arab Paper Manufacturing Co. (Warq) | 4.74 | 4.74 | 20,695,393 | 13,935,484 |
| Al Ahsa Tourism & Leisure Co. | 7.57 | 7.57 | 1,690,139 | 880,458 |
| Arab Company for Industrial Fibers (Ibn Rushd) | 0.42 | 0.42 | - | - |
| | | | 121,942,163 | 148,460,390 |

The above investments were valued by an independent valuation expert who issued his report after evaluating all investments. The independent valuation expert issued his report on the value of these investments as at December 31, 2022. The guideline publicly-traded comparable method, using the earnings multiples of similar companies in GCC and other countries, was used to assess the fair value of investments except for Taleem for which discounted cash flows method is used. The valuation techniques used in current year are consistent with those used in last year for investment valuation.

B) Movement in equity instruments designated at fair value through other comprehensive income is as follows:

| | <u>2022</u> | <u>2021</u> |
|------------------------|---------------------|-------------|
| | SR | SR |
| Balance at January 1 | 148,460,390 | 151,725,210 |
| Change in fair value | (26,518,227) | (3,264,820) |
| Balance at December 31 | 121,942,163 | 148,460,390 |

The hierarchy for determining the fair value of financial instruments, valuation techniques used and key inputs for valuation is disclosed in Note 33.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

9. INVESTMENT IN AN ASSOCIATE

In March 2019, the Group acquired 25% of Twareat Medical Care Company at a total cost of SR 15.4 million, which is initially recognized at cost including consideration paid and direct incidental expenses. The above cost includes an option to acquire more shares in Twareat Medical Care Company which has been valued by the independent valuer accredited by the Saudi Association of Independent Valuers (Taqeem) who issued his report showing the fair value of identifiable assets amounting to SR 11.1 million and goodwill amounting to SR 4.3 million which is included in the carrying value of the investment. Furthermore, the call option for purchase of additional shares of the investment has been valued at zero at the acquisition date as well as the date of these consolidated financial statements. Twareat Medical Services Company is a limited liability company registered in the Kingdom of Saudi Arabia. The main activity of the company is the provision of administrative services, medical support services, human health activities and social work, and during the year 2021 the company increase its capital from SR 5,277,000 to SR 8,999,000. During the year 2022 the Company was converted from a "Limited Liability Company" to a "Closed Joint Stock Company" effective 11 Shawwal 1443H corresponding to May 12, 2022. As of the year end, all related legal formalities have been completed. During the year 2022, as per the shareholders' resolution dated August 21, 2022, the Company had increased its share capital by SR 11 million through transfer from retained earnings. The related formalities have been completed during the year.

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------|-------------------|
| | SR | SR |
| Balance at January 1, | 15,427,499 | 13,126,175 |
| Share of result from associate * | 5,556,569 | 2,301,324 |
| Dividend distribution | (800,000) | - |
| Balance at December 31 | <u>20,184,068</u> | <u>15,427,499</u> |

* Share of result from associate comprised of amortization of purchase price allocation (PPA) of the identifiable assets and share of result from associate.

The financial information of the associate represents the values presented in the draft financial statements of the associate and not the group's share of those values. It has also been presented after fair value adjustments and is as follows:

| | <u>2022</u> | <u>2021</u> |
|----------------------------|-------------|-------------|
| | SR | SR |
| Current assets | 63,261,903 | 47,747,149 |
| Non-current assets | 25,882,621 | 21,435,470 |
| Current liabilities | 21,687,350 | 21,181,567 |
| Non-current liabilities | 8,059,828 | 6,900,703 |
| Revenue | 157,897,908 | 111,004,378 |
| Net profit for the year | 22,226,276 | 16,166,740 |
| Total comprehensive income | 22,226,276 | 16,166,740 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

10. INVESTMENT PROPERTIES, NET

Investment properties represents land and leased buildings as follows:

| | Land | Leased building | Total |
|---|---------------------------|----------------------------|---------------------------|
| | SR | SR | SR |
| 2022 | | | |
| Cost | | | |
| Cost at January 1, 2022 | 147,591,540 | 6,070,596 | 153,662,136 |
| Transfer from property and equipment (note 6) | 1,759,588 | 936,587 | 2,696,175 |
| Less: impairment of investment properties | (26,252,660) | - | (26,252,660) |
| Balance at December 31, 2022 | <u>123,098,468</u> | <u>7,007,183</u> | <u>130,105,651</u> |
| Accumulated depreciation | | | |
| Balance at January 1, 2022 | - | 3,421,564 | 3,421,564 |
| Charged during the year | - | 183,675 | 183,675 |
| Balance at December 31, 2022 | <u>-</u> | <u>3,605,239</u> | <u>3,605,239</u> |
| Net book value | | | |
| At December 31, 2022 | <u>123,098,468</u> | <u>3,401,944</u> | <u>126,500,412</u> |
| 2021 | | | |
| Cost | | | |
| Cost at January 1, 2021 | 147,591,540 | 6,070,596 | 153,662,136 |
| Less: impairment of investment properties | (26,252,660) | - | (26,252,660) |
| Balance at December 31, 2021 | <u>121,338,880</u> | <u>6,070,596</u> | <u>127,409,476</u> |
| Accumulated depreciation | | | |
| Balance at January 1, 2021 | - | 3,237,889 | 3,237,889 |
| Charged during the year | - | 183,675 | 183,675 |
| Balance at December 31, 2021 | <u>-</u> | <u>3,421,564</u> | <u>3,421,564</u> |
| Net book value | | | |
| As at December 31, 2021 | <u>121,338,880</u> | <u>2,649,032</u> | <u>123,987,912</u> |

The fair value of investment properties amounted to SR 189.9 million as of December 31, 2022 (2021: SR 161.6 million) and was determined based on the evaluation by an independent certified real estate valuer. The fair value of the properties has been determined based on the prevailing market prices for similar investment properties. Part of the investment properties represented in the lands of Ayan Investment Company were mortgaged (note 19-1).

