Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Joint Stock Company)

Consolidated Financial Statements
For the year ended 31 December 2022

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY (SAUDI JOINT STOCK COMPANY)

Opinion
We have audited the consolidated financial statements of Dr. Sulaiman Al Habib Medical Services Group Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY
(SAUDI JOINT STOCK COMPANY)
(continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition</td></tr>
<tr><td>During the year ended 31 December 2022, the Group recognized revenue of SR 8.3 billion (2021: SR 7.2 billion).

The Group recognizes revenue upon satisfaction of performance obligations attached to medical and related services at the fair value of consideration received or receivable, net of variable consideration.

Certain contracts with customers include variable considerations in the form of prompt payment discount or any expected discounts for some of the services provided. Significant accounting judgments, estimates and assumptions are made by the management to determine the variable consideration.

Revenue recognition is considered as a key audit matter due to the existence of risks associated with the amount of revenues related to the controls and judgments that mainly depend on management's estimates when the amount of revenue is recognised.

Refer to note 4.4 for the accounting policy related to revenue recognition and note 5.1 for estimates and assumption used in revenue recognition.</td><td>Our audit procedures included, among others, the following:

• Assessed the appropriateness of the Group's revenue recognition.

• Assessed the appropriateness of significant accounting judgments, estimates and assumptions made by the management to determine the variable consideration.

• Assessed the design and tested (on a sample basis) the operating effectiveness of relevant controls in relation to revenue recognition.

• Involved our IT experts in testing the applied IT controls and the internal control around them.

• Performed analytical procedures by comparing the expectations with actual revenue and analysing the variances.

• Performed tests (on a sample basis) of settlements, claims and collections made with major clients of the group.

• Assessed the adequacy of relevant disclosures in the consolidated financial statements.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY
(SAUDI JOINT STOCK COMPANY)
(continued)

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

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

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

When we read the Group's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of The Board of Directors and Those Charged with Governance for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as The Board of Directors 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, The Board of Directors 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 The Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

- 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 The Board of Directors.

- Conclude on the appropriateness of The Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY
(SAUDI JOINT STOCK COMPANY)
(continued)

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

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

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

for Ernst & Young Professional Services

Rashid S. Roshod
Certified Public Accountant
License No. (366)

Riyadh: 28 Rajab 1444
(19 February 2023)

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CR.1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Joint Stock Company)
Consolidated statement of financial position
As at 31 December 2022

	Notes	31 December 2022 SR	31 December 2021 SR
Assets			
Current assets			
Cash and cash equivalents	7	2,746,989,005	2,643,829,664
Accounts receivable	8	741,713,503	899,270,622
Prepayments and other assets	9	181,380,520	183,441,046
Inventories	10	490,392,915	406,888,624
Total current assets		**4,160,475,943**	**4,133,429,956**
Non-current assets			
Investments in associates	11	186,999,110	41,358,409
Investments in equity instruments – Sukuk		300,000,000	-
Property and equipment	12	7,936,642,673	6,652,578,893
Total non-current assets		**8,423,641,783**	**6,693,937,302**
Total assets		**12,584,117,726**	**10,827,367,258**
Liabilities and equity			
Liabilities			
Current liabilities			
Current portion of long-term loans	28.1	167,651,299	317,666,499
Accounts payable	13	961,319,436	805,131,366
Accruals and other liabilities	15	1,247,476,180	754,344,333
Zakat payable	16	169,722,113	131,383,111
Current portion of lease liabilities	28.2	44,142,088	39,194,713
Total current liabilities		**2,590,311,116**	**2,047,720,022**
Non-current liabilities			
Long-term loans	28.1	3,032,584,836	2,444,907,730
Government grant	17	60,337,851	65,891,978
Lease liabilities	28.2	277,078,057	252,636,080
Employees' end-of-service benefits	18	518,141,099	489,135,445
Total non-current liabilities		**3,888,141,843**	**3,252,571,233**
Total liabilities		**6,478,452,959**	**5,300,291,255**
Equity			
Issued and paid-up share capital	19	3,500,000,000	3,500,000,000
Statutory reserve	20	876,157,331	711,082,326
Retained earnings		1,502,535,470	1,128,089,112
Equity attributable to equity holders of the parent		**5,878,692,801**	**5,339,171,438**
Non-controlling interests		226,971,966	187,904,565
Total equity		**6,105,664,767**	**5,527,076,003**
Total liabilities and equity		**12,584,117,726**	**10,827,367,258**

APPROVED BY:
FAISAL AI NASSAR
CFO

APPROVED BY:
FAISAL AI NASSAR
CEO / ACTING

APPROVED BY:
DR. SULAIMAN AL HABIB
CHAIRMAN

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

Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Joint Stock Company)
Consolidated statement of income
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
Revenue		8,310,738,514	7,250,472,190
Cost of revenue		(5,562,603,296)	(4,920,242,730)
Gross profit		**2,748,135,218**	**2,330,229,460**
Selling and marketing expenses	22	(324,779,475)	(242,327,120)
General and administrative expenses	23	(722,868,413)	(621,751,073)
Operating income		**1,700,487,330**	**1,466,151,267**
Share of income of associates	11	19,605,347	7,488,620
Finance costs	24	(49,356,745)	(37,896,011)
Other income	25	125,921,171	65,599,807
Income before zakat		**1,796,657,103**	**1,501,343,683**
Zakat	16	(107,707,925)	(114,066,324)
Income for the year		**1,688,949,178**	**1,387,277,359**
Attributable to:			
Equity holders of the parent		1,650,750,047	1,376,615,197
Non-controlling interests		38,199,131	10,662,162
		1,688,949,178	**1,387,277,359**
Earnings per share:	26		
Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent		**4.72**	**3.93**

