KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Arabian International Healthcare Holding Company

Opinion

We have audited the consolidated financial statements of **Arabian International Healthcare Holding Company ("the Company") and its subsidiaries ("the Group")**, which comprise of the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report

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

Revenue recognition

Refer Note 3.1 (C) to the consolidated financial statements for the accounting policy relating to revenue recognition and Note 5 to the consolidated financial statements for related disclosure.

Key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2022, the Group recognized total revenue of SR 642,672,704 (2021: SR 618,539,790). The Group's sales arrangements are at a point in time and overtime. Sales of medical equipment with and without installation is recognized once goods are delivered which the customer must accept, hence, performance obligation at a point in time. Sale of medical services is recognized once goods are delivered which the customer must accept, hence, performance obligation at a point in time. Sale of maintenance services, commission and warranty service is recognised overtime because control is transferred as the customer receives the benefit. We have identified revenue recognition as a key audit matter because revenue is one of the Group's performance indicators giving rise to inherent risk that revenue could be subject to overstatement to meet targets and expectations. Furthermore, revenue recognition requires the below considerations: -the analysis of whether the contracts comprise one or more performance obligations -determining whether the performance obligations are satisfied over time or at a point in time	Our audit procedures to assess revenue recognition included the following: -Assessing the design and implementation, and tested the operating effectiveness of the Group's key internal controls on a sample basis which govern the revenue recognition process; -Evaluating the Group's revenue recognition policies; -Evaluating key contractual agreements with customers; -Testing on a sample of sales transactions closer to the year end to assess that revenue is recorded in the correct accounting period; -Performing cash to revenue reconciliation to assess the reasonableness of revenue recorded in line with cash received. -Testing a sample of credit notes for subsequent sales return; and -Considering the adequacy of the related disclosure in the Group's consolidated financial statements.

Independent Auditor's Report

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

Allowance for impairment on trade receivables

Refer Note 3.1 (O) to the consolidated financial statements for the accounting policy of financial instruments and Note 20 to the consolidated financial statements for the related disclosure.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the gross carrying value of trade receivable amounted to SR 669,927,811 (2021: SR 660,872,573) and the allowance for expected credit losses on such balance amounted to SR 27,778,223 (2021: SR 31,267,362). The Group's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivable. The ECL model involves the use of various assumptions covering macro-economic factors and study of historical trends all of which involves a significant degree of judgement. We have identified allowance for impairment on trade receivables a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model for the calculation of the allowance for expected credit losses. This is inherently subjective and requires significant management judgement, which increases risk of error or potential bias.	Our procedures to assess the allowance for impairment on trade receivables included the following: - Assessing the design and implementation of management's key controls relating to credit control, debt collection and estimation of credit losses; - Obtaining an understanding of the key practices and assumptions of the expected credit loss model adopted by management, including historical default rate and management's estimated loss rates; - Assessing the reasonableness of management's loss allowance estimate by examining the information used by management to form such judgements, including testing the accuracy of the historical default rate and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward looking information; and - Inspecting, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade receivable balance as at 31 December 2022 with bank statement and relevant remittance documents.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's by-laws 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, Audit committee, Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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Independent Auditor's Report

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

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

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

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

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

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

KPMG Professional Services

Fahad Mubark Aldossari
License No: 469

Al Riyadh: 12 Ramadan 1444H
Corresponding to: 3 April 2023

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Lic No. 46
C.R. 1010425494
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ترخيص رقم ٤٦
KPMG Professional Services

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property and equipment	13	**24,178,115**	3,977,343
Right-of-use assets	15	**36,588,710**	10,874,221
Intangible assets	16	**5,060,548**	2,410,864
Goodwill	14	**166,273,820**	-
Advance towards investment	18 b	**19,307,262**	-
Investment in a joint venture	18	**54,270,267**	49,881,306
Investment in finance lease	17	**3,748,216**	-
Total non-current assets		**309,426,938**	67,143,734
Current assets			
Current portion of investment in finance lease	17	**138,408**	-
Inventories, net	19	**298,897,340**	191,940,425
Trade receivables, net	20	**642,149,588**	629,605,211
Contract assets, net	21	**34,261,964**	67,038,677
Prepayments and other current assets	22	**53,906,295**	52,375,104
Amounts due from related parties	24	**8,702,181**	7,485,913
Cash and cash equivalents	23	**83,585,439**	11,028,249
Total current assets		**1,121,641,215**	959,473,579
TOTAL ASSETS		**1,431,068,153**	1,026,617,313
EQUITY AND LIABILITIES			
Equity			
Share capital	25	**200,000,000**	200,000,000
Statutory reserve	26	**20,636,406**	18,060,420
Treasury share reserve	25	**(8,069,083)**	-
Retained earnings		**82,393,663**	115,329,829
Equity attributable to equity holder of the parent		**294,960,986**	333,390,249
Non-Controlling Interest	14	**40,661,218**	-
Total equity		**335,622,204**	333,390,249
Non-current liabilities			
Employee defined benefit liabilities	27	**27,507,570**	25,278,046
Non-current portion of contingent consideration	14	**66,928,572**	-
Loans and borrowings	29	**50,000,000**	75,000,000
Non-current portion of lease liabilities	15	**33,429,586**	6,824,742
Non-current portion of contract liabilities	28	**32,224,253**	30,105,294
Total non-current liabilities		**210,089,981**	137,208,082

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

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2022

Current liabilities			
Trade and notes payables	*30*	**254,094,274**	150,958,876
Accrued expenses and other current liabilities	*31*	**131,781,376**	130,071,532
Amounts due to related parties	*24*	**1,037,940**	2,105,655
Current portion of contract liabilities	*28*	**71,784,462**	57,421,164
Current portion of contingent consideration	*14*	**27,500,000**	-
Current portion of lease liabilities	*15*	**4,506,750**	4,037,468
Loans and borrowings	*29*	**382,500,006**	200,000,000
Zakat payable	*12*	**12,151,160**	11,424,287
Total current liabilities		**885,355,968**	556,018,982
Total liabilities		**1,095,445,949**	693,227,064
TOTAL EQUITY AND LIABILITIES		**1,431,068,153**	1,026,617,313

These consolidated financial statements shown on pages 6 to 51 were approved by the Board of Directors on Thursday 08 Ramadan 1444H (corresponding to 30 March 2023) and signed on their behalf by:

Chairman	Chief Executive Officer	Chief Financial Officer
Ziad AlTunisi	**Alaa Ameen**	**Wael Aref**