Rental income recognized from the lease of investment properties by Al Ahsa Medical Services Company (AMSC) as of December 31, 2022 amounts to SR 2.6 million (2021: SR 2.2 million) (Note 32).

Movement in impairment of investment properties is as follows:

| | 2022 | 2021 |
|------------------------|--------------------------|-------------------|
| | SR | SR |
| Balance at January 1 | 26,252,660 | 26,252,660 |
| Reversal | - | - |
| Balance at December 31 | <u>26,252,660</u> | <u>26,252,660</u> |

The minimum lease receivables under non-cancellable operating lease agreement as of December 31, are as follows;

| | 2022 | 2021 |
|-----------------------------|-------------------------|------------------|
| | SR | SR |
| Operating lease receivables | <u>2,371,000</u> | <u>2,025,000</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

11. RIGHT OF USE ASSET AND LEASE LIABILITIES

The right of use asset consists of leased land and building.

| | Machinery and medi- cal equip- ment | Furniture and office equipment vehicles | IT Equip- ment | Land | Building | Total | |
|-------------------------------------|--|--|-------------------|------------------|------------------|-------------------|------------------|
| | | | | | | 2022 | 2021 |
| | | | | | | SR | SR |
| Cost | | | | | | | |
| Balance at January 1 | - | - | - | 1,632,913 | 5,195,533 | 6,828,446 | 6,828,446 |
| Transfer from PPE note6 | 49,710,628 | 8,294,448 | 6,575,911 | - | - | 64,580,987 | - |
| Additions | - | - | - | - | - | - | - |
| Balance at December 31 | 49,710,628 | 8,294,448 | 6,575,911 | 1,632,913 | 5,195,533 | 71,409,433 | 6,828,446 |
| Accumulated depreciation | | | | | | | |
| Balance at January 1 | - | - | - | 181,435 | 3,450,036 | 3,631,471 | 2,426,394 |
| Charge for the year | 2,009,618 | 335,314 | 265,840 | 60,478 | 743,006 | 3,414,256 | 1,205,077 |
| Balance at December 31 | 2,009,618 | 335,314 | 265,840 | 241,913 | 4,193,042 | 7,045,727 | 3,631,471 |
| Net book value | 47,701,010 | 7,959,134 | 6,310,071 | 1,391,000 | 1,002,491 | 64,363,706 | 3,196,975 |

Lease liabilities are as follows:

| | 2022 | 2021 |
|--------------------------------------|---------------------|---------------------|
| | SR | SR |
| At January 1 | 68,432,515 | 39,883,573 |
| Additions during the year | 18,693,991 | 20,070,338 |
| Restructuring effect | 4,223,072 | 12,355,598 |
| Paid during the year | (12,146,744) | (6,202,171) |
| Finance cost | 2,658,241 | 2,325,177 |
| Total balance at the year end | 81,861,075 | 68,432,515 |
| Less: current portion | (16,114,534) | (11,365,371) |
| Non-current portion | 65,746,541 | 57,067,144 |

As at December 31, 2022, The minimum lease payments of lease liabilities are as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | SR | SR |
| Lease payments | | |
| Within one year | 16,114,534 | 11,635,685 |
| Year two to five | 59,958,274 | 45,554,380 |
| Year five and above | 14,216,743 | 20,348,780 |
| Gross minimum lease payments | 90,289,551 | 77,538,845 |
| Less: Finance charges | (8,428,476) | (9,106,330) |
| Present value of net minimum lease payments | 81,861,075 | 68,432,515 |

During the year 2019 ASMSC (subsidiary) entered into a leasing agreement with a financial institution for lease of its medical equipment, for a total assets value of SR 99.2 million and a lease term of 84 months. During the year 2021, the term of the lease agreement increased from 84 months to 96 months with no change in overall scope of leased assets. This change in lease term resulted in lease re-measurement impact of SR 12.35 million. During the year 2022, the term of the lease agreement increased from 96 months to 105 months with no change in overall scope of leased assets. This change in lease term resulted in lease re-measurement impact of SR 4.2 million (note 35).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

12. GOODWILL

Goodwill resulted from the Group's control at the time of acquisition over the Al-Ahsa Medical Services Company, after completing the purchase of additional interest in the company during the year 2015, in which control was achieved. According to the requirements of the International Financial Reporting Standards, the Group's management are required to annually measures the impairment of goodwill mentioned above. The Group's management carried out impairment assessment for the year ended December 31, 2022. The recoverable amount has been determined on the basis of the value in use. The two main assumptions used in the measurement are the discount rate and expected future cash flows from the business, which are as follows:

- Discount rate used to discount future cash flows is 9.8%
- Profit before zakat, interest, depreciation and amortization is expected to grow at 2.5% over the next 5 years

As per the above rates, recoverable amount, determined based on value in use model, is more than the book value, therefore there are no impairment losses for goodwill to be recorded for the year ended December 31, 2022.

Sensitivity to changes in assumptions used

With regard to assessing the value in use of the cash-generating units, the management believes that there is no potential change in any of the underlying assumptions that could cause the carrying value of goodwill to decrease substantially from its recoverable amount.