APPROVED BY: FAISAL AI NASSAR CFO	APPROVED BY: FAISAL AI NASSAR CEO / ACTING	APPROVED BY: DR. SULAIMAN AL HABIB CHAIRMAN

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

Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Joint Stock Company)
Consolidated statement of comprehensive income
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
Income for the year		**1,688,949,178**	**1,387,277,359**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement Income (loss) on employees' end-of-service benefits	18	27,139,586	(3,730,492)
Other comprehensive Income (loss) for the year		**27,139,586**	**(3,730,492)**
Total comprehensive income for the year		**1,716,088,764**	**1,383,546,867**
Attributable to:			
Equity holders of the parent company		1,677,021,363	1,372,427,745
Non-controlling interests		39,067,401	11,119,122
		1,716,088,764	**1,383,546,867**

APPROVED BY:	APPROVED BY:	APPROVED BY:
FAISAL Al NASSAR	FAISAL Al NASSAR	DR. SULAIMAN AL HABIB
CFO	CEO / ACTING	CHAIRMAN

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

Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Joint Stock Company)
Consolidated statement of changes in equity
For the year ended 31 December 2022

	Attributable to equity holders of the parent					
	Issued and paid-up share capital SR	Statutory reserve SR	Retained earnings SR	Total SR	Non-controlling interests SR	Total equity SR
As at 1 January 2021	**3,500,000,000**	**573,420,806**	**838,322,887**	**4,911,743,693**	**176,785,443**	**5,088,529,136**
Income for the year	-	-	1,376,615,197	1,376,615,197	10,662,162	1,387,277,359
Other comprehensive income (loss)	-	-	(4,187,452)	(4,187,452)	456,960	(3,730,492)
Total comprehensive income (loss)	-	-	1,372,427,745	1,372,427,745	11,119,122	1,383,546,867
Transfer to statutory reserve	-	137,661,520	(137,661,520)	-	-	-
Dividends (note 21)	-	-	(945,000,000)	(945,000,000)	-	(945,000,000)
As at 31 December 2021	**3,500,000,000**	**711,082,326**	**1,128,089,112**	**5,339,171,438**	**187,904,565**	**5,527,076,003**
Income for the year	-	-	1,650,750,047	1,650,750,047	38,199,131	1,688,949,178
Other comprehensive income (loss)	-	-	26,271,316	26,271,316	868,270	27,139,586
Total comprehensive income	-	-	1,677,021,363	1,677,021,363	39,067,401	1,716,088,764
Transfer to statutory reserve	-	165,075,005	(165,075,005)	-	-	-
Dividends (note 21)	-	-	(1,137,500,000)	(1,137,500,000)	-	(1,137,500,000)
As at 31 December 2022	**3,500,000,000**	**876,157,331**	**1,502,535,470**	**5,878,692,801**	**226,971,966**	**6,105,664,767**

APPROVED BY:
FAISAL AI NASSAR
CFO

APPROVED BY:
FAISAL AI NASSAR
CEO / ACTING

APPROVED BY:
DR. SULAIMAN AL HABIB
CHAIRMAN

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

Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Joint Stock Company)
Consolidated statement of cash flows
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
Operating activities			
Income before zakat		**1,796,657,103**	**1,501,343,683**
Non-cash adjustments to reconcile income before zakat to net cash flows:			
Depreciation	12	309,222,808	314,793,507
Share of income of associates	11	(19,605,347)	(7,488,620)
Allowance for expected credit losses	8 & 22	197,847,275	145,674,650
Finance costs	24	49,356,745	37,896,011
Employees' end-of-service benefits	18	126,598,525	156,872,615
		2,460,077,109	**2,149,091,846**
Working capital adjustments:			
Accounts receivable		(40,290,156)	(200,615,832)
Inventories		(83,504,291)	(26,978,331)
Prepayments and other assets		4,209,176	46,572,211
Accounts payable		156,188,070	176,968,882
Accruals and other liabilities		486,823,535	155,346,081
Cash generated from operations		**2,983,503,443**	**2,300,384,857**
Zakat paid	16	(69,368,923)	(83,827,664)
Employees' end-of-service benefits paid	18	(70,453,285)	(33,764,066)
Net cash from operating activities		**2,843,681,235**	**2,182,793,127**
Investing activities			
Purchase of property and equipment		(1,513,364,980)	(1,253,523,660)
Investment in associates		(126,035,354)	-
Dividends from associates	11	-	6,000,000
Investments in equity instruments Sukuk		(300,000,000)	-
Net cash used in investing activities		**(1,939,400,334)**	**(1,247,523,660)**
Financing activities			
Proceeds from long-term loans, net		432,333,493	396,003,675
Finance costs paid		(43,274,148)	(36,636,117)
Lease liabilities paid		(52,680,905)	(45,071,128)
Dividends paid	21	(1,137,500,000)	(945,000,000)
Net cash used in financing activities		**(801,121,560)**	**(630,703,570)**
Net increase in cash and cash equivalents		103,159,341	304,565,897
Cash and cash equivalents at the beginning of the year	7	2,643,829,664	2,339,263,767
Cash and cash equivalents at the end of the year	7	**2,746,989,005**	**2,643,829,664**
Non-cash transactions:			
Recognition of right-of-use assets	12	100,761,318	79,800,405
Recognition of lease liabilities	28.2	100,761,318	79,800,405

APPROVED BY:	APPROVED BY:	APPROVED BY:
FAISAL AI NASSAR	FAISAL AI NASSAR	DR. SULAIMAN AL HABIB
CFO	CEO / ACTING	CHAIRMAN

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

1. Corporate information and activities

Dr. Sulaiman Al Habib Medical Services Group Company (the "Company") (a Saudi Listed Joint Stock Company) is registered in Riyadh, under commercial registration number 1010118330 dated 11 Jumada al-thani 1414H (corresponding to 25 November 1993). The registered office is located at Olaya District, P.O. Box 301578, Riyadh 11372, Kingdom of Saudi Arabia (the" Kingdom"), and the Company was listed on the Saudi Stock Exchange (Tadawul) on 22 Rajab 1441H (corresponding to 17 March 2020).