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	**31 December 2022 SR**	31 December 2021 SR
Revenue	*5*	**642,672,704**	618,539,790
Cost of revenue	*6*	**(488,511,809)**	(475,021,322)
GROSS PROFIT		**154,160,895**	143,518,468
Selling and marketing expenses	*7*	**(70,742,876)**	(62,398,922)
General and administrative expenses	*8*	**(41,945,451)**	(28,561,301)
Reversal of provision on trade receivables	*20*	**3,489,139**	17,538,643
Share of profit of joint venture	*18*	**7,788,950**	11,499,462
Other income	*9*	**13,825,583**	30,079,332
Other expenses, net	*10*	**(5,078,009)**	(4,568,990)
OPERATING PROFIT		**61,498,231**	107,106,692
Finance charges	*11*	**(19,877,332)**	(13,368,603)
Finance Income	*17*	**715,056**	-
PROFIT BEFORE ZAKAT		**42,335,955**	93,738,089
Zakat	*12*	**(10,886,197)**	(11,424,287)
PROFIT FOR THE YEAR		**31,449,758**	82,313,802
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement gain on employee defined benefit liabilities	*27*	**1,203,110**	939,553
Share of other comprehensive income of joint venture	*18*	**2,730,936**	374,633
Other comprehensive income for the year		**3,934,046**	1,314,186
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**35,383,804**	83,627,988
Profit attributable to:			
Equity holders of the parent		**25,759,857**	82,313,802
Non-controlling interests	*14*	**5,689,901**	-
		31,449,758	82,313,802
Total comprehensive income attributable to:			
Equity holders of the parent		**29,639,820**	83,627,988
Non-controlling interests		**5,743,984**	-
		35,383,804	83,627,988
EARNINGS PER SHARE			
Basic and diluted earnings per share	*36*	**1.29**	4.12

These consolidated financial statements shown on pages 6 to 51 were approved by the Board of Directors on 08 Ramadan 1444H (corresponding to 30 March 2023) and signed on their behalf by:

Ziad AlTunisi	**Alaa Ameen**	**Wael Aref**
Chairman	Chief Executive Officer	Chief Financial Officer

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

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Capital SR	*Statutory reserve* SR	*Retained earnings* SR	*Treasury share reserves* SR	*Total* SR	*Non-controlling Interests* SR	*Total equity* SR
As at 1 January 2021	200,000,000	9,829,040	122,613,221	-	332,442,261	-	332,442,261
Profit for the year	-	-	82,313,802	-	82,313,802	-	82,313,802
Other comprehensive income	-	-	1,314,186	-	1,314,186	-	1,314,186
Total comprehensive income for the year	-	-	83,627,988	-	83,627,988	-	83,627,988
Transfer to statutory reserve	-	8,231,380	(8,231,380)	-	-	-	-
Dividends - (Note 37)	-	-	(82,680,000)	-	(82,680,000)	-	(82,680,000)
As at 31 December 2021	200,000,000	18,060,420	115,329,829	-	333,390,249	-	333,390,249
As at 1 January 2022	**200,000,000**	**18,060,420**	**115,329,829**	-	**333,390,249**	-	**333,390,249**
Acquisition of subsidiary during the year with NCI (Note 14)						**34,917,234**	**34,917,234**
Profit for the year	-	-	**25,759,857**	-	**25,759,857**	**5,689,901**	**31,449,758**
Other comprehensive income	-	-	**3,879,963**	-	**3,879,963**	**54,083**	**3,934,046**
Total comprehensive income for the year	-	-	**29,639,820**	-	**29,639,820**	**5,743,984**	**35,383,804**
Transfer to statutory reserve (Note 26)	-	**2,575,986**	**(2,575,986)**	-	-	-	-
Transactions with owners of the Company							
Treasury shares purchased during the year (Note 25)	-	-	-	**(8,069,083)**	**(8,069,083)**	-	**(8,069,083)**
Dividends - (Note 37)			**(60,000,000)**		**(60,000,000)**	-	**(60,000,000)**
As at 31 December 2022	**200,000,000**	**20,636,406**	**82,393,663**	**(8,069,083)**	**294,960,986**	**40,661,218**	**335,622,204**

These consolidated financial statements shown on pages 6 to 51 were approved by the Board of Directors on 08 Ramadan 1444H (corresponding to 30 March 2023) and signed on their behalf by:

Ziad AlTunisi
Chairman

Alaa Ameen
Chief Executive Officer

Wael Aref
Chief Financial Officer

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

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	31 December 2022 SR	31 December 2021 SR
OPERATING ACTIVITIES			
Profit before zakat		**42,335,955**	93,738,089
Adjustments for:			
Provision for employee defined benefit liabilities	*27*	**4,989,055**	4,091,131
Depreciation of property and equipment	*13*	**2,964,950**	3,161,078
Depreciation of right of use assets	*15*	**4,913,922**	3,476,033
(Reversal) / charge for provision for obsolete and slow-moving inventories	*19*	**(2,841,046)**	3,500,000
Accrued interest for leases	*15*	**1,403,539**	763,826
Amortization of intangible assets	*16*	**1,189,875**	597,314
Gain on disposal of property and equipment		**(1,345)**	-
Share of profit of joint venture	*18*	**(7,788,950)**	(11,499,462)
Reversal of impairment loss on trade receivables	*20*	**(3,489,139)**	(17,538,643)
Interest income on finance lease	*17*	**(715,056)**	-
Unwinding of contingent consideration		**1,312,434**	-
		44,274,194	80,289,366
Changes in operating assets and liabilities:			
Inventories		**(97,400,013)**	28,320,881
Trade receivables		**(7,882,736)**	297,954,630
Contract assets		**32,776,713**	(30,454,470)
Prepayments and other current assets		**(577,993)**	1,560,770
Due from related parties		**1,043,675**	(1,337,539)
Due to related parties		**(1,139,162)**	(30,319,664)
Trade payable and notes payables		**95,520,181**	(131,524,663)
Accrued expenses and other current liabilities		**(8,027,423)**	(27,167,124)
Contract liabilities		**16,482,258**	(28,191,305)
Cash generated from operations		**75,069,694**	159,130,882
Employee defined benefit liabilities paid	*27*	**(3,466,822)**	(4,717,808)
Zakat paid	*12*	**(11,420,296)**	(24,000,000)
Net cash generated from operating activities		**60,182,576**	130,413,074
INVESTING ACTIVITIES			
Additions to property and equipment	*13*	**(2,693,850)**	(1,299,468)
Proceeds from disposal of property and equipment		**40,831**	-
Purchase of intangible assets	*16*	**(3,718,441)**	(2,733,500)
Dividend received from joint venture	*18*	**6,586,925**	8,378,692
Investment in Finance Lease	*17*	**(3,500,000)**	-
Principal repayments against Finance lease	*17*	**328,337**	-
Acquisition of a subsidiary, net of cash		**(48,732,114)**	-
Investment in Joint Venture	*18*	**(456,000)**	-
Advance towards Investment	*18*	**(19,307,262)**	-
Treasury share reserves	*25*	**(8,069,083)**	-
Net cash (used in) / generated from investing activities		**(79,520,657)**	4,345,724

