MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Middle East Healthcare Company (A Saudi Joint Stock Company) and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and 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 financial position of the Group as at 31 December 2021, and its financial performance and its 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 Rajab 1442H (corresponding to 4 March 2021).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition</td><td></td></tr>
<tr><td>
During the year ended 31 December 2021, the Company recognised revenue of SR 1,872.6 million (2020: SR 1,750.6 million).
The Group recognizes revenue upon performance of medical and trading service and is measured at the fair value of the consideration received or receivable.
Revenue recognition is considered as a key audit matter as there is a risk that revenue may be misstated due to management's override of controls and judgements involved in estimating the related rejections rates.
In addition, management of the Group after a detailed review concluded that certain invoices raised in prior years until 31 December 2020, were erroneously recorded and decided to restate the revenue retrospectively.
.
Refer to note 3.3 for the accounting policy related to revenue recognition and note 5.1 for estimates and assumption used in revenue recognition.
The effect of restatement has been disclosed in note 35 to the consolidated financial statements.
</td><td>
In order to evaluate the revenue recorded and reported during the year, we performed, among other audit procedures, the following:

Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards.
Discussed the overall policies and procedures and assessed the design of the Group's internal controls over the recognition of revenue.
Assessed the appropriateness of significant accounting judgements, estimates and assumptions made by the management to determine the variable consideration. We also performed a retrospective review of actual claims settled to the original gross claims on a sample basis.
Assessed the design of the process established by the Group in relation to the estimates of rejection rates and sample tested key inputs of the estimate.
Performed test of details and inspected invoices on a sample basis to ensure that the services provided have been accurately recorded and at correct price and period.
Discussed and with management the basis of restatement, and

Analysed the agreed terms with customers;
Sample tested the invoices erroneously recorded; and
Inspected the correspondence with the counter parties.

Considered the adequacy of the related disclosures, including related to restatement in the Group's consolidated financial statements.
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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters

Impairment loss on trade receivables	
As at 31 December 2021, the gross value of trade receivables amounted to SR 1,329.5 million. (2020: SR 1,331.5 million) and the allowance for expected credit losses amounted SR 64.9 million (2020: SR 120.7 million). Assessment of impairment allowance for expected credit losses is highly subjective due to the significant judgement, estimates and assumptions applied by the management in determining the expected losses. The management is required to determine an expected loss rate against its outstanding trade receivables based on the Group's historical credit loss experience adjusted with forward-looking information. We considered this as a key audit matter given the judgements and assumptions regarding the ECL impairment against trade receivables and the potential impact on the Group's consolidated financial statements *Refer to note 3.12 to the consolidated financial statements for the significant accounting policy, note 5.1 for the critical accounting estimates and judgements and note -- which details the disclosure of impairment against trade receivables.*	We assessed the appropriateness of significant judgements, estimates and assumptions made by the management keeping in view the uncertainties involved due to the COVID 19 pandemic. • We obtained and updated our understanding of management's assessment of ECL against trade receivables. We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9- '*Financial Instruments'*. • We involved our specialists to review methodology implemented by the Group in relation to the requirements of IFRS 9. Particularly, we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter. • We reviewed the appropriateness of the Group's criteria and judgement for the determination of individually impaired receivable. • We tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations. We also assessed the reasonableness and adequacy of disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 'Financial instruments: Disclosure'.

Other Information included in the Group's 2021 annual report

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance 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 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 management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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 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

Ahmed I. Reda
Certified Public Accountant
Licence No. (356)

Jeddah: 9 Ramadan 1443H
10 April 2022

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Ernst & Young Professional Services
(Professional LLC)