The activities of the Company and its subsidiaries (collectively referred to as "the Group") are to provide private health services and ancillary services for its operations in the Kingdom and the region through the establishment, management, and operation of hospitals, general and specialized medical complexes, day surgery centers, pharmaceutical facilities, and other ancillary areas which include providing services of Home health care, specialized medical laboratories, technology services & information systems, providing facility maintenance services, Tele-medicine services, revenue cycle management services, medical equipment maintenance services, and real estate activity.

The Company has two branches, the first branch is located in Riyadh, Kingdom, "Branch of Dr. Sulaiman Al Habib Medical Services Group Company" ("the Branch") under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The Branch is engaged in wholesale and retail trade in cosmetics and maintenance of medical devices and equipment. The second one is located in the Kingdom of Bahrain, "Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch" ("the Foreign Branch") under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The Foreign Branch is engaged in activities of head offices and management offices.

The consolidated financial statements include the financial information of the branches mentioned above and subsidiaries mentioned in note 3.

2. Basis of preparation

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

These consolidated financial statements are prepared on a historical cost basis unless otherwise stated in the accounting policies below. The consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.

3. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (collectively referred to as "the Group"), mainly domiciled in Kingdom of Saudi Arabia ("KSA") and United Arab Emirates ("UAE") as at 31 December 2022 and 31 December 2021:

	Country of incorporation and business	**Activities**	**Ownership %**	
			31 December 2022	31 December 2021
Sehat Al Olaya Medical Complex Company	KSA	Hospital	100%	100%
Asharq Alawsat Pharmacies Company	KSA	Pharmacy	100%	100%
Dr. Sulaiman Al Habib Hospital FZ – LLC	UAE	Hospital	100%	100%
Buraidah Al Takhassusi Hospital for Healthcare Company	KSA	Hospital	100%	100%
Al Rayan Hospital for Healthcare Company	KSA	Hospital	100%	100%
Home Healthcare Company	KSA	Home Healthcare services	100%	100%
Al Gharb Al Takhassusi Hospital for Healthcare Company	KSA	Hospital	100%	100%
Al Mokhtabarat Diagnostic Medical Company	KSA	Laboratory Services	100%	100%
Sehat Al Suwaidi Medical Company	KSA	Hospital	100%	100%
Hulool Al Sahaba for IT & Communication Company	KSA	IT Support Services	100%	100%
Intensive Care Company for Healthcare	KSA	Medical Services	100%	100%
Sehat Al Sharq Medical Limited Company	KSA	Hospital	50%	50%
Al Wosta Medical Limited Company	KSA	Hospital	50%	50%
Gharb Jeddah Hospital Company	KSA	Hospital	50%	50%
Shamal Al Riyadh for Healthcare Company	KSA	Hospital	100%	100%
Al Muhammadiyah Hospital for Healthcare Company	KSA	Hospital	100%	100%
Taswyat Administrative Company	KSA	Revenue cycle management	100%	100%
Al Marakez Al Awwalyah for Health Care Company	KSA	Medical Primary Healthcare centers	100%	100%
Wrass Real Estate Company*	KSA	Real Estate	100%	100%
Flow Medical Company	KSA	Medical equipments maintenance	100%	100%
Sehat Al Kharj for Healthcare Company	KSA	Hospital	100%	100%
Bawabat Al Gharb for Health Care Company	KSA	Hospital	100%	-
Bawabat Al Shamal for Health Care Company	KSA	Hospital	100%	-

* During January 2023, the company name changed from "Rawabet Medical Company".

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 (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

3. Basis of consolidation (continued)

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

4. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

4.1 Business combination

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

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

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group 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 recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the

4. Summary of significant accounting policies (continued)

4.1 Business combination (continued)

Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

4.2 Investments

4.2.1 Investments in associates

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

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of income reflects the Group's share of income of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of income of an associate is shown on the face of the consolidated statement of income outside operating profit and represents income after zakat and tax wherever applicable.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as 'Share of income of associates' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

4.2.2 Investments in equity instruments – Sukuk

It represents investments in equity instruments - Sukuk Tier 1 type with Mudaraba structure, perpetual maturity, and non-listed Sukuk. Each unit of the Sukuk constitutes an unsecured, conditional, and subordinated obligation for the issuer Bank classified under equity. First, the call date is 5 years after the issue date. It is initially recognized at cost, and subsequently, income is recognized when the profit/dividends payment is received on a quarterly basis.

4.3 Fair value measurement

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

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

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

4. Summary of significant accounting policies (continued)

4.3 Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.4 Revenue recognition

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs.
b) The Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The Group’s performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

4. Summary of significant accounting policies (continued)

4.4 Revenue recognition (continued)

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Patient services
The patient services revenue is recognized when the services are rendered to the patient net off for any discount or rebates expected at the time of providing services to the patients.

Sale of goods
The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net off any discount or rebates expected at the time of delivery of goods to the patients.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of income.

Others
All other revenues are recognized on an accrual basis.

For advance from customer or accounts receivable, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

4.5 Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income, if material.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the reporting date.
- Statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gains or losses on sale.

4.6 Government grants

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

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

4. Summary of significant accounting policies (continued)

4.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

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

	Years
Buildings	10 – 33
Leasehold improvements	The estimated useful life or lease period whichever is lower
Medical and general equipment	5 – 10
Motor vehicles and ambulances	4 – 10
Furniture, fixtures and office equipment	4 – 6.67
Right of use Assets	The estimated useful life or lease period whichever is lower

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.

4.8 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

4. Summary of significant accounting policies (continued)

4.8 Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

4.9 Leases

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

Right-of-use 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 re-measurement 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease 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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value (i.e., below SR 20,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. Summary of significant accounting policies (continued)

4.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.11 Financial instruments

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.

Recognition
A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

Classification
The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification depends on the Group's contractual terms of the financial assets cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial liabilities are not reclassified.

Measurement
All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through profit or loss and other comprehensive income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the profit or loss are expensed in the consolidated statement of income or other comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the profit or loss or other comprehensive income (irrevocable election at the time of recognition).

De-recognition
A financial asset is derecognized 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 the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. 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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income or other comprehensive income.

Offsetting
Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

For accounts receivables, the Group recognizes expected credit losses based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date.