FINANCING ACTIVITIES			
Proceeds from / (Repayment) of short-term loans from Ultimate Parent Company, net		**52,500,000**	(25,000,000)
Repayment of long-term loans from Parent Company, net		**(25,000,000)**	(25,000,000)
Proceeds from short-term loans from financing institutions		**130,000,000**	-
Down payment for acquisition of right-of-use-asset	*15*	**(687,199)**	-
Payment of lease liabilities	*15*	**(4,917,530)**	(4,160,820)
Dividends paid	*37*	**(60,000,000)**	(82,680,000)
Net cash generated from / (used) in financing activities		**91,895,271**	(136,840,820)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**72,557,190**	(2,082,022)
Cash and cash equivalents at beginning of the year		**11,028,249**	13,110,271
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**83,585,439**	11,028,249
NON-CASH TRANSACTIONS:			
Remeasurement gain on employee defined benefit liabilities	*27*	**1,203,110**	939,553
Addition in right of use asset	*15*	**12,012,511**	1,234,434
Share of other comprehensive income of joint venture	*18*	**2,730,936**	374,633

These consolidated financial statements shown on pages 6 to 51 were approved by the Board of Directors on 08 Ramadan 1444H (corresponding to 30 March 2023) and signed on their behalf by:

Ziad AlTunisi	**Alaa Ameen**	**Wael Aref**
Chairman	Chief Executive Officer	Chief Financial Officer

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

1. ACTIVITIES

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

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

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

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

Subsidiary	*Country of incorporation*	*Effective shareholding %*
Al Faisaliah Medical Systems Company	Kingdom of Saudi Arabia	100
International Medical Supplies Company	Kingdom of Saudi Arabia	100
International Healthcare Optimization Company	Kingdom of Saudi Arabia	100
Health Care Technologies Company	Kingdom of Saudi Arabia	100
Innovative Healthcare Company Holdings Limited	United Arab Emirates	51
Al Faisaliah Medical Systems Company (UAE)	United Arab Emirates	100

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

- Employees' defined benefit liability, which has been actuarially valued as explained in the accounting policies below.

The financial statements are presented in Saudi Riyals ("SR"), which is the Group's functional currency.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (as listed in note 1 above) (wherever, "the Group") as at 31 December 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- 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 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
- 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.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of consolidation (continued)

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 income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Consolidated statement of income and each component of other comprehensive income are attributed to the shareholders of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Summary of significant accounting policies

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

A Current versus non-current classification

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

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

The Group classifies all other assets as non-current.

A liability is classified as current when:

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

The Group classifies all other liabilities as non-current.

B Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

B Fair value measurement (continued)

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.

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

C Revenue Recognition

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

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

(i) Sales of goods

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

(ii) Revenue on civil works

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

(iii) Sale of warranty

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

C Revenue Recognition (continued)

(iv) Revenue on maintenance contracts

Maintenance contracts with customers require that the Group maintains a specified piece of equipment at specific time intervals. Revenue is recognized overtime when such time period elapses, and the service is rendered to the customer. The Group considers that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations. Under the Group's standard contract terms, customers have a right of return. No refund liability has been raised given the historically insignificant level of returns of goods. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent low levels of returns over previous years.

D Trade receivables

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

E Contract assets and contract liabilities

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

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

F Leases

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

Group as a lessee

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

i) Right-of-use assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

F Leases (continued)

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

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

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

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

Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand- alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition any impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of “Other income”.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

G Employee benefits

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

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

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

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

H Zakat

Zakat is calculated separately from the Ultimate Parent Company as the Group is listed on Nomu. Zakat is computed on the higher of the zakat base or adjusted net income. Zakat is calculated using rates that have been substantively enacted at the reporting date in the consolidated statement of profit or loss and other comprehensive income. Any difference in the estimate is recorded when the final assessment is approved, at which time the amount provided for is cleared.

I VAT

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

J Property and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

J Property and equipment (continued)

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

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

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

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

K Intangible assets

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

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

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

L Impairment of tangible and intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

L Impairment of tangible and intangible assets (continued)

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

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

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

M Inventories

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

N Cash and cash equivalents

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

O Financial Instruments - initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and measurement

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

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

i) Financial assets (continued)

Subsequent measurement
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

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

ii) Financial liabilities
Initial recognition and measurement
All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

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

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

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

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

P Foreign currency translation

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

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

Q Dividend

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

R Provisions

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

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

S Investment in joint venture

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

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

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

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

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

S Investment in joint venture (continued)

Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

The Company incurs costs on behalf of investees. All such cost which are directly attributable to the investment and for which the Group believes that it is probable that costs will be contributed to the investment are recorded as advance towards investment.

T Trade payables and other liabilities

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

U Expenses

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

V Operating segment

An operating segment is a component of the Group:

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

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

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

- Project based business
- Consumable business

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

W Earnings per share

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

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

X Business combinations

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held), over the net identifiable assets acquired and liabilities assumed.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

X Business combinations (continued)

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Y Contingent consideration

Any contingent consideration is measured at fair value at the date of acquisition. Subsequent changes in fair value of contingent consideration are recorded in profit or loss. The Group has the policy to calculate contingent consideration using the present value of the expected future payments discounted using risk adjusted discount rate.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IFRS issued but not yet effective and amendments to standards

There are no new standards issued, however, the adoption of the following amendments to the existing standards had no significant impact on the financial statements of the Company:

- COVID-19-Related Rent Concessions beyond 01 April 2021(Amendment to IFRS 16)
- Onerous Contracts-Cost of fulfilling a Contract-Amendments to IAS 37.
- Annual Improvements to IFRS Standards 2018-2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to the Conceptual Framework (Amendments to IFRS 3).

A number of new pronouncements are effective for annual years beginning on or after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements and is expected to have no significant effect in future periods.

- Classification of Liabilities as current or non-current (Amendments to IAS 1).
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of accounting estimate (Amendments to IAS 8).
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28).

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment of trade receivables and contract assets
An estimate of the provision for ECL is calculated in accordance with the accounting policy detailed in note 33.4 to the consolidated financial statements.

At the reporting date, gross trade receivables were SR 669.9. million (2021: SR 660.9 million) with SR 27.8 million (2021: SR 31.3 million) being allowance for ECL. Moreover, contract assets at the reporting date were SR 36.9 million (2021: SR 69.6 million) with SR 2.6 million (2021: SR 2.6 million) being provided for ECL. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in profit or loss.

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

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

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

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

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

Employee defined benefit liabilities
Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs. These estimates have been disclosed in note 27 to the consolidated financial statements.

Impairment of inventories
Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventories were SR 317.5 million (2021: SR 213.2 million) with allowance for obsolete and slow-moving inventories amounting to SR 18.6 million (2021: SR 21.2 million) being held against them. Any difference between the amounts actually realized in future periods and the amounts expected to be realized will be recognized in the consolidated statement of comprehensive income.