13. INVENTORIES, NET

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| | SR | SR |
| Medical consumables | 11,921,999 | 9,594,199 |
| Medicines | 12,247,680 | 6,264,347 |
| Dates and others | 5,802,458 | 5,226,356 |
| Medical supplies and spare parts | 604,144 | 823,394 |
| | <u>30,576,281</u> | <u>21,908,296</u> |
| The movement in the provision during the year | | |
| Balance at January 1, | (404,795) | (104,795) |
| Provide during the year | - | (300,000) |
| Allowance for slow moving inventories | <u>(404,795)</u> | <u>(404,795)</u> |
| | <u>30,171,486</u> | <u>21,503,501</u> |

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| | SR | SR |
| Trade receivables | 131,020,924 | 122,992,739 |
| Prepayments and other receivables | 23,409,001 | 18,793,151 |
| | <u>154,429,925</u> | <u>141,785,890</u> |
| Less: provision for impairment of receivables | <u>(23,339,853)</u> | <u>(23,339,853)</u> |
| | <u>131,090,072</u> | <u>118,446,037</u> |

The movement in the provision for impairment of receivables during the year ended December 31 is as follows:

| | <u>2022</u> | <u>2021</u> |
|------------------------|-------------------|-------------------|
| | SR | SR |
| Balance at January 1 | 23,339,853 | 18,228,609 |
| charge for the year | - | 6,545,200 |
| Write off / Reversal | - | (1,433,956) |
| Balance at December 31 | <u>23,339,853</u> | <u>23,339,853</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS (continued)

Aging of trade receivables

| | <u>2022</u> | <u>2021</u> |
|--------------------|---------------------------|--------------------|
| | SR | SR |
| Within 3 month | 88,153,045 | 64,642,137 |
| from 3 to 6 months | 13,647,079 | 9,477,241 |
| Over 6 months | 29,220,800 | 48,873,361 |
| | <u>131,020,924</u> | <u>122,992,739</u> |

15. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company have investment in portfolio of equity instruments to be held for trading and are measured at fair value through profit or loss, during the year 2022 the company had been liquidated all investment in equity instruments at fair value through profit or loss. The movement on investment in equity instruments at fair value through profit or loss is as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|-------------------|
| | SR | SR |
| Opening balance | 57,601,912 | 53,286,250 |
| Additions | 24,201,637 | 9,990,310 |
| Disposal | (83,419,880) | (18,307,709) |
| Realized gain on disposal of equity instruments at fair value through profit or loss | 1,616,331 | 2,208,765 |
| Un-realized gain on disposal of equity instruments at fair value through profit or loss | - | 10,424,296 |
| Closing balance | <u>-</u> | <u>57,601,912</u> |

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits and highly liquid investments that mature within three months or less. As of December 31, 2022 and 2021. Cash and cash equivalents in full included cash and bank balances and short term bank deposits. The balance of cash at banks contains Murabaha investment deposits amounted SR 56,493,189 and the maturity date for it on January 2023.

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|--------------------------|-------------------|
| | SR | SR |
| Cash at banks – current account | 20,399,256 | 29,327,814 |
| Murabaha investment deposits | 56,493,189 | |
| Cash on hand | 157,498 | 163,812 |
| | <u>77,049,943</u> | <u>29,491,626</u> |

17. STATUTORY RESERVE

As per the requirements of the Companies' regulations and Company's bylaw, the company creates a statutory reserve of 10% of net annual income until this reserve reaches 30% of the capital. This reserve is not available for distribution.

18. RESERVE FOR ACQUISITION FOR ADDITIONAL SHARES IN A SUBSIDIARY

This reserve represents the difference between the consideration paid to acquire additional shares in Al-Ahsa Medical Services Company, a subsidiary, and the fair value of those additional shares (Note 36).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

19. LONG TERM LOANS

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | SR | SR |
| Loan from commercial bank - ASMSC (Note 19.1) | 407,404,748 | 441,209,728 |
| Loan from commercial bank - AMSC (Note 19.2) | 45,062,350 | - |
| Loan from Ministry of Finance - ASMSC (Note 19.3) | 99,624,458 | 49,918,190 |
| | 552,091,556 | 491,127,918 |

19.1 This loans belong to the subsidiary ASMSC which had signed facility agreement (“the facility”), to partially finance the construction of hospital, comprising of documentary credits and bills, deferred payment credits/documentary credits and bills, performance guarantees, long term loan facility amounting to SR 163.43 million and medium term loan facility amounting to SR 122.16 million. During the year 2021, the Company capitalized interest amounting to SR 2.7 million, related to this loan, in capital work in progress . This complete loan has been paid by the Company during the year ended December 31, 2021.

During the year 2021, the company has changed its financing arrangement and obtained a new facility with a new commercial bank, whereby the purpose of financing is to pay outstanding obligations of previous commercial bank, financing the remaining cost of completing the hospital construction, and any other entitlements. During the year 2021, the company obtained loan amounting SR 443.2 million from this facility, out of which SR 116 million is a medium term flexible murabaha loan and SR 327.2 million is long term flexible Murabaha loan.

The facility carries mark up at market rates and is secured by corporate guarantees of the Holding Company (Ayyan Investment Company), joint and personal guarantees of several related parties, assignment of proceeds and guarantees from certain financial and other suppliers, mortgage of title deed of land of the Holding Company and the Company’s property, and pledge over Holding Company’s interest in Al Ahsa medical services company (related party). The facilities agreement contains certain financial and non-financial covenants. During the year 2022, the Company capitalized interest amounting to SR 24.58 million, related to these loans, in capital work in progress.

The undiscounted contractual cash flows for borrowings are presented in note 33 to the financial statements.