4. Summary of significant accounting policies (continued)

4.11 Financial instruments (continued)

Objective evidence that financial assets are impaired may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults

Financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.12 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term murabaha Islamic deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

4.13 Inventories

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items, near to expiry items and damages. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

4.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4.15 Employees' end-of-service benefits

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

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in consolidated statement of income on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Past service costs are recognized in consolidated statement of income on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

4. Summary of significant accounting policies (continued)

4.16 Zakat and Value Added Tax (VAT)

Zakat is provided for in accordance with Zakat,Tax and Customs Authority ("ZATCA") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries since 31 December 2009. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The subsidiary registered in free zone - Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

4.17 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Definition of Accounting Estimates – Amendments to IAS 8
In February 2021, the International Accounting Standards Board issued amendments to IAS 8, introducing a definition of "accounting estimates". Adjustments clarify the difference between changes in accounting estimates and changes in accounting policies and corrections of errors. It also describes how entities use measurement and input techniques to develop accounting estimates.

The amendment is effective for annual periods beginning on or after 1 January 2023 and applies to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted as long as the relevant estimates are disclosed.

The amendment is not expected to have a material impact on the Group.

5. Significant accounting judgments, estimates, assumptions

5.1 Estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

5. Significant accounting judgments, estimates, assumptions (continued)

5.1 Estimates and assumptions (continued)

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

- *Satisfaction of performance obligations*

The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

- *Determination of transaction prices*

The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to insurance claims discount or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

- *Transfer of control in contracts with customers*

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

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

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

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Useful lives of property and equipment
The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

Provision for inventories
Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

5. Significant accounting judgments, estimates, assumptions (continued)

5.1 Estimates and assumptions (continued)

Fair value measurement of financial instruments
When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

5.2 Critical judgements in applying accounting standards

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

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

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

Determination of control and significant influence

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

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

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

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-Vote the Group.

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

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

6. Segment Information

Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM").

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Group.

The identified key segments are Hospitals/Healthcare Facilities, Pharmacies and HMG Solutions/Others (which includes IT support services, laboratory services, home healthcare services, medical equipments maintenance, revenue cycle management and real estate). The segment results for the year ended 31 December 2022 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

Year ended 31 December 2022	**Hospitals/ Healthcare Facilities**	**Pharmacies**	**HMG Solutions / Others**	**Total**
			SR' millions	
Saudi Arabia:				
Revenue	5,861	1,639	285	7,785
Gross profit	2,042	525	103	2,670
Outside Saudi Arabia:				
Revenue	437	85	4	526
Gross profit	55	19	4	78
Total				
Revenue	6,298	1,724	289	8,311
Gross profit*	2,097	544	107	2,748
Unallocated income (expenses)				
Selling and marketing				(325)
General and administrative				(723)
Operating income				1,700
Share of income of associates				20
Finance costs				(49)
Other income				126
Income before zakat				1,797
Zakat				(108)
Income for the year				1,689
As at 31 December 2022				
Saudi Arabia:				
Total assets	8,495	378	3,151	12,024
Total liabilities	5,080	540	723	6,343
Outside Saudi Arabia				
Total assets	508	42	10	560
Total liabilities	114	18	3	135
Total				
Total assets	9,003	420	3,161	12,584
Total liabilities	5,194	558	726	6,478

6. Segment Information (continued)

Year ended 31 December 2021	Hospitals/ Healthcare Facilities	Pharmacies	HMG Solutions / Others	Total
	SR' millions			
Saudi Arabia:				
Revenue	5,156	1,293	305	6,754
Gross profit	1,701	430	120	2,251
Outside Saudi Arabia:				
Revenue	430	62	4	496
Gross profit	62	13	4	79
Total				
Revenue	5,586	1,355	309	7,250
Gross profit*	1,763	443	124	2,330
Unallocated income (expenses)				
Selling and marketing				(242)
General and administrative				(622)
Operating income				1,466
Share of income of associates				7
Finance costs				(38)
Other income				66
Income before zakat				1,501
Zakat				(114)
Income for the year				1,387
As at 31 December 2021				
Saudi Arabia:				
Total assets	7,411	320	2,526	10,257
Total liabilities	4,040	435	686	5,161
Outside Saudi Arabia				
Total assets	514	40	16	570
Total liabilities	123	13	3	139
Total				
Total assets	7,925	360	2,542	10,827
Total liabilities	4,163	448	689	5,300

*Cost of revenue includes employees' cost amounting to SR 2,906 million (2021: SR 2,614 million).

7. Cash and cash equivalents

	As at 31 December 2022 SR	As at 31 December 2021 SR
Short-term murabaha Islamic deposits with banks	2,226,866,752	2,068,891,279
Cash at banks	513,556,296	564,723,677
Cash on hand	6,565,957	10,214,708
	2,746,989,005	**2,643,829,664**

8. Accounts receivable

	As at 31 December 2022 SR	As at 31 December 2021 SR
Accounts receivable	1,025,130,931	1,079,938,638
Less:allowance for expected credit losses ("ECL")	(283,417,428)	(180,668,016)
	741,713,503	**899,270,622**

8. Accounts receivable (continued)

The movement in the allowance for expected credit losses is as follows:

	As at 31 December 2022 SR	**As at 31 December 2021 SR**
At the beginning of the year	180,668,016	115,698,570
Charge for the year (note 22)	197,847,275	145,674,650
Write-off during the year	(95,097,863)	(80,705,204)
At the end of the year	**283,417,428**	**180,668,016**

As of 31 December, the ageing analysis of unimpaired trade receivables is as follows:

	Total SR	**Less than one year SR**	**Greater than one year SR**
31 December 2022	**741,713,503**	709,714,734	31,998,769
31 December 2021	**899,270,622**	849,618,644	49,651,978

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. As at 31 December 2022 the allowance for expected credit losses reached SR 283,417,428 (as at 31 December 2021: SR 180,668,016).

As at 31 December 2022, approximately 94% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2021: SR 93%).