5 REVENUE

	31 December 2022 SR	*31 December 2021 SR*
Timing of revenue recognition		
At a point in time		
Revenue from delivery of goods/service	**556,863,906**	524,011,830
Over time		
Revenue from rendering of services and civil works	**78,492,093**	84,494,516
Revenue from warranties	**7,316,705**	10,033,444
	642,672,704	618,539,790

Seasonal nature of operations

Due to the seasonal nature of the operations of the medical devices segment, higher revenues and operating profits are usually expected in the last quarter of the year in comparison to the first nine months. In the financial year ended 31 December 2022, 54% (2021: 58%) of revenues accumulated in the first nine months of the year, with 46% (2021: 42%) accumulating in the last three months.

6 COST OF REVENUE

	2022 SR	2021 SR
Material cost	**458,388,378**	453,507,911
Salaries and other employee related costs	**18,051,992**	15,877,813
(Reversal) / provision for slow-moving inventory	**(2,841,046)**	3,500,000
Travel expense	**1,852,790**	1,744,690
Doctor's Commission*	**8,830,322**	-
Rent for surgery room*	**2,211,139**	-
Depreciation (Notes 13 & 15)	**1,204,457**	77,090
Amortization	**-**	12,249
Others	**813,777**	301,569
	488,511,809	475,021,322

*This pertains to the acquisition of the new subsidiary. Please refer note 14.

7 SELLING AND MARKETING EXPENSES

	2022 **SR**	2021 SR
Salaries and other employee related costs	**48,702,624**	45,273,011
Travel	**5,599,016**	4,445,273
Depreciation (Notes 13 & 15)	**2,518,771**	3,985,760
Communication and information technology	**3,402,760**	3,162,999
Amortization	**1,189,885**	571,601
Marketing, advertising and promotion	**1,799,900**	267,136
Utilities and rent expenses	**405,592**	-
Professional Charges	**177,950**	-
Others	**6,946,378**	4,693,142
	70,742,876	62,398,922

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 **SR**	2021 SR
Salaries and other employee related costs	**28,189,385**	19,584,498
Legal and professional charges	**5,817,901**	3,340,101
Depreciation (Notes 13 & 15)	**4,155,645**	2,574,261
Communication and information technology	**1,780,804**	2,259,599
Utilities and rent expense	**488,540**	473,495
Travelling and transportation expense	**182,859**	315,883
Amortization	**-**	13,464
Others	**1,330,317**	-
	41,945,451	28,561,301

9 OTHER INCOME

	2022 **SR**	2021 SR
Income from termination of an arrangement (Note 9.1)	**-**	14,626,755
Royalty income from joint venture	**10,127,394**	12,882,241
Other income	**3,698,189**	2,570,336
	13,825,583	30,079,332

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

10 OTHER EXPENSES, NET

	2022 **SR**	2021 SR
Bank charges	**3,395,782**	3,604,806
Other expenses, net	**871,829**	850,273
Foreign exchange losses	**810,398**	113,911
	5,078,009	4,568,990

11 FINANCE CHARGES

	2022 SR	2021 SR
Interest on loan	**17,111,367**	12,234,958
Interest on lease	**1,403,539**	763,826
Other charges	**1,362,426**	369,819
	19,877,332	13,368,603

12 ZAKAT

12.1 Charge for the year

Previously, the Ultimate Parent Company filed consolidated return on behalf of the Group. However, the management applied for a separate registration number during the year and received approval dated 13 February 2022 under registration number 3000460867. Consequently, the Group now files a separate Zakat return from the Ultimate Parent Company from 2021 onwards except Innovative Care Trading Company.

12.2 Movement of provision for zakat

	2022 SR	2021 SR
At the beginning of the year	**11,424,287**	24,000,000
Acquisition of subsidiary during the year	**1,260,972**	
Charge for the year	**10,886,197**	11,424,287
Extinguished via payment to the Ultimate Parent Company (note 12.3)	**-**	(24,000,000)
Extinguished via payment to ZATCA	**(11,420,296)**	-
At end of the year	**12,151,160**	11,424,287

12.3 Zakat status

The Ultimate Parent Company accounted for and settled the zakat liability on the basis of its consolidated financial statements up to the year 2020.

Final zakat assessments have been agreed with the ZATCA for all years up to 2016.

13 PROPERTY AND EQUIPMENT

	Leasehold improvements SR	*Machinery And tools SR*	*Furniture and fixtures SR*	*Office equipment SR*	*Computer hardware SR*	*Motor Vehicles SR*	*Total SR*
Cost:							
As at 1 January 2022	6,254,198	17,607,277	3,808,938	1,259,195	2,958,825	3,479,593	**35,368,026**
Acquisition of subsidiary	13,267,882	21,959,063	858,194	32,690	1,510,820	560,442	**38,189,091**
Additions	343,294	1,926,923	93,636	94,354	235,643	-	**2,693,850**
Disposals	-	(258,438)	-	-	-		**(258,438)**
As at 31 December 2022	19,865,374	41,234,825	4,760,768	1,386,239	4,705,288	4,040,035	**75,992,529**
Accumulated Depreciation:							
As at 1 January 2022	5,059,590	16,685,207	3,329,020	820,358	2,701,306	2,795,202	**31,390,683**
Acquisition of subsidiary	3,831,215	11,038,763	798,219	32,691	1,416,409	560,436	**17,677,733**
Charge for the year	930,796	1,106,975	166,796	101,740	200,415	458,228	**2,964,950**
Disposals		(218,952)					**(218,952)**
As at 31 December 2022	9,821,601	28,611,993	4,294,035	954,789	4,318,130	3,813,866	**51,814,414**
Net book value:							
As at 31 December 2022	**10,043,773**	**12,622,832**	**466,733**	**431,450**	**387,158**	**226,169**	**24,178,115**

13 PROPERTY AND EQUIPMENT (CONTINUED)

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

:

13.1 Depreciation expense is allocated as follows:

Allocation of depreciation expense	**31 December 2022**	31 December 2021
Cost of sales	**70,825**	77,090
Selling and marketing expenses	**1,208,938**	2,394,066
General and administrative expenses	**1,685,187**	689,922
	2,964,950	3,161,078

14. ACQUISITION OF INNOVATIVE HEALTHCARE HOLDINGS LTD

The goodwill amounting to SR 166,273,820 (2021: Nil) arose from the acquisition of one of the cash generating units by Arabian International Healthcare Holding Limited, a subsidiary, dated 29th August 2022. The impact of date of acquisition and 31 August is not material to the financial statements. According to the impairment test by management on 31 December 2022, the carrying amount was found to be less than its recoverable amount. Recoverable amount was determined on the basis of value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management.