The movement in the long term loan from commercial banks is as follows:

| | 2022 | 2021 |
|-----------------------------------|---------------------|----------------------|
| | SR | SR |
| <u>Principal amount</u> | | |
| Opening balance | 443,202,642 | 177,398,368 |
| Loan obtained | 32,797,178 | 443,202,642 |
| Loam settled | (69,668,125) | (177,398,368) |
| Total loans | 406,331,695 | 443,202,642 |
| Accrued interest | 4,497,385 | 1,841,036 |
| Advance service charges | (3,424,332) | (3,833,950) |
| Net long term loan payable | 407,404,748 | 441,209,728 |

19.2 During year 2022 AMSC obtained a long term loans from commercial bank amounting to SR 50 million. As per the agreement, the loan is secured by pledge on collection against services of the Company. The outstanding balance is repayable till first quarter of 2027.

These borrowings facility agreements are subject to certain financial and non-financial covenants. The Company is complying with all the covenants.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. LONG TERM LOANS (Continued)

19.3 During year 2018, ASMSC obtained an interest free loan facility amounting to SR 56 million from the Ministry of Finance, to finance the construction, furnishing and fitting of the Hospital Project. This loan is repayable in 20 annual installments with first installment due after five years from the date of the contract, which is discounted on average market prevailing interest rates for similar nature loans, to have a present value of SR 31.69 million. During the year 2019, the Company obtained an additional interest free loan amounting to SR 15.9 million from the same facility from Ministry of Finance, with same terms of loan as for first loan, having net present value of SR 9.2 million. The difference between loan received and its present value amounting to SR 31.1 million was recorded as governmental grant as a reduction to property and equipment.

During the year 2021, the Company obtained an additional interest free loan amounting to SR 3.73 million from the same facility from Ministry of Finance, with same terms of loan as for first and second loan, having net present value of SR 2.32 million. The difference between loan received and its present value amounting to SR 1.41 million was recorded as governmental grant as a reduction to property and equipment. The loan is secured by a pledge on the land of the project, the construction and maintenance of the building for the Ministry of Finance. During the year 2022, the Company obtained an additional interest free loan amounting to SR 69.67 million from the same facility from Ministry of Finance, with same terms of loan as for first and second loan, having net present value of SR 46.77 million. The difference between loan received and its present value amounting to SR 22.9 million was recorded as governmental grant as a reduction to property and equipment. The loan is secured by a pledge on the land of the project, the construction and maintenance of the building for the Ministry of Finance (note 6). During the year 2022, the Company capitalized interest amounting to SR 2.9 million (2021: 2.8 million), related to this loan, in capital work in progress. The movement in the loan from Ministry of Finance is as follows:

| | 2022 | 2021 |
|-------------------------------------|-------------------|-------------------|
| | SR | SR |
| Opening balance | 49,918,190 | 44,743,889 |
| Loan obtained | 46,769,213 | 2,323,103 |
| Interest for the year (capitalized) | 2,937,055 | 2,851,198 |
| Closing balance | <u>99,624,458</u> | <u>49,918,190</u> |

Maturity Profile

| | 2022 | 2021 |
|-------------------|--------------------|--------------------|
| | SR | SR |
| Within 1 year | 80,809,025 | - |
| More than 2 years | 471,282,531 | 491,127,918 |
| | <u>552,091,556</u> | <u>491,127,918</u> |

Long-term loans balances are presented in the consolidated financial statements as follows:

| | 2022 | 2021 |
|---------------------|--------------------|--------------------|
| | SR | SR |
| Current portion | 80,809,025 | - |
| Non-current portion | 471,282,531 | 491,127,918 |
| | <u>552,091,556</u> | <u>491,127,918</u> |

20. SHORT TERM LOANS

| | 2022 | 2021 |
|---------------------------------|--------------------|-------------------|
| | SR | SR |
| Short term loan – AMSC (20-1) | 50,283,253 | 10,349,015 |
| Short term loan – AFIC (20-2) | 2,010,222 | 4,527,058 |
| Short term loan – ASMSC (20-3) | 64,999,610 | - |
| Balance at December 31 | <u>117,293,085</u> | <u>14,876,073</u> |

20-1 This loan belongs to the subsidiary (Al Ahsa medical services company) during the year 2021 the company obtained a short term loan from a local bank. As per the agreement the loan is secured by pledge on goods and services of the company, the outstanding balance is repayable in full during first half of 2022. and during the year 2022 the company paid the full amount of short term loan amounted 10,349,015.

During the year 2022 the Company obtained a short-term loan from commercial bank amounting to SR 20 million

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

20. SHORT TERM LOANS (Continued)

And Also during the year 2022, the Company signed a loan agreement with another commercial bank amounting to SR 30 million to finance operations for the Company.

These borrowings facility agreements are subject to certain financial and non-financial covenants. The Company is complying with all the covenants.

20-2 This loan belongs to the subsidiary (Al Ahsa food industries company) the company has obtained facility from a local bank amounting to SR 5 million, the balance of the loan amounted to SR 2 million as of December 31, 2022 (2021: SR 4.5 million) to finance working capital. The facility comprises of forward sale financing. As per the agreements the facility is guarantee by corporate guarantee from ayyan investment company and from the guarantee program to finance small and medium enterprises. The outstanding balance is repayable in 6 months. The facility carries financing charges at market rates. As per facility agreement the company has to maintain certain non-financial covenants.

20-3 During the year 2022, the company (ASMSC) obtained loan amounting SR 65 million from local bank is a short term facility.

21. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

Changes in the present value of the defined benefit obligation are as follows:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|--------------------|--------------------|
| | SR | SR |
| Balance at January 1 | 37,598,597 | 32,267,795 |
| Charge for the year | 7,161,130 | 8,687,189 |
| Actuarial loss on the obligation | 1,659,483 | 2,065,942 |
| Paid during the year | <u>(7,461,113)</u> | <u>(5,422,329)</u> |
| Balance at December 31 | <u>38,958,097</u> | <u>37,598,597</u> |

Expenses recognized during the year in consolidated statement of profit or loss and other comprehensive income are as follows:

| | <u>2022</u> | <u>2021</u> |
|----------------------|------------------|------------------|
| | SR | SR |
| Current service cost | 6,293,621 | 8,089,472 |
| Interest cost | 867,509 | 597,717 |
| | <u>7,161,130</u> | <u>8,687,189</u> |

The principal assumptions used in determining obligations for the Company's plans are shown below:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|---------------|-------------|
| Discount rate | 4.65% - 4.80% | 2% - 2.70% |
| Long term salary increase rate | 4.65% - 4.80% | 2% - 2.70% |
| Rates of employee turnover | Heavy | Moderate |

Sensitivity Analysis

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------|-------------|
| | SR | SR |
| Discount rate +0.5% | 38,032,325 | 36,362,205 |
| Discount rate -0.5% | 40,289,197 | 38,915,413 |
| Long term salary increases +0.5% | 40,287,887 | 38,657,527 |
| Long term salary increases -0.5% | 38,023,178 | 36,593,720 |

Maturity Profile

| | <u>2022</u> | <u>2021</u> |
|-------------|-------------|-------------|
| | SR | SR |
| Year 1 | 5,689,875 | 5,544,698 |
| Year 2 | 9,783,718 | 7,041,796 |
| Year 3 | 6,007,431 | 4,851,331 |
| Year 4 | 9,178,442 | 5,067,054 |
| Year 5 | 6,682,966 | 6,655,050 |
| Year 6 - 10 | 41,441,562 | 25,054,194 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

22. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER LIABILITIES

| | 2022 | 2021 |
|----------------------------------|-------------------|-------------------|
| | SR | SR |
| Trade payables | 63,105,773 | 62,106,941 |
| Due to a related party (Note 24) | 18,675,614 | 1,476,347 |
| Accrued employees benefits | 3,553,724 | 9,483,160 |
| VAT accrual | 2,451,172 | 726,857 |
| Advance revenue | 733,583 | 572,500 |
| Others | 7,543,319 | 8,575,595 |
| | 96,063,185 | 82,941,400 |

23. ZAKAT

| | December 31, 2022 | December 31, 2021 |
|------------------------|----------------------|----------------------|
| | SR | SR |
| Balance at January 1 | 5,524,782 | 6,566,518 |
| Expense for the year | 5,916,865 | 4,632,251 |
| Paid during the year | (5,559,163) | (5,673,987) |
| Balance at December 31 | 5,882,484 | 5,524,782 |

Status of zakat assessments

The Group files its consolidated zakat return for Ayyan Investment Company & Al Ahsa Food Industries Company and Al Salam medical services company. The Group has filed its zakat return up to the year 2021 and obtained related receipts and certificates valid till April 30, 2023. The Group has received the final zakat assessments up to the year 2020 from Zakat, Tax and Customs Authority (ZATCA), except for Al Salam medical services company which acquires within 2020 has its final zakat assessment till 2017.

Al-Ahsa Medical Services Company (AMSC)

The company submitted its zakat returns for the years until December 31, 2021 and obtained a valid zakat certificate until April 30, 2023. The Company received the zakat assessments up to the year 2017 from the Zakat, Tax and Customs Authority. Assessment for the years 2018 & 2021 is still under study by the Zakat, Tax and Customs Authority.

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The significant transactions with related parties represents mainly transactions with associate and Board of Directors and their related entities. All transactions are carried out based on agreed provisions and are approved by the board of directors.

| Name of related party | Relationship |
|--|-------------------------|
| Al Othman Holding Group Companies | Affiliate - Shareholder |
| Properties security for security company | Affiliate |

Transactions with related parties comprise of the following:

| Nature of transaction | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| | SR | SR |
| BOD remunerations and meeting expenses | 1,785,000 | 1,834,000 |
| Key management personnel salaries and benefits | 1,439,444 | 2,861,512 |
| Purchases from affiliates | (5,283,468) | (273,028) |
| Revenue earned from affiliates | 355,374 | 94,200 |
| Purchase of IT software and equipment | 6,901,666 | 9,713,072 |
| Temporary loan obtained from affiliate and paid back | 12,700,000 | 41,551,747 |
| Expenses charged by affiliates | 6,389,925 | 3,955,308 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Balance due to a related party as at December 31 is as follows;

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|------------------|
| | SR | SR |
| Al Othman group of Companies | 15,263,013 | 1,476,347 |
| Properties security for security company | 3,412,601 | - |
| | <u>18,675,614</u> | <u>1,476,347</u> |

25. EARNINGS PER SHARE

Earnings per share for the year is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year. The share of profit is as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------|-------------|
| | SR | SR |
| Net loss for the year attributable to the shareholders of the Group | (44,767,736) | 4,294,315 |
| Weighted average number of shares | 80,636,328 | 74,623,553 |
| Earnings per share of net loss for the year | <u>(0.56)</u> | <u>0.06</u> |

| | <u>2022</u> | <u>2021</u> |
|--|---------------|---------------|
| | SR | SR |
| Total comprehensive loss attributable to the shareholders of the Group | (72,922,687) | (951,385) |
| Weighted average number of shares | 80,636,328 | 74,623,553 |
| Loss per share of total comprehensive loss for the year | <u>(0.90)</u> | <u>(0.01)</u> |