The Group's credit terms require receivables to be repaid within 30-90 days of the claim date depending on the type of customer, which is in line with healthcare industry. Due to short credit period offered to customers, a significant amount of accounts receivable are neither past due nor impaired.

9. Prepayments and other assets

	As at 31 December 2022 SR	**As at 31 December 2021 SR**
Prepaid expenses	109,268,429	115,287,093
Advances to employees	25,564,968	21,853,674
Advances to suppliers and contractors	5,095,196	15,866,026
Others	41,451,927	30,434,253
	181,380,520	**183,441,046**

10. Inventories

	As at 31 December 2022 SR	**As at 31 December 2021 SR**
Inventories	507,538,436	413,425,181
Less: provision for inventories	(17,145,521)	(6,536,557)
	490,392,915	**406,888,624**

Cost of inventories recognized in the consolidated statement of income for the year ended 31 December 2022 amounted to SR 1,931,769,783 (2021: SR 1,607,687,533).

11. Investments in associates

The Group investment in associates comprise of:

- 50% interest in Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013). Ajaji Dental objectives include establishment and management of hospitals, dentistry centers and laboratories tests and x-rays centers, dentistry colleges and institutes and import and distribute medical equipment.

- 40% interest in Serco Saudi Services Company ("SERCO"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013). SERCO objectives include works and maintenance to buildings construction, electricity, mechanical, cooling systems, and building cleaning.

- 25% interest in Tamkeen Human Resources Company ("Tamkeen"), a Saudi Closed Joint Stock company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010451749 dated 23 Ramadan 1439H (corresponding to 7 June 2018). Tamkeen objectives include recruit worker and provide labor services in relation to domestic worker and employment for public and private sector.

The Group's interest in its associates is accounted for using the equity method in the consolidated financial statements. The financial information of the associates are not material at the Group level therefore, summarized financial information of the associates have not been presented.

During the year, the movement of investments in associates is as follows:

2022	**Opening balance**	**Addition**	**Share of income**	**Dividends**	**Ending balance**
	SR	**SR**	**SR**	**SR**	**SR**
Ajaji Dental	33,205,558	-	5,852,012	-	39,057,570
SERCO	8,152,851	-	232,296	**-**	8,385,147
Tamkeen	-	126,035,354	13,521,039	-	139,556,393
Total	**41,358,409**	**126,035,354**	**19,605,347**	**-**	**186,999,110**

2021					
Ajaji Dental	32,077,746	-	7,127,812	(6,000,000)	33,205,558
SERCO	7,792,043	-	360,808	**-**	8,152,851
Total	**39,869,789**	**-**	**7,488,620**	**(6,000,000)**	**41,358,409**

12. Property and equipment

Amounts in Saudi Riyals	Land	Buildings and leasehold improvements	Medical and general equipment	Motor vehicles and ambulances	Furniture, fixtures and office equipment	Right of use Assets	Capital work-in-progress*	Total
Cost								
At 1 January 2021	**2,087,553,284**	**2,683,534,972**	**1,283,396,346**	**10,050,445**	**564,558,105**	**375,982,352**	**395,354,569**	**7,400,430,073**
Additions	410,441,527	48,280,357	77,889,207	3,099,702	34,721,853	79,800,405	705,305,296	1,359,538,347
Disposals/transfers	64,590,505	15,253,347	(21,406,456)	(5,455)	7,431,970	(28,797,578)	(130,553,554)	(93,487,221)
At 31 December 2021	**2,562,585,316**	**2,747,068,676**	**1,339,879,097**	**13,144,692**	**606,711,928**	**426,985,179**	**970,106,311**	**8,666,481,199**
Additions	275,709,714	14,432,300	79,634,333	1,574,800	35,588,860	100,761,318	1,109,692,070	1,617,393,395
Disposals/transfers	-	2,434,021	(5,024,531)	484,000	38,077,004	(43,346,683)	(47,528,627)	(54,904,816)
At 31 December 2022	**2,838,295,030**	**2,763,934,997**	**1,414,488,899**	**15,203,492**	**680,377,792**	**484,399,814**	**2,032,269,754**	**10,228,969,778**
Depreciation								
At 1 January 2021	**-**	**503,778,212**	**774,672,359**	**8,528,601**	**371,748,898**	**93,758,881**	**-**	**1,752,486,951**
Charge for the year	-	93,890,037	108,875,977	330,704	59,014,671	52,682,118	-	314,793,507
Disposals/transfers	-	(316,725)	(34,494,396)	-	(3,664,240)	(14,902,791)	-	(53,378,152)
At 31 December 2021	**-**	**597,351,524**	**849,053,940**	**8,859,305**	**427,099,329**	**131,538,208**	**-**	**2,013,902,306**
Charge for the year	-	93,189,554	108,334,632	789,728	57,456,023	49,452,871	-	309,222,808
Disposals/transfers	-	(83,544)	(6,398,337)	(19,877)	(1,789,278)	(22,506,973)		(30,798,009)
At 31 December 2022	**-**	**690,457,534**	**950,990,235**	**9,629,156**	**482,766,074**	**158,484,106**	**-**	**2,292,327,105**
Net book value								
At 31 December 2022	**2,838,295,030**	**2,073,477,463**	**463,498,664**	**5,574,336**	**197,611,718**	**325,915,708**	**2,032,269,754**	**7,936,642,673**
At 31 December 2021	**2,562,585,316**	**2,149,717,152**	**490,825,157**	**4,285,387**	**179,612,599**	**295,446,971**	**970,106,311**	**6,652,578,893**

*Capital work-in-progress represents cost incurred to date on different hospital projects of the Group.
** Property and equipment include land, building and medical equipment amounting to the extent of SR 627,254,500 (2021: SR 627,254,500) pledged against the loans obtained from the Ministry of Finance (note 28).