Prior to the transaction, the share capital of Innovative HealthCare Company Holdings Limited amounting to USD 100 (SAR 375) is divided into 100 shares of USD 1 (SAR 3.75) each and was owned by the following shareholder:

Shareholder	**Number of Shares**	**Face Value of shares in SAR**	**% of shareholding**
Le Monde Holding Ltd.	100	3.75	100
	100		100

During the period, the Group acquired 51 shares (51% shareholding) from Le Monde Holding Ltd. As at 31 December 2022, the share capital of the Company amounting to USD 100 is divided into 100 shares of USD 1 each and is owned by following shareholders

Shareholders	**Number of Shares**	**Face Value of shares in SAR**	**% of shareholding**
Le Monde Holding Ltd.	49	3.75	49
Arabian International Healthcare Holding Company	51	3.75	51
	100		100

The following table summarizes the acquisition date fair value of consideration transferred:

		31 August 2022
Cash paid		109,500,000
Proportionate share of non-controlling interest acquired**	*14.3*	34,917,234
Contingent consideration payable	*14.1*	93,116,247
Net assets acquired*	*14.2*	(71,259,661)
Goodwill		**166,273,820**

* The net assets are currently measured at book value. The management is under the process of performing the Purchase Price Allocation exercise.

** The management has the policy of valuing non-controlling interest at proportionate share of net assets

14. ACQUISITION OF INNOVATIVE HEALTHCARE HOLDINGS LTD (CONTINUED)

14.1 Contingent consideration

During the year, the Group acquired 51% shareholding in Innovative Healthcare Holding against cash paid and contingent consideration. The Group has agreed to pay SAR 104 million to Dr. Ayed (former majority shareholder and current minority shareholder) in the years 2022, 2023 and 2024 if the following thresholds of target net income are met:

Year	**Target Income SAR**
2022	50,000,000
2023	55,000,000
2024	60,000,000

The present value at the date of acquisition amounted to SAR 93.1 million.

Following is the analysis of consideration expected to be paid as at 31 December 2022:

Contingent consideration for the year 2022	**27,500,000**
Contingent consideration for the year 2023	**27,500,000**
Contingent consideration for the year 2024	**49,000,000**
	104,000,000
Financing component	**(9,571,428)**
	94,428,572
Non-current portion	**66,928,572**
Current portion	**27,500,000**

14.2 Net assets acquired

The following table summarizes the recognized amounts of assets and liabilities transferred as of 31 August 2022:

	Note	**31-Aug-22 SAR**
Property and Equipment, net	*13*	**20,511,358**
Right-of-use assets	*15*	**18,615,900**
Intangible Assets, net	*16*	**121,118**
Inventories, net	*19*	**6,715,856**
Trade receivables, net	*20*	**1,172,502**
Prepayment and other current assets	*22*	**953,209**
Due from a related party	*24*	**2,211,886**
Cash and cash equivalents	*23*	**60,767,886**
Employee defined benefits liabilities	*27*	**(1,862,344)**
Lease liabilities	*15*	**(19,262,805)**
Trade payables, net	*30*	**(7,615,219)**
Accrued expenses and other current liabilities	*31*	**(9,737,267)**
Amount due to a related party	*24*	**(71,447)**
Zakat payable	*12*	**(1,260,972)**
Value of net assets transferred		**71,259,661**

14. ACQUISITION OF INNOVATIVE HEALTHCARE HOLDINGS LTD (CONTINUED)

14.3 Non-Controlling Interests

Below is the breakup of NCI acquired during the year:

	Net assets SR	*Percentage attributable to NCI*	*2022 SR*
NCI in Innovative Care Trading Company	**71,259,661**	**49%**	**34,917,234**

Non-Controlling Interest	**Innovative HealthCare Holding** **31-Dec-22**
Non-current assets	37,807,384
Current assets	82,664,268
Non-current liabilities	(16,877,830)
Current liabilities	(20,611,744)
Goodwill and other adjustments	-
Net assets	**82,982,078**
Net assets attributable to NCI	**40,661,218**
Revenue	37,877,201
Profit	11,612,044
Profit allocated to NCI	**5,689,901**

15 LEASES

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

	Right of use 2022 SR	Right of use 2021 SR
Cost:		
As at 1 January	**19,750,691**	18,602,732
Acquisition of subsidiary	**20,942,888**	-
Additions during the year	**12,012,511**	1,234,434
Derecognition of right-of-use assets	**(558,626)**	(86,475)
As at 31 December	**52,147,464**	19,750,691
Depreciation:		
As at 1 January	**8,876,470**	5,429,315
Acquisition of subsidiary	**2,326,988**	
Charge for the year	**4,913,922**	3,476,033
Derecognition of right-of-use assets	**(558,626)**	(28,878)
As at 31 December	**15,558,754**	8,876,470
Net book value:		
At 31 December	**36,588,710**	10,874,221

15 LEASES (CONTINUED)

Allocation of depreciation expense	31 December 2022	31 December 2021
Cost of sales	**1,133,632**	-
Selling and marketing expenses	**1,309,833**	1,591,694
General and administrative expenses	**2,470,457**	1,884,339
	4,913,922	3,476,033

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

	2022 SR	2021 SR
As at 1 January	**10,862,210**	12,675,995
Acquisition of subsidiary	**19,262,805**	-
Additions during the year	**11,325,312**	1,642,526
Derecognition of lease liability	**-**	(59,317)
Accrued interest	**1,403,539**	763,826
Payments during the year	**(4,917,530)**	(4,160,820)
As at 31 December	**37,936,336**	10,862,210
Non-current portion	**33,429,586**	6,824,742
Current portion	**4,506,750**	4,037,468

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

	2022	2021
Interest on lease liabilities	**1,403,539**	763,826
Expenses relating to short term leases	**-**	86,498

Amounts recognized in statement of cash flows

	2022	2021
Total cash outflow for leases	**4,917,530**	4,160,820

Following is the maturity analysis of leases:

	2022 SAR	2021 SAR
Minimum lease payments		
Not later than one year	**6,506,183**	4,070,820
Later than one year and not later than five years	**18,714,948**	7,705,280
More than five years	**24,360,888**	-
	49,582,019	11,776,100
Less: future finance charges	**(11,645,683)**	(913,890)
Present value of minimum lease payments	**37,936,336**	10,862,210

16 INTANGIBLE ASSETS

	Distribution rights SR	*Software SR*	*Brands SR*	***Total SR***
Cost:				
As at 1 January 2022	**2,851,633**	**22,091,000**	**1,645,600**	**26,588,233**
Acquisition of subsidiary		**1,467,050**	**188,075**	**1,655,125**
Additions	**3,718,441**	**-**	**-**	**3,718,441**
As at 31 December 2022	**6,570,074**	**23,558,050**	**1,833,675**	**31,961,799**
Accumulated amortization:				
As at 1 January 2022	**840,218**	**21,691,551**	**1,645,600**	**24,177,369**
Acquisition of subsidiary		**1,467,047**	**66,960**	**1,534,007**
Charge for the year	**1,087,173**	**99,702**	**3,000**	**1,189,875**
As at 31 December 2022	**1,927,391**	**23,258,300**	**1,715,560**	**26,901,251**
Net book value:				
At 31 December 2022	**4,642,683**	**299,750**	**118,115**	**5,060,548**

	Distribution rights SR	*Software SR*	*Brands SR*	***Total SR***
Cost:				
As at 1 January 2021	351,633	21,857,500	1,645,600	23,854,733
Additions	2,500,000	233,500	-	2,733,500
As at 31 December 2021	2,851,633	22,091,000	1,645,600	26,588,233
Accumulated amortization:				
As at 1 January 2021	351,633	21,582,822	1,645,600	23,580,055
Charge for the year	488,585	108,729	-	597,314
As at 31 December 2021	840,218	21,691,551	1,645,600	24,177,369
Net book value:				
At 31 December 2021	2,011,415	399,449	-	2,410,864

17 INVESTMENT IN FINANCE LEASE

During the year, the Group has signed a MOU with Spectromed for novation of its contract with customers in the Dialysis business, to the Group. The transfer amount contained SAR 3,500,000 consideration for the assets already transferred to the respective customer by Spectromed.