Weighted average number of ordinary shares

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| | SR | SR |
| Outstanding share capital as at January 1 | 80,636,328 | 73,732,069 |
| Effect of capital increase to acquire additional shares / subsidiary | - | 891,484 |
| Weighted average number of ordinary shares | <u>80,636,328</u> | <u>74,623,553</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

26. SEGMENTAL REPORTING

The main activities of the Group are categorized into three main business sectors, the manufacturing sector represented by Al-Ahsa Food Industries Company specializing in the production and packaging of dates; the medical services sector represented by Al-Ahsa Medical Services Company and Al Salam Medical Services Company and Investment sector represented by AYYAN Investment Company. The financial information as at December 31, 2022 and December 31, 2021 and for the years then ended are summarized in accordance with the main activities as follows:

| | Manufacturing Sector | Medical Services Sector | Investment Sector | Total |
|-----------------------------|---------------------------------|------------------------------------|------------------------------|---------------|
| December 31, 2022 | SR | SR | SR | SR |
| Property, Plant & Equipment | 5,076,290 | 1,056,069,876 | 543,387 | 1,061,689,553 |
| Total Assets | 17,388,358 | 1,372,893,976 | 245,960,522 | 1,636,242,856 |
| Total Liabilities | 6,386,374 | 879,826,014 | 5,937,094 | 892,149,482 |
| Revenues, net | 19,255,760 | 246,971,020 | - | 266,226,780 |
| Net profit | 2,421,773 | (49,461,765) | 2,408,913 | (44,631,079) |
| December 31, 2021 | | | | |
| Property, Plant & Equipment | 4,742,176 | 990,134,615 | 701,981 | 995,578,772 |
| Total Assets | 18,764,183 | 1,153,050,849 | 345,588,416 | 1,517,403,448 |
| Total Liabilities | 8,582,396 | 685,708,436 | 6,210,453 | 700,501,285 |
| Revenues, net | 16,922,244 | 252,640,465 | - | 269,562,709 |
| Net profit | 1,978,747 | (5,246,088) | 9,643,205 | 6,375,864 |

Revenues recognized for Al-Ahsa Medical Services Company from two main customers amounted to SR 127.67 million, representing 50% of revenues from the company revenue (2021: SR 150.94 million representing 60%). The total outstanding balance of those customers as at December 31, 2022 amounted to SR 58.8 million (SR 68.2 million as at December 31, 2021).

27. COST OF REVENUE

| | 2022 | 2021 |
|--|--------------------|--------------------|
| | SR | SR |
| Employees cost | 146,413,245 | 106,362,805 |
| Consumables | 69,767,669 | 69,152,740 |
| Depreciation expense (Note 6) | 13,665,106 | 12,286,455 |
| Maintenance and utilities | 7,888,177 | 7,790,402 |
| Outside medical services | 6,216,143 | 6,845,853 |
| Depreciation expense on right of use asset | 2,610,772 | |
| Amortization of investment properties | 183,675 | 183,675 |
| Others | 2,648,836 | 2,388,798 |
| | 249,393,623 | 205,010,728 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

28. GENERAL AND ADMINISTRATIVE EXPENSES

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| | SR | SR |
| Employees cost | 51,708,659 | 49,494,738 |
| Depreciation expense (Note 6) | 3,805,759 | 3,443,343 |
| Board expenses and fees | 1,952,129 | 1,868,314 |
| Legal and professional expenses | 1,485,865 | 1,857,497 |
| Depreciation expense on right of use asset | 803,484 | 1,202,190 |
| Amortization expense (Note 7.1) | 457,371 | 185,339 |
| Loan settlement charge | - | 2,986,381 |
| Impairment recognized in receivables | - | 6,545,200 |
| Others | 12,611,972 | 6,140,312 |
| | <u>72,825,239</u> | <u>73,723,314</u> |

29. SELLING AND MARKETING EXPENSES

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|------------------|----------------|
| | SR | SR |
| Freight expenses | 465,060 | 383,709 |
| Employees cost | 493,367 | 378,557 |
| Depreciation expense (Note 6) | 41,505 | 57,286 |
| Advertising expenses | 48,105 | 11,457 |
| Others | 96,685 | 120,788 |
| | <u>1,144,722</u> | <u>951,797</u> |

30. FINANCE COST

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|------------------|------------------|
| | SR | SR |
| Finance cost on lease liability | 2,658,241 | 2,322,291 |
| Finance cost – term loan | 728,881 | 612,282 |
| | <u>3,387,122</u> | <u>2,934,573</u> |

31. DIVIDEND INCOME

| | <u>2022</u> | <u>2021</u> |
|--|------------------|------------------|
| | SR | SR |
| Taleem Investment Co. Ltd | 1,901,885 | 1,801,065 |
| Arab Paper Manufacturing Co. (Warq) | 2,134,350 | - |
| Dividend income from investment in equity security designated at FVTPL | - | 1,684,461 |
| | <u>4,036,235</u> | <u>3,485,526</u> |

32. OTHER INCOME

| | <u>2022</u> | <u>2021</u> |
|--------------------------|-------------------|------------------|
| | SR | SR |
| Rental income | 2,589,917 | 2,251,667 |
| Meal provided to staff | 894,197 | 798,862 |
| Conferences and seminars | 2,741,714 | 762,666 |
| Others | 4,374,749 | 1,832,712 |
| | <u>10,600,577</u> | <u>5,645,907</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise trade and other payables and loans. The Group's principal financial assets comprise cash and cash equivalents, investments in equity instruments designated at fair value through other comprehensive income, investments in equity instruments at fair value through profit or loss and trade and other receivables.