12. Property and equipment (continued)

The depreciation charge has been allocated in the consolidated statement of income as follows:

	For the year ended 31 December 2022 SR	For the year ended 31 December 2021 SR
Cost of revenue	260,102,107	261,444,077
General and administrative expenses (note 23)	45,886,140	50,443,843
Selling and marketing expenses (note 22)	3,234,561	2,905,587
	309,222,808	**314,793,507**

13. Accounts payable

	As at 31 December 2022 SR	As at 31 December 2021 SR
Accounts payable*	867,649,728	751,371,665
Contractors' payables and retentions	88,351,237	46,153,199
Others	5,318,471	7,606,502
	961,319,436	**805,131,366**

*****Included in the accounts payable are balances payable to related parties amounting to SR 57,318,348 (2021: SR 62,908,203).

14. Related party disclosures

Related parties represent shareholders, Directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Related party transactions

Significant transactions and balances with related parties in the ordinary course of business which are included in the consolidated financial statements are summarized as follows:

Nature of transaction	Related party	Relationship	2022 SR	2021 SR
Capital work-in-progress	Masah Contracting Company	Affiliate	414,682,581	208,576,741
Capital work-in-progress	Namara Specialist Establishment for Trading	Affiliate	-	508,496
Purchases and services	Serco Saudi Services Company	Associate	44,685,532	36,843,122
Purchases and services	Rawafed Al Seha International Company	Affiliate	33,809,710	32,485,728
Revenue	Dr. Abdulaziz Ibrahim Ajaji Dental Clinics Company	Associate	55,041,582	52,131,223
Purchases and services	Members of the Board of Directors	Affiliates	33,886,323	108,295,862

14. Related party disclosures (continued)

Compensation of key management personnel of the Group

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

	For the year ended	
	31 December 2022 SR	**31 December 2021 SR**
Short-term employee benefits	11,480,000	11,880,000
Post-employment and medical benefits	956,667	933,151
Board of Directors and its committees remuneration	2,969,500	2,947,667
Total compensation paid to key management personnel	**15,406,167**	**15,760,818**

The board of directors has also approved during 2022 remuneration to senior executives for the year ended on 31 of December 2021 by SR 16.5 million.

15. Accruals and other liabilities

	As at 31 December 2022 SR	**As at 31 December 2021 SR**
Accrued employees' salaries and benefits	915,342,079	563,960,263
Accrued expenses	136,115,139	92,885,468
VAT payable	55,613,637	33,910,964
Accrued fees and subscription	52,400,437	5,185,797
Advances from customers	35,588,806	33,211,656
Interest payable	12,580,651	6,498,054
Due to GOSI	6,834,312	5,200,583
Current portion of government grant (note 17)	5,554,128	5,328,414
Others	27,446,991	8,163,134
	1,247,476,180	**754,344,333**

16. Zakat payable

The Group's Zakat provision for the year ended 31 December 2022 amounted to SR 107,707,925 (2021: SR 114,066,324) which is charged to the consolidated statement of income in accordance with the ZATCA regulations.

a. Zakat base

The principal elements of the Zakat base are as follows:

	As at 31 December 2022 SR	**As at 31 December 2021 SR**
Shareholders' equity	4,610,383,500	4,175,920,805
Non-current assets and others	(7,719,546,116)	(6,058,859,686)
Non-current liabilities and others	5,248,852,264	4,344,810,927
Adjusted net income	2,096,610,693	1,951,185,741
Zakat base	**4,236,300,341**	4,413,057,787

16. Zakat payable (continued)

b. Zakat provision

The movement in Zakat provision as of 31 December is as follows:

	As at 31 December 2022 SR	As at 31 December 2021 SR
Balance at the beginning of the year	131,383,111	101,144,451
Charge for the year	107,707,925	114,066,324
Paid during the year	(69,368,923)	(83,827,664)
Balance at the end of the year	**169,722,113**	131,383,111

c. Zakat status

The Company has filed its consolidated zakat returns for the Company and its subsidiaries (100% owned subsidiaries note 1) to ZATCA and obtained zakat certificates up to 31 December 2021 and final Zakat assessments for all years up to 31 December 2020.

As for other subsidiaries (with ownership less than 100% - note 1) that are not part of the consolidated zakat base, which required submitting separate zakat returns. Sehat Al Sharq Medical Limited Company, Gharb Jeddah Hospital Company, and Al Wosta Medical Limited Company submitted their zakat returns to ZATCA, and zakat certificates were obtained up to 31 December 2021. Sehat Al Sharq Medical Limited Company obtained the final zakat assessments for all years up to 31 December 2016. Gharb Jeddah Hospital Company obtained the final zakat assessments for all years up to 31 December 2020.

17. Government grant

The movement of the government grant during the year ending December 31 is shown as follows:

	As at 31 December 2022 SR	As at 31 December 2021 SR
As at 1 January	71,220,392	78,129,431
Amortised during the year	(5,328,413)	(6,909,039)
As at 31 December	**65,891,979**	**71,220,392**
Current	5,554,128	5,328,414
Non-current	60,337,851	65,891,978
	65,891,979	**71,220,392**

The grant represents the difference between the fair value and carrying value of the interest free loans obtained from Ministry of Finance to fund the construction of the new hospital and the purchase of medical and non-medical equipment. The conditions and contingencies included in the grant have been met.

18. Employees' end-of-service benefits

a. Net defined benefit expense recognized in profit or loss

	For the year ended	
	As at 31 December 2022 SR	As at 31 December 2021 SR
Current service cost	110,163,574	144,699,456
Interest cost on defined benefit obligation	16,434,951	12,173,159
Net defined benefit expense	**126,598,525**	**156,872,615**

18. Employees' end-of-service benefits (continued)

b. Changes in the present value of the defined benefit obligation:

	SR
Employees' end-of-service benefits as at 1 January 2021	**362,296,404**
Interest cost on defined benefit obligation	12,173,159
Current service cost	144,699,456
Actuarial loss on the defined benefit obligation recognized in OCI	3,730,492
Benefits paid	(33,764,066)
Employees' end-of-service benefits as at 31 December 2021	**489,135,445**
Interest cost on defined benefit obligation	16,434,951
Current service cost	110,163,574
Actuarial gain on the defined benefit obligation recognized in OCI	(27,139,586)
Benefits paid	(70,453,285)
Employees' end-of-service benefits as at 31 December 2022	**518,141,099**

c. Significant assumptions

	31 December 2022	31 December 2021
	%	%
Discount rate	4.85	3.36
Future salary increases	3.00	3.00

Sensitive analysis:

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 December 2022:

<u>31 December 2022</u>			Impact on employees' end-of-service benefits	
Sensitivity level	**Change in assumption**	**Base value**	**Increase in assumption**	**Decrease in assumption**
		SR	**SR**	**SR**
Discount rate	1%	518,141,099	496,408,606	541,204,454
Future salary increases	1%	518,141,099	536,681,859	500,182,073

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation because of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

19. Issued and paid-up share capital

The Company's authorised, issued and paid-up share capital comprise of 350,000,000 shares of SR 10 each amounting to SR 3,500,000,000

20. Statutory reserve

In accordance with Saudi Regulations for Companies and the Group's bylaws, the Company is establishing the statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders currently.

21. Dividend distribution

During the year 2022, the Board of Directors announced the recommendation to distribute interim dividends of SR 1,137,500,000 at SR 3.25 per share (representing 32.50% of the nominal value of the share), based on the authorization to distribute interim dividends to the shareholders, quarterly or semi-annually, for the fiscal year 2021, which was granted to the Board of Directors by the Ordinary General Assembly which was held on Wednesday 9 Ramadan 1442H (corresponding to 21 April 2021), and based on the authorization to distribute interim dividends to the shareholders, quarterly or semi-annually, for the fiscal year 2022 which was granted to the Board of Directors by the Ordinary General Assembly which was held on Monday 17 Ramadan 1443H (corresponding to 18 April 2022), as follows:

- On 19 February 2022, the Board of Directors announced the recommendation to distribute interim dividends of SR 245,000,000 at SR (0.70) (only 0.70 Halala) per share (representing 7% of the nominal value of the share) for the 4th quarter of 2021.The interim dividends for the 4th quarter of 2021 was approved by the Ordinary General Assembly meeting held on 17 Ramadan 1443H (corresponding to 18 April 2022).

- On 23 April 2022, the Board of Directors announced the recommendation to distribute interim dividends of SR 290,500,000 at SR (0.83) (only 83 Halala) per share (representing 8.3% of the nominal value of the share) for the first quarter of 2022. (This will be presented for approval during the next meeting of the General Assembly of Shareholders).

- On 6 August 2022, the Board of Directors announced the recommendation to distribute interim dividends of SR 301,000,000 at SR (0.86) (only 86 Halala) per share (representing 8.6% of the nominal value of the share) for the second quarter of 2022. (This will be presented for approval during the next meeting of the General Assembly of Shareholders).

- On 22 October 2022, the Board of Directors announced the recommendation to distribute interim dividends of SR 301,000,000 at SR (0.86) (only 86 Halala) per share (representing 8.6% of the nominal value of the share) for the third quarter of 2022. (This will be presented for approval during the next meeting of the General Assembly of Shareholders).

Total interim dividends for the periods first quarter, second quarter, and third quarter of the year 2022 is SAR 892,500,000, at SAR 2.55 per share (representing 25.50% of the nominal value of the share).

The interim dividends that were distributed during the year ending on 31 December 2021 were approved at the Ordinary General Assembly meeting held on 17 Ramadan 1443 AH (corresponding to 18 April 2022).

22. Selling and marketing expenses

	For the year ended	
	31 December 2022 SR	**31 December 2021 SR**
Allowance for expected credit losses (note 8)	197,847,275	145,674,650
Employees' salaries, wages and other related benefits	74,704,178	58,897,402
Promotion and advertisement	32,818,276	22,789,672
Depreciation (note 12)	3,234,561	2,905,587
Others	16,175,185	12,059,809
	324,779,475	**242,327,120**

23. General and administrative expenses

	For the year ended 31 December 2022 SR	For the year ended 31 December 2021 SR
Employees' salaries, wages and other related benefits	380,699,506	343,360,318
Remuneration and incentive	125,969,503	93,000,862
Depreciation (note 12)	45,886,140	50,443,843
Licenses and government fees	18,556,953	21,161,693
Repair and maintenance	15,463,611	13,798,486
Utilities and communication	14,908,362	13,723,590
Fees and subscriptions	23,634,779	13,716,823
Bank charges and commissions	11,538,027	10,696,581
Housekeeping	15,027,215	10,641,937
Consultation and professional fees	11,534,952	10,163,268
Rent	10,126,439	7,812,200
Travel expenses	5,399,536	2,302,038
Others	44,123,390	30,929,434
	722,868,413	**621,751,073**

24. Finance costs

	For the year ended 31 December 2022 SR	For the year ended 31 December 2021 SR
Related to long-term loan	39,598,584	27,624,435
Related to lease liability	9,758,161	10,271,576
	49,356,745	**37,896,011**

25. Other income

	For the year ended 31 December 2022 SR	For the year ended 31 December 2021 SR
Scientific support from suppliers	19,744,691	17,973,769
Rental income	21,528,074	15,856,181
HRDF receipts	27,364,747	13,810,702
Murabaha, Mudaraba Income (Time deposit, Sukuk)	40,718,511	9,903,142
Others	16,565,148	8,056,013
	125,921,171	**65,599,807**

26. Earnings per share

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

The following table reflects the income for the year attributable to equity holders of the parent and share data used in the basic and diluted EPS computations:

	2022 SR	2021 SR
Income for the year attributable to equity holders of the parent	**1,650,750,047**	**1,376,615,197**
Weighted average number of ordinary shares	**350,000,000**	**350,000,000**
Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent	**4.72**	**3.93**

27. Commitments and contingencies

Capital commitments

The Group has capital commitment mainly for both expansions and projects under construction, as follows:

	As at 31 December 2022 SR	As at 31 December 2021 SR
Capital commitments	**1,657,031,773**	**1,622,782,007**

Letter of credits and guarantees

The Group has guarantees related to, as follows:

	As at 31 December 2022 SR	As at 31 December 2021 SR
Letters of credit	234,820,228	28,396,792
Letters of guarantee	78,496,871	148,658,877
	313,317,099	**177,055,669**

28. Financial assets and liabilities

28.1 Long-term borrowings

	As at 31 December 2022 SR	As at 31 December 2021 SR
Current-poriton of loans and borrowings:		
Loans from local banks (i)	123,671,425	293,463,093
Loans from Ministry of Finance (ii)	43,979,874	24,203,406
	167,651,299	**317,666,499**
Non-current portion of loans and borrowings:		
Loans from local banks (i)	2,688,699,978	2,062,371,403
Loans from Ministry of Finance (ii)	343,884,858	382,536,327
	3,032,584,836	**2,444,907,730**

i) Loans from local banks

The Group is financed through Islamic facilities in the form of long-term and short-term loans (Murabaha / Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes.