The contracts contains a finance lease arrangement for the assets transferred to the customers, against which the Group shall receive payments over the term of each respective contract.

During the year company earned interest income on investment in finance lease amounting to SAR 715,056 and charged rentals against the investment amounting to SAR 328,337.

The following table sets out a maturity analysis of Investment in Finance lease, showing the undiscounted lease payments to be received after the reporting date

17 INVESTMENT IN FINANCE LEASE (CONTINUED)

	2022
Less than one year	2,343,398
One to two year	2,402,334
Two to three years	2,402,334
Three to four years	2,294,449
Four to five years	873,780
More than five years	1,893,190
Total undiscounted lease receivable	**12,209,485**
Unearned finance income	8,322,861
Net investment in the Lease	**3,886,624**
Non-current portion	**3,748,216**
Current portion	**138,408**

18 INVESTMENT IN A JOINT VENTURE

	Ownership		*Carrying value as at*	
	2022	2021	**2022**	2021
	%	*%*	***SR***	*SR*
Investment in Joint Venture				
Philips Healthcare Saudi Arabia Limited	**50%**	50%	**53,814,267**	49,881,306
Genalive Company Limited	**50%**	-	**456,000**	-
			54,270,267	49,881,306

a) *Philips Healthcare Saudi Arabia Limited*

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

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

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

	2022	*2021*
	SR	*SR*
Current assets	**562,759,478**	**551,835,656**
Non-current assets	**16,420,381**	**19,353,550**
Current liabilities	**(374,122,298)**	**(360,973,180)**
Non-current liabilities	**(98,960,966)**	**(112,702,490)**
Net assets (100%)	**106,096,595**	**97,513,536**
Adjustments to net assets*	**1,531,938**	**2,249,076**
Adjusted net assets	**107,628,533**	**99,762,612**
Group's share in Joint Venture's net assets – 50% (2021: 50%)	**53,814,267**	**49,881,306**

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

a) Philips Healthcare Saudi Arabia Limited (continued)

*The adjustments to net assets pertain to zakat expense, income tax expense and financial reporting framework differences between the Group and Joint Venture to arrive at the base amount used for the calculation of the Group's share in the Joint Venture. The Group determined that it has significant influence because it has meaningful representation on the board of investee.

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

	2022 ***SR***	*2021* *SR*
Revenue	**303,761,574**	402,053,493
Adjusted profit for the year	**23,049,250**	30,328,717
Group's share in Joint Venture's profit – 50% (2021: 50%)	**7,788,950**	11,499,462
Dividends from Joint Venture during the year	**6,586,925**	8,378,692

	2022 ***SR***	*2021* *SR*
As at 1 January	**49,881,306**	46,385,903
Share of profit of joint venture	**7,788,950**	11,499,462
Share of OCI of joint venture	**2,730,936**	374,633
Dividend received	**(6,586,925)**	(8,378,692)
Investment as at 31 December	**53,814,267**	49,881,306

b) Genalive Medical Company Limited

The investment in a joint venture pertains to a 50% holding in Genalive Medical Company Limited (the "Joint Venture"), which is incorporated in the Kingdom of Saudi Arabia. The principal activities of the Company is to provide clinical laboratory testing services and genetic testing services to hospitals, research institutes, medical centers and clinics for both the public and private sectors. The Group has entered into a definitive Joint Venture Agreement with BGI Almanahil Health for Medical Services (a subsidiary company of BGI Health (HK) Co., Ltd) in the formation and operation of the Joint Venture. The Group determined that it has significant influence because it has meaningful representation on the board of investee.

	2022 ***SR***	*2021* *SR*
Current assets	**500,000**	-
Net assets (100%)	**500,000**	-
Group's share in Joint Venture's net assets – 50% (2021: Nil)	**250,000**	-

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

b) Genalive Company Limited (continued)

	2022 ***SR***	*2021* *SR*
As at 1 January	**-**	-
Additions during the year	**250,000**	-
Directly attributable expenses*	**206,000**	
Share of profit of joint venture	**-**	-
Dividend received	**-**	-
Investment as at 31 December	**456,000**	-

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*The Group has capitalized SAR 206,000 of directly attributable expense government registration fees.

Advance towards investment
During the year, the Group has paid an amount of SAR 19.3 million for assets purchased for the joint venture. These will be contributed to the investee as additional investment.

19 INVENTORIES, NET

	2022 **SR**	2021 SR
Goods held for sale and in relation to projects in progress	**313,687,466**	212,566,878
Spare parts	**874,496**	581,496
Goods in transit	**2,982,898**	280,617
	317,544,860	213,428,991
Less: allowance for obsolete and slow-moving inventories	**(18,647,520)**	(21,488,566)
	298,897,340	191,940,425

Movement of allowance for obsolete and slowing -moving inventories during the year.

	2022 **SR**	2021 SR
As at 1 January	**21,488,566**	17,988,566
(Reversal) / charge during the year	**(2,841,046)**	3,500,000
As at 31 December	**18,647,520**	21,488,566

20 TRADE RECEIVABLES, NET

	2022	2021
	SR	SR
Gross amount of trade receivables	**669,927,811**	660,872,573
Less: provision for expected credit losses (note 33.4)	**(27,778,223)**	(31,267,362)
Net trade receivables	**642,149,588**	629,605,211

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

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

Movement of provision for expected credit losses during the year

	2022	2021
	SR	SR
As at 1 January	**31,267,362**	49,249,693
Reversal during the year	**(3,489,139)**	(17,538,643)
Written off during the year	**-**	(443,688)
As at 31 December	**27,778,223**	31,267,362

21 CONTRACT ASSETS, NET

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

	2022	2021
	SR	SR
Gross contract assets	**36,859,390**	69,636,103
Less: impairment loss	**(2,597,426)**	(2,597,426)
Net contract assets	**34,261,964**	67,038,677

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

	2022	2021
	SR	SR
As at 1 January	**2,597,426**	2,597,426
As at 31 December	**2,597,426**	2,597,426

22 PREPAYMENTS AND OTHER CURRENT ASSETS

	2022	*2021*
	SR	*SR*
Advances to suppliers	**36,088,753**	30,931,646
Claims receivable	**8,087,010**	16,357,696
Other receivables	**6,741,954**	3,805,487
Prepaid expenses	**2,988,578**	1,280,275
	53,906,295	52,375,104