Classification of financial instruments

| | December 31, 2022 | December 31, 2021 |
|--|------------------------------|----------------------|
| | SR | SR |
| Financial assets at fair value | | |
| Investment in equity instruments at fair value through profit or loss | - | 57,601,912 |
| Equity instruments designated by fair value through other comprehensive income | 121,942,163 | 148,460,390 |
| | 121,942,163 | 206,062,302 |
| Financial assets at amortized cost | | |
| Trade receivables and other assets | 112,951,176 | 102,913,308 |
| Cash and cash equivalents | 77,049,943 | 29,491,626 |
| | 190,001,119 | 132,404,934 |
| Total financial assets | 311,943,282 | 338,467,236 |
| Financial liabilities at amortized cost | | |
| Trade payables, accrued expenses and other liabilities | 91,673,054 | 82,941,400 |
| Short term loans | 117,293,085 | 14,876,073 |
| Loans | 552,091,556 | 491,127,918 |
| | 761,057,695 | 588,945,391 |

Risk management of financial instruments

The Group's activities are exposed to various financial risks such as fair value measurement, credit risk, liquidity risk, foreign currency risk and capital management risk. Management reviews and approves policies to manage each of these risks, which are summarized as follows:

Fair value measurement of financial instruments

Fair value is the amount at which an asset is sold or a liability settled between willing parties in the arm's length transactions there is a presumption that the Company is a going concern entity where there is no intention or requirement to materially reduce the volume of its operations or to conduct a transaction on adverse terms. A financial instrument is considered to be listed in the active market if the quoted prices are readily and regularly available from an intermediary, industry group, pricing services or regulatory body, and these prices represent market transactions that have occurred on an active and regular basis on a commercial basis.

When measuring fair value, the Group uses observable market information whenever possible to the inputs used in valuation methods as follows:

Level 1: quoted prices (unadjusted) in active markets for similar assets or liabilities that can be obtained on the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities directly (e.g. prices) or indirectly (derived from prices).

Level 3: inputs for assets or liabilities not based on observable market information (non-observable inputs).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The following schedule presents an analysis of financial instruments carried at fair value according to the fair value hierarchy:

| | December 31, 2022 | | | |
|--|--------------------------|-------------------------|-------------------------|-----------------------|
| | Level 1 (SR) | Level 2 (SR) | Level 3 (SR) | Total (SR) |
| Investment in equity securities measured at fair value through profit or loss | - | - | - | - |
| Equity instruments designated by fair value through other comprehensive income | - | - | 121,942,163 | 121,942,163 |
| | - | - | 121,942,163 | 121,942,163 |

| | December 31, 2021 | | | |
|--|--------------------------|-------------------------|-------------------------|-----------------------|
| | Level 1 (SR) | Level 2 (SR) | Level 3 (SR) | Total (SR) |
| Investment in equity securities measured at fair value through profit or loss | 57,601,912 | - | - | 57,601,912 |
| Equity instruments designated by fair value through other comprehensive income | - | - | 148,460,390 | 148,460,390 |
| | 57,601,912 | - | 148,460,390 | 206,062,302 |

The valuation methods used and the key inputs to revalue investments in equity instruments through other comprehensive income are described below:

Valuation method

- | | | |
|-------------------------|---|--|
| Market method | - | The value of equity to the profits multiplier before commission, income tax, depreciation and amortization |
| Net assets method | - | Average net asset value and price to book value multiplier |
| Expected returns method | - | Cash and cash equivalents available for distribution and net assets |
| | | The value of the equity to the revenue multiplier |

Credit risk

Credit risk is the risk that one party may fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk which represents trade receivables and other assets and cash balances. Cash and cash equivalents are placed with banks and institutions with sound credit ratings. Trade and other receivables are mainly due from customers in the local market and related parties and are shown at their estimated recoverable amount as follows:

| | 2022 | 2021 |
|------------------------------------|--------------------|-------------|
| | SR | SR |
| Trade receivables and other assets | 112,951,176 | 102,913,308 |
| Cash and cash equivalents | 77,049,943 | 29,491,626 |
| | 190,001,119 | 132,404,934 |

The carrying amount of financial assets represents the maximum exposure to credit risk.

Credit risk on accounts receivable and bank balances is limited to:

- Cash balances held with banks with a high credit rating.
- Trade receivables and other assets, net of provision for doubtful receivables.

The Group manages credit risk relating to amounts due from customers through the ongoing monitoring in accordance with the specific policies and procedures. The Group minimizes its credit risk relating to customers by setting credit limits for each customer and monitoring existing receivables on an ongoing basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value measurement of financial instruments (continued)

Liquidity risk

Liquidity risk is the difficulty that an entity encounters in raising funds to meet the obligations in connection with the financial instruments. Liquidity risk can result from the inability to sell financial assets quickly and at its approximate fair value. The contractual maturities of financial liabilities at the end of the financial year are as follows, the amounts are presented in total and are not discounted and include estimated interest payments.