Aggregate maturities of loans from local banks are as follows:

	As at 31 December 2022 SR	As at 31 December 2021 SR
Within one year	123,671,425	293,463,093
After one year but not more than five years	1,249,569,385	771,609,827
More than five years	1,439,130,593	1,290,761,576
	2,812,371,403	**2,355,834,496**

28. Financial assets and liabilities (continued)

28.1 Long-term borrowings (continued)

ii) Loans from Ministry of Finance (MoF)

The Group's long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the Company and its subsidiaries. The loan repayment instalments are settled on equal yearly installments. Certain assets are pledged against the loans obtained from the MoF (note 12).

Aggregate maturities of loans from MoF are as follows:

	As at 31 December 2022 SR	As at 31 December 2021 SR
Within one year	43,979,874	24,203,406
After one year but not more than five years	122,679,857	113,026,859
More than five years	221,205,001	269,509,468
	387,864,732	**406,739,733**

28.2 Lease Liabilities

	As at 31 December 2022 SR	As at 31 December 2021 SR
As at 1 January 2022	291,830,793	270,839,828
Additions during the year	100,761,318	79,800,405
Disposal -net	(18,691,060)	(13,738,312)
Payments	(52,680,906)	(45,071,128)
As at 31 December 2022	**321,220,145**	**291,830,793**

Following is the aggregate maturities of lease liabililties:

	As at 31 December 2022 SR	As at 31 December 2021 SR
Within one year	53,848,894	49,874,526
After one year but not more than five years	159,106,491	145,832,166
More than five years	186,578,050	164,516,250
	399,533,435	**360,222,942**

	As at 31 December 2022 SR	As at 31 December 2021 SR
Future minimum lease payment	399,533,435	360,222,942
Less: un-amortized finance costs	(78,313,290)	(68,392,149)
Present value of minimum lease payment	**321,220,145**	**291,830,793**
Less: curren-portion of lease payment	(44,142,088)	(39,194,713)
	277,078,057	**252,636,080**

Majority of the lease contracts relate to leased buildings for the Group's employee accommodation, in addition to administrative offices lease contracts.

28. Financial assets and liabilities (continued)

28.3 Risk management

The Group's principal financial liabilities mainly comprise long-term loans, accounts payable, amounts due to related parties, accruals and other liabilities and zakat payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into hedging activities.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commission rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loan.

Commission rate risk
Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term borrowings and short-term murabaha Islamic deposits with floating commission rates. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The Group analysis its commission rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of defined markup shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions. The Group is not exposed to any significant commission rate risk.

Currency risk
It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk.

Credit risk
Credit risk is the risk a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalents, short-term murabaha Islamic deposits and accounts receivables as follows:

	As at 31 December 2022 SR	**As at 31 December 2021 SR**
Accounts receivable	741,713,503	899,270,622
Short-term murabaha Islamic deposits with banks	2,226,866,752	2,068,891,279
Cash at banks	513,556,296	564,723,677
	3,482,136,551	**3,532,885,578**

Accounts receivable
Receivables credit risk is managed subject to the Group's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Group comprise primarily of Insurance Companies, Government and its related ministries and others. The Group seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups. The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The credit terms are extended to customers where the Group does not expect any inability to pay.

28. Financial assets and liabilities (continued)

28.3 Risk management (continued)

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Group evaluates the concentration of risk with respect to receivables as low, as its customers are located mainly in Saudi Arabia, and minor portion of customers in GCC.

Short-term murabaha Islamic deposits with banks and cash at banks
Credit risk from balances with banks and financial institution is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

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 realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Group maintains sufficient liquidity. Senior management continuously reviews information on the Group's liquidity developments.

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through short-term murabaha Islamic deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations.

The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

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

As at 31 December 2022	**On demand SR**	**Within one year SR**	**One to five years SR**	**More than five years SR**	**Total SR**
Long-term loans	-	167,651,299	1,372,249,242	1,660,335,594	3,200,236,135
Accounts payable	961,319,436	-	-	-	961,319,436
Accruals and other liabilities	1,206,333,246	-	-	-	1,206,333,246
Lease liability	-	53,343,894	158,786,641	186,578,050	398,708,585
	2,167,652,682	**220,995,193**	**1,531,035,883**	**1,846,913,644**	**5,766,597,402**

As at 31 December 2021	**On demand SR**	**Within one year SR**	**One to five years SR**	**More than five years SR**	**Total SR**
Long-term loans	-	317,666,499	884,636,686	1,560,271,044	2,762,574,229
Accounts payable	805,131,366	-	-	-	805,131,366
Accruals and other liabilities	715,804,263	-	-	-	715,804,263
Lease liability	-	49,874,526	145,832,166	164,516,250	360,222,942
	1,520,935,629	**367,541,025**	**1,030,468,852**	**1,724,787,294**	**4,643,732,800**

29. Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

30. Fair values

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

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

The fair values of financial instruments are not materially different from their carrying values at reporting date largely.

31. Subsequent Events

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2022 that would have a material impact on the financial position or financial performance of the Group.

32. Approval of Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved for issuance by the Board of Directors on 27 Rajb 1444 H (corresponding to 18 February 2023).