Middle East Healthcare Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2021

	Note	***31 December 2021 SR***	*31 December 2020 SR (Restated- note 35)*	*1 January 2020* SR *(Restated- note 35)*
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	7	**2,356,537,613**	2,073,638,422	1,909,443,240
Right-of-use assets	12	**32,596,931**	25,576,972	30,454,243
Intangible assets	8	**7,377,440**	6,923,277	4,940,977
TOTAL NON-CURRENT ASSETS		**2,396,511,984**	2,106,138,671	1,944,838,460
CURRENT ASSETS				
Inventories	10	**155,627,028**	155,843,192	124,514,002
Trade receivables, net	9	**1,282,307,794**	1,235,676,977	769,522,963
Prepayments and other current assets	11	**109,683,178**	84,840,856	73,685,359
Bank balances and cash	13	**28,129,407**	16,909,946	53,882,840
TOTAL CURRENT ASSETS		**1,575,747,407**	1,493,270,971	1,021,605,164
TOTAL ASSETS		**3,972,259,391**	3,599,409,642	2,966,443,624
EQUITY AND LIABILITIES				
EQUITY				
Share capital	14	**920,400,000**	920,400,000	920,400,000
Statutory reserve	15	**193,627,813**	191,907,712	181,809,384
Retained earnings		**143,519,346**	119,422,160	81,452,933
Equity attributable to the shareholders' of the Parent		**1,257,547,159**	1,231,729,872	1,183,662,317
Non-controlling interests	16	**37,760,582**	43,063,454	39,098,696
TOTAL EQUITY		**1,295,307,741**	1,274,793,326	1,222,761,013
LIABILITIES				
NON-CURRENT LIABILITIES				
Loans and borrowings	17	**1,028,196,534**	847,400,365	643,448,510
Other financial liabilities	23	**11,350,561**	17,788,483	24,618,490
Lease obligations	12	**27,498,037**	22,721,719	27,132,546
Deferred income	18	**12,128,117**	13,602,238	15,247,580
Employees' end of service benefits	19	**230,608,896**	235,391,073	212,632,946
TOTAL NON-CURRENT LIABILITIES		**1,309,782,145**	1,136,903,878	923,080,072
CURRENT LIABILITIES				
Short-term loans and borrowings	17	**903,808,566**	675,261,825	356,709,826
Other financial liabilities	23	**7,178,313**	8,150,065	11,256,031
Lease obligations	12	**7,308,873**	4,410,829	4,180,880
Trade payables	20	**299,035,268**	358,964,140	337,056,142
Accrued expenses and other liabilities	21	**139,602,059**	134,615,916	106,751,583
Zakat payable	22	**10,236,426**	6,309,663	4,648,077
TOTAL CURRENT LIABILITIES		**1,367,169,505**	1,187,712,438	820,602,539
TOTAL LIABILITIES		**2,676,951,650**	2,324,616,316	1,743,682,611
TOTAL EQUITY AND LIABILITIES		**3,972,259,391**	3,599,409,642	2,966,443,624

Sobhi Abduljalil Batterjee Chairman	Ahmed Mohamed Shebl Chief Executive Officer	Madani Hozaien Chief Financial Officer

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

Middle East Healthcare Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	***2021 SR***	*2020 SR (Restated-note 35)*
Revenue from contract with customers	6	**1,872,620,790**	1,750,584,603
Cost of revenue	25	**(1,264,440,667)**	(1,172,210,458)
GROSS PROFIT		**608,180,123**	578,374,145
Selling and distribution expenses	26	**(45,965,110)**	(31,143,257)
General and administrative expenses	27	**(507,970,309)**	(439,820,084)
OPERATING PROFIT		**54,244,704**	107,410,804
Other income, net	28	**11,972,897**	7,477,578
Finance costs	29	**(46,985,115)**	(34,203,315)
PROFIT BEFORE ZAKAT		**19,232,486**	80,685,067
Zakat	22	**(7,500,000)**	(5,500,000)
PROFIT FOR THE YEAR		**11,732,486**	75,185,067
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain / (loss) on employees' end-of-service benefits	19	**8,781,929**	(23,152,754)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,514,415**	52,032,313
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		**17,201,012**	81,992,572
Non-controlling interests		**(5,468,526)**	(6,807,505)
		11,732,486	75,185,067
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		**25,817,287**	59,583,279
Non-controlling interests		**(5,302,872)**	(7,550,966)
		20,514,415	52,032,313
EARNINGS PER SHARE:			
Basic and diluted earnings per share	30	**0.19**	0.89

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
At 31 December 2021

		Equity attributable to the shareholders' of the Parent Company					
	Note	*Share capital SR*	*Statutory reserve SR*	*Retained earnings SR*	*Total SR*	*Non-controlling interests SR*	*Total SR*
At 1 January 2020 as previously reported		920,400,000	181,809,384	420,506,362	1,522,715,746	39,098,696	1,561,814,442
Effect of restatement	35	-	-	(339,053,429)	(339,053,429)	-	(339,053,429)
Balance at 1 January 2020 - restated		920,400,000	181,809,384	81,452,933	1,183,662,317	39,098,696	1,222,761,013
Net profit for the year-restated		-	-	81,992,572	81,992,572	(6,807,505)	75,185,067
Other comprehensive income	19	-	-	(22,409,293)	(22,409,293)	(743,461)	(23,152,754)
Total comprehensive income / (loss) for the year		-	-	59,583,279	59,583,279	(7,550,966)	52,032,313
Transfer to statutory reserve		-	10,098,328	(10,098,328)	-	-	-
Acquisition of noncontrolling interest	16	-	-	(11,515,724)	(11,515,724)	11,515,724	-
Balance as at 31 December 2020 - restated		920,400,000	191,907,712	119,422,160	1,231,729,872	43,063,454	1,274,793,326
Net profit for the year		-	-	17,201,012	17,201,012	(5,468,526)	11,732,486
Other comprehensive income	19	-	-	8,616,275	8,616,275	165,654	8,781,929
Total comprehensive income / (loss) for the year		-	-	25,817,287	25,817,287	(5,302,872)	20,514,415
Transfer to statutory reserve		-	1,720,101	(1,720,101)	-	-	-
Balance as at 31 December 2021		920,400,000	193,627,813	143,519,346	1,257,547,159	37,760,582	1,295,307,741