23 CASH AND CASH EQUIVALENTS

	2022 SR	*2021 SR*
Cash at bank	**83,282,210**	11,018,249
Cash in hand	**303,229**	10,000
	83,585,439	11,028,249

24 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Related party	*Nature of transactions*	**2022 SR**	2021 SR
Ultimate Parent Company (Al Faisaliah Group Holding Company)	Payments made to the Ultimate Parent Company	**30,812,118**	51,135,487
	Payment made by the Ultimate Parent Company on behalf of the Group	**29,142,277**	48,972,508
	Repayment of loans and borrowings	**192,000,000**	344,000,000
	Receipts of loans and borrowings	**219,500,000**	319,000,000
Philips Healthcare Saudi Arabia Limited (Joint venture)	Royalty income	**10,127,394**	12,882,241
	Share in Earning	**7,788,950**	11,499,462
	Payments made to related party	**11,657,462**	14,082,678
	Expenses paid on behalf of the Company	**9,847,392**	10,793,847
	Collections made from related party	**11,814,461**	14,705,898
	Income received on behalf of the Company	**11,637,883**	14,840,357
Al Bo'ra for Medical Services Co.	Expenses paid on behalf of the Company	**1,198,920**	-
Innovative care Medicine warehouse	Expenses paid on behalf of the Company	**50,578**	-
Le Monde holding Limited	Expenses paid on behalf of the Company	**47,194**	-
Innovative Healthcare Holding	Expenses paid on behalf of the Company	**57,655**	-

24 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Amounts due from and to related parties are as follows:

	2022 SR	2021 SR
Amounts due from related parties:		
Ultimate Parent Company	**-**	2,070,808
Al Bo'ra for Medical Services Company	**3,308,227**	-
Innovative Healthcare Holding Company	**57,655**	-
Le Monde Holding Limited	**47,194**	-
Innovative Care Medicine warehouse	**50,578**	-
Philips Healthcare Saudi Arabia Limited (Joint venture)	**5,238,527**	5,415,105
	8,702,181	7,485,913
Amounts due to related parties:		
Ultimate Parent Company	**492,356**	-
Genalive Medical Company	**250,000**	-
Philips Healthcare Saudi Arabia Limited (Joint venture)	**295,584**	2,105,655
	1,037,940	2,105,655

The amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received. No amount has been expensed in the current year for bad or doubtful debts in respect of amounts owed by related parties. Compensation charged to key management personnel during the year, in the form of short-term benefits, was SR 7,919,964 (2021: SR 11,882,978) and in the form of post-employment benefits expense was SR 3,963,222 (2021: 4,088,841).

25 SHARE CAPITAL

	31 December 2022 SR	*31 December 2021 SR*
20,000,000 shares of SR 10 each	**200,000,000**	200,000,000

As at 31 December 2022, the share capital of the Company amounting to SR 200,000,000 is divided into 20,000,000 shares of SR 10 each and is owned by the following shareholders:

Shareholders	**Number of Shares**	**Face Value of shares in SR**	**% of shareholding**
Advanced Drug Company for Pharmaceuticals	15,000,000	150,000,000	75.00
Institutional & other Investors	4,790,000	47,900,000	23.95
Arabian International Healthcare Holding Company	210,000	2,100,000	1.05
	20,000,000	200,000,000	100

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

25 SHARE CAPITAL (CONTINUED)

During the year, the Group passed a resolution in its extra ordinary general meeting dated 29 June 2022 to buy-back its 210,000 number of ordinary shares in accordance with Article 12 from Part 4 of Chapter 1 of the 'Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies at the market price. The Group will issue a share-based payment plan to its employees. The Group re-purchased 210,000 shares of Arabian International Healthcare Holding Company, for a consideration of SR 8,069,083

26 STATUTORY RESERVE

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

27 EMPLOYEE DEFINED BENEFIT LIABILITIES

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

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

	2022 **SR**	**2021** **SR**
At beginning of the year – present value of defined benefit obligation	**25,278,046**	26,844,276
Acquisition of subsidiary	**1,862,344**	-
Current service cost	**4,351,237**	3,432,832
Interest cost	**625,477**	559,425
Past service cost	**12,341**	98,874
Paid during the year	**(3,466,822)**	(4,717,808)
Remeasurement gain during the year	**(1,203,110)**	(939,553)
Benefits Transferred from affiliate	**48,057**	-
At end of the year – present value of defined benefit obligation	**27,507,570**	25,278,046

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

	2022 **%**	2021 %
Financial assumptions:		
Net discount rate (per annum)	**4.90**	2.50
Rate of salary increases (per annum)	**3.00**	2.00
Demographic assumptions:		
Retirement age	**60**	60

27 EMPLOYEE DEFINED BENEFIT LIABILITIES (CONTINUED)

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

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

	2022 SR	2021 SR
Increase in discount rate of 1%	**(2,245,829)**	(1,411,045)
Decrease in discount rate of 1%	**2,603,856**	3,182,955
Increase in rate of salary of 1%	**2,591,033**	3,169,955
Decrease in rate of salary of 1%	**(2,277,473)**	(1,387,045)

28 CONTRACT LIABILITIES

	2022 SR	2021 SR
Advance from customers	**74,900,411**	60,721,405
Unearned warranty revenue	**29,108,304**	26,805,053
	104,008,715	87,526,458
Non-current portion	**32,224,253**	30,105,294
Current portion	**71,784,462**	57,421,164

29 LOANS AND BORROWINGS

	2022 SR	2021 SR
Current portion of loan from Ultimate Parent Company (Note 29.1)	**252,500,006**	200,000,000
Long term loan from Ultimate Parent Company (Note 29.2)	**50,000,000**	75,000,000
Short-term loans from Banks	**130,000,000**	-
	432,500,006	275,000,000
Non-current portion	**50,000,000**	75,000,000
Current portion	**382,500,006**	200,000,000

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

29.2 The Group obtained long term loan of SR 100,000,000 in 2020 from ultimate parent Company. Loan amounting to SAR 25 million was paid during the year. The special commission on the loan is payable on quarterly basis with first installment paid on 28 April 2021 and last installment on 31 October 2025. Special commission on the loans and borrowings from Ultimate Parent Company during 2022 is SR 17,111,367 (2021: SR 12,234,958). The special commission ranges from 2.8% to 6.6% on short term loans and 3% to 5.98% on long term loans.

30 TRADE AND NOTES PAYABLES

	2022 SR	2021 SR
Trade payable	**212,685,311**	150,656,480
Notes payable*	**41,408,963**	302,396
	254,094,274	150,958,876

*No interest is charged on trade payables. The Group has financial risk management policies disclosed in note 33 to the consolidated financial statements in place to ensure that all payables are paid within the credit timeframe.