| | December 31, 2022 | | | | |
|--|--------------------|-----------------------|-------------------------------------|--------------------|--------------------|
| | Book value | Contractual cash flow | Total undiscounted amounts | | |
| | | | Payable on request or within 1 year | From 2 to 5 years | More than 5 years |
| SR | SR | SR | SR | SR | |
| Financial liabilities at amortized cost | | | | | |
| Trade payables, accrued expenses and other liabilities | 96,063,185 | 96,063,185 | 96,063,185 | - | - |
| Lease liability | 81,861,075 | 90,262,763 | 15,332,801 | 60,129,717 | 14,800,245 |
| Loans | 669,384,641 | 929,752,877 | 235,154,395 | 373,948,519 | 320,649,963 |
| | 847,308,901 | 1,116,078,825 | 346,550,381 | 434,078,236 | 335,450,208 |
| | | | | | |
| | December 31, 2021 | | | | |
| | Book value | Contractual cash flow | Total undiscounted amounts | | |
| | | | Payable on request or within 1 year | From 2 to 5 years | More than 5 years |
| SR | SR | SR | SR | SR | |
| Financial liabilities at amortized cost | | | | | |
| Trade payables, accrued expenses and other liabilities | 82,941,400 | 82,941,400 | 82,941,400 | - | - |
| Lease liability | 68,432,515 | 76,759,876 | 11,734,024 | 44,677,072 | 20,348,780 |
| Loans | 506,003,991 | 534,072,958 | 29,491,160 | 287,431,631 | 217,150,167 |
| | 657,377,906 | 693,774,234 | 124,166,584 | 332,108,703 | 237,498,947 |

The Group monitor its liquidity risk on an ongoing basis to ensure that funds and bank facilities are available to meet the future liabilities.

Market risk

Market risk is the risk that a financial instrument will fluctuate due to changes in prevailing market prices such as foreign exchange rates, interest rates and stocks prices affecting the Group's income or the value of its financial instruments. Market risk management aims to manage and control market risk exposure within acceptable limits while maximizing returns.

Foreign currency risk management

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future business transactions and recognized assets and liabilities are denominated in currencies different from the Group's currency. The Group's exposure to foreign exchange risk is primarily limited to transactions in US Dollars and UAE Dirhams. Management believes that its exposure to foreign exchange risk is limited as the Group's currency and UAE Dirhams are pegged to the US Dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Interest rate

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest bearing loans at December 31, 2022 and 2021. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's loans and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Capital management

The Board of Directors' policy is to maintain an adequate capital base in order to maintain investor, creditor and market confidence and to maintain the future development of its business. The Board of Directors monitors the return on the capital used and the level of dividends distributed to ordinary shareholders.

In managing capital, the Group aims to:

- To protect the entity's ability to continue as a going concern so that it can continue to provide returns to shareholders and interest to other stakeholders.
- Provide sufficient returns for shareholders

34. CONTINGENCIES AND COMMITMENTS

The Group has a capital commitment related to construction of Hospital for Al Salam Medical Services Company amounting to 13,000,000 (2021:SR 54,952,906).

letter of guarantees amounting to (2022: nil) (2021: SR 0.33 million) relating to construction of hospital are outstanding as of the reporting date.

35. NON-CASH TRANSACTIONS

| | 2022 | 2021 |
|--|-------------------|-------------|
| | SR | SR |
| Change in fair value reserve | 26,518,227 | 3,264,820 |
| Re- measurement for employees benefits obligations | 1,659,483 | 2,065,942 |
| Transfer to right of use assets from property and equipment | 64,580,987 | - |
| Transferred to investment properties from property and equipment | 2,696,175 | - |
| Borrowing cost capitalized | 2,937,055 | 15,154,142 |
| Effect of revision in lease liability | 4,223,072 | 12,355,598 |
| Amortization of commitment fee on loans capitalized to CWIP | 409,222 | 223,550 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

36. TRANSACTION WITH NON-CONTROLLING INTEREST

During the year 2021, the Group increase the capital from 737,320,690 to SAR 806,363,280 by issuing new shares (6,904,259 shares) for the acquisition of 26.43% of AMSC shares for SR 148.5 million. The increase in shares was treated as an equity transaction with the difference between the consideration paid and the carrying value of the shares adjusted against reserve for acquisition of additional shares in the subsidiary. (note 18).

| | <u>2022</u> | <u>2021</u> |
|--|-------------|--------------|
| | SR | SR |
| Consideration paid | - | 148,550,372 |
| Value of net assets acquired | - | (61,953,084) |
| Excess consideration paid over value of net assets acquired | - | 86,597,288 |
| <i>Comprise of;</i> | | |
| Share of reserve for re-measurement of employees' defined benefits obligations | - | (2,524,830) |
| Reserve for acquisition of additional shares in a subsidiary | - | 89,122,118 |

Reserve for acquisition of additional shares in a subsidiary

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|--------------------|-------------|
| Balance at beginning of the year | 122,454,330 | 33,332,212 |
| Movement during the year | - | 89,122,118 |
| Balance at ending of the year | 122,454,330 | 122,454,330 |

Capital movement during the year

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|-------------|
| Capital at January1, | 806,363,280 | 737,320,690 |
| Nominal value of issued stock (6,904,259 shares @ SR 10 per share) | - | 69,042,590 |
| Capital at December 31, | 806,363,280 | 806,363,280 |

Share Premium / discount movement during the year

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|--------------|
| Balance at beginning of the year | 65,478,995 | (10,882,110) |
| Movement during the year(difference between the amount paid and nominal value) | - | 76,361,105 |
| Balance at ending of the year | 65,478,995 | 65,478,995 |

Non-controlling interest movement during the year

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|------------------|--------------|
| Balance at beginning of the year | 8,243,668 | 68,200,265 |
| Net income | 136,657 | 2,081,549 |
| Other comprehensive income | (22,759) | (85,062) |
| Value of net assets acquired | - | (61,953,084) |
| Balance at ending of the year | 8,357,566 | 8,243,668 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current year.

38. SUBSEQUENT EVENTS

In the opinion of the management, there were no significant subsequent events after December 31, 2022 and up to the date of approval of the consolidated financial statements by the Board of Directors that might have a material impact on the financial statements as on December 31, 2022.

39. GENERAL

The figures in these consolidated financial statements are rounded to the nearest Saudi.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 29, 2023 corresponding to Ramadan 07, 1444H.