31 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2022 SR	2021 SR
Accrued expenses *	**114,262,699**	116,667,968
Accrued salaries and related expenses	**8,834,112**	11,155,112
Accrued interest	**2,820,520**	
Other payables	**5,864,045**	2,248,452
	131,781,376	130,071,532

*This includes a legal case is filed in 2018 against the Group for an allegation of non-payment of custom duties to the Saudi Customs amounting to SR 30 million. The management confirmed that all due custom amounts were already paid by the Group to the Saudi Customs through its agent who might have not settled the amounts with Saudi Customs. The external legal counsel hired to represent the Group believes that the case is in favor of the Group. However, the Group management had made a provision for this case of SR 7 million and SR 13 million for the year ended 31 December 2019 and 2018, respectively. During the year, the management received the decision of the court to pay an amount of SAR 19,264,242. Management has decided to file an appeal without making payment and considers the current provision as adequate.

32 COMMITMENTS AND CONTINGENCIES

32.1 The Group has issued letters of guarantee through its banks amounting to SR 245.3 million (2021: SR 276 million) in the ordinary course of business.

32.2 In 2021, Al Faisaliah Medical Systems Company Limited ("the Component") received penalty from a customer amounting to SR 11.15 million due to delay in delivery of goods. However, the Component filed a claim with the customer who agreed that the delay was on account of civil works which was part of another contractor's (not the Component or the Group's subsidiaries) scope of work. In 2022, a case has been filed by the Group's legal consultant which is of the opinion that all the evidences are available and are in the favor of the company and the management believes that the recovery of the penalty amount is highly probable. Hence, the amount is disclosed as a contingent asset but not recorded in these financial statements.

33 RISK MANAGEMENT

33.1 Capital Management

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

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

33.2 Market Risk

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

A Foreign currency risks

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

B Interest rate risk

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

With all other variables held constant, the Group's profit before zakat is affected by a +/(-) 0.5% due to change in floating rate on borrowings for the year ended 31 December 2022. This will result in increase or decrease of SR 1,608,486 (2021: increase or decrease of SR 939,012).

33.3 Liquidity Risk

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

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

33 RISK MANAGEMENT (CONTINUED)

33.3 Liquidity Risk (continued)

31 December 2022 Details	Within one year SR	One year to five years SR	Over five years SR	Total SR
Trade and notes payables	**254,094,274**	**-**	**-**	**254,094,274**
Lease liabilities	**6,506,183**	**18,714,948**	**24,360,888**	**49,582,019**
Loans and borrowings	**382,500,006**	**50,000,000**	**-**	**432,500,006**
Contingent consideration	**27,500,000**	**66,928,572**	**-**	**94,428,572**

31 December 2021 Details	Within one year SR	One year to five years SR	Over five years SR	Total SR
Trade and notes payables	150,958,876	-	-	150,958,876
Lease liabilities	4,070,820	7,705,280	-	11,776,100
Loans and borrowings	200,000,000	75,000,000	-	275,000,000

33.4 Credit Risk

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

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

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue receivables and contract assets. Furthermore, the Group reviews the recoverable amount of each trade receivable and contract assets on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

As at 31 December 2022, trade receivables consist of a large number of customers, however, Ministry of Health accounts for 27.8% (2021: 45%) of the Group's trade receivables balance. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group's credit exposure is primarily limited to its trade receivables and contract assets which is presented below and in notes 20 and 21, respectively. The credit risk on liquid balances is limited because the counterparties are banks with high credit-ratings.

33 RISK MANAGEMENT (CONTINUED)

33.4 Credit Risk (continued)

		Contract assets and trade receivables –past due					
31 December 2022	***Not past due SR***	***0 – 90 days SR***	***91 – 180 days SR***	***181 – 270 days SR***	***271 – 360 days SR***	***Above 365 days SR***	***Total SR***
Gross carrying amount	**307,049,662**	**63,441,117**	**30,173,418**	**22,484,830**	**37,328,561**	**246,309,613**	**706,787,201**
Provision for ECL	**(3,949,145)**	**(1,945,030)**	**(1,368,118)**	**(939,213)**	**(1,872,415)**	**(20,301,728)**	**(30,375,649)**
Net carrying amount	**303,100,517**	**61,496,087**	**28,805,300**	**21,545,617**	**35,456,146**	**226,007,885**	**676,411,552**

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

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

35 SEGMENT REPORTING

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

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

	Medical Equipment SR	***Medical Supplies SR***	***Other Activities SR***	***Total SR***
31 December 2022				
Revenue from external Customers	**275,036,549**	**329,758,954**	**37,877,201**	**642,672,704**
Depreciation and amortisation	**4,922,886**	**2,726,061**	**1,419,811**	**9,068,758**
Profit for the period	**15,140,242**	**4,697,471**	**5,922,144**	**25,759,857**
Investment in joint venture	**53,814,267**	**-**	**456,000**	**54,270,267**
Other total assets	**689,110,955**	**412,532,192**	**275,154,739**	**1,376,797,886**
Total liabilities	**569,602,053**	**286,006,322**	**239,837,574**	**1,095,445,949**

	Medical Equipment SR	*Medical Supplies SR*	*Other Activities SR*	*Total SR*
31 December 2021				
Revenue from external Customers	304,209,700	314,330,090	-	618,539,790
Depreciation and amortisation	3,426,886	1,748,772	2,058,768	7,234,426
Profit for the period	44,772,835	37,540,967		82,313,802
Investment in joint venture	49,881,306	-	-	49,881,306
Other total assets	563,469,145	378,183,313	35,083,549	976,736,007
Total liabilities	424,000,381	253,112,857	16,113,826	693,227,064

36 EARNINGS PER SHARE

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

	2022 SR	2021 SR
Profit for the year	**25,759,857**	82,313,802
Weighted average number of outstanding shares during the period (Share)	**19,978,035**	20,000,000
Basic and diluted earnings per share	**1.29**	4.12

	2022	2021
No. of shares as at 1 January	**20,000,000**	20,000,000
Effect of treasury shares held*	**(21,965)**	-
Weighted average number of shares	**19,978,035**	20,000,000

*Treasury shares purchased in a month are assumed to be purchased at the end of that month. The impact of timing difference is immaterial. The total number of treasury shares held by the Group are 210,000.

37 DIVIDENDS

On 07 Sha'aban 1443 H (corresponding to 10th March 2022) the shareholders approved dividends of SR 60 million at SR 3 per share (2021: SR 82.68 million at SR 4.1 per share) for the year ended 31 December 2021 which was paid during 2022.

38 SUBSEQUENT EVENTS

38.1 The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its bye-laws for any changes to align the bye-laws to the provisions of the Law. Consequently, the Company shall present the amended bye-laws to the shareholders in their Annual General Assembly meeting for their ratification.

38.2 On 8 Ramadan 1444 H (corresponding to 30th March 2023), the Board of Directors approved dividends of SR 1 per share for the year ended 31 December 2022.

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

39 RECLASSIFICATIONS

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

40 CONSOLIDATED FINANCIAL STATEMENTS APPROVAL

The consolidated financial statements were approved on 08 Ramadan 1444H (corresponding to 30 March 2023).