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS
At 31 December 2021

	Notes	*2021* *SR*	*2020* *SR* *(Restated-note 35)*
OPERATING ACTIVITIES			
Profit before zakat		**19,232,486**	80,685,067
Adjustments for:			
Depreciation on property and equipment	7	**130,906,528**	121,006,068
Depreciation on right of use assets	12	**9,121,488**	4,877,271
Amortization of intangible assets	8	**1,381,528**	1,333,874
(Reversal) / charge of allowance for expected credit losses	27	**(13,741,036)**	7,336,164
Provision for slow moving and obsolete inventories	10	**1,356,603**	2,410,904
Amortization of deferred income	18	**(1,542,038)**	(1,607,657)
Finance charges related to lease obligations	12	**2,043,928**	1,722,241
Finance charges related to borrowings		**46,985,115**	34,203,315
Provision for employees' end of service benefits	19	**43,449,908**	37,424,112
Loss on disposal of property and equipment		**1,675,514**	1,667,013
		240,870,024	291,058,372
Changes in operating assets and liabilities:			
Trade receivables		**(32,889,781)**	(473,490,178)
Inventories		**(1,140,439)**	(33,740,094)
Prepayments and other current assets		**(24,842,323)**	(11,155,497)
Trade payables		**(59,928,872)**	21,907,998
Accrued expenses and other current liabilities		**4,986,143**	27,864,333
Other financial liabilities		**(7,409,674)**	(9,935,973)
Cash generated / (used in) from operating activities		**119,645,078**	(187,491,039)
Employees' end of service benefits paid	19	**(39,450,156)**	(37,818,739)
Zakat paid	22	**(3,573,237)**	(3,838,414)
Net cash flows from / (used) in from operating activities		**76,621,685**	(229,148,192)
INVESTING ACTIVITIES:			
Additions to property and equipment	7	**(416,561,036)**	(293,073,661)
Additions to intangible assets	8	**(953,254)**	(1,521,343)
Proceeds from disposal of property and equipment		**125,909**	480,674
Net cash flows used in investing activities		**(417,388,381)**	(294,114,330)
FINANCING ACTIVITIES:			
Proceeds from loans		**1,105,017,762**	936,215,088
Repayment of loans		**(695,674,852)**	(413,711,234)
Finance charges paid		**(47,120,302)**	(30,311,107)
Lease liabilities paid	12	**(10,236,451)**	(5,903,119)
Net cash flows from financing activities		**351,986,157**	486,289,628
Net change in cash and cash equivalents		**11,219,461**	(36,972,894)
Cash and cash equivalents at the beginning of the year		**16,909,946**	53,882,840
Cash and cash equivalents at the end of the year	13	28,129,407	16,909,946
MAJOR NON-CASH TRANSACTIONS			
Additions to right-of-use assets and lease liabilities		**16,965,128**	-
Re-measurement of employees' end-of-service benefits liability		**(8,781,929)**	23,152,754
Transfer of assets from CWIP to Property and equipment		**885,519**	1,816,741

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 38 form an integral part of these consolidated financial statements

1 CORPORATE INFORMATION

Middle East Healthcare Company (the "Company" or "the Parent Company") and its subsidiary (collectively referred to as "the Group") consist of the Company and its various branches and a subsidiary in the Kingdom of Saudi Arabia.

The Company was a closed joint stock company operating under commercial registration number 4030149460 dated 6 Rabi Al Thani 1425H, corresponding to 25 May 2004. On 19 Rabi Al-Awal 1437H, corresponding to 30 December 2015, the Company obtained approval from Capital Market Authority (CMA) to offer 27,612,000 shares in Initial Public Offering and the Company's shares are listed at Saudi Stock Exchange (Tadawul) on 20 Jumada Al Thani 1437H, corresponding to 29 March 2016. Accordingly, the Company was converted to a Public Joint Stock Company.

The main activities of the Company are managing, operating and maintaining hospitals, medical centres, educational centres, rehabilitation centres, physiotherapy, laboratories and radiology centres, pharmacies, to buy land for the purpose of constructing medical projects and to establish, manage, construction and organize exhibitions for the Company.

The accompanying consolidated financial statements include assets, liabilities, the results of the operations and the cash flows of the following branches:

Branch name	***Commercial registration***	***Issued on***	***Corresponding to***
Saudi German Hospital – Jeddah	4030124187	5 Safar 1419H	30 May 1998
Saudi German Hospital – Riyadh	1010162269	24 Rajab 1421H	22 October 2000
Saudi German Hospital – Aseer	5855019364	28 Dhul Hijah 1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5August 2002
Abdul Jaleel Ibrahim Baterjee Sons	4030181710	4 Shaban 1429H	6 August 2008
Saudi German Hospital – Dammam	2050105713	18 Rajab 1436H	7 May 2015
Beverly Clinics – Jeddah	4030297688	26 Safar 1439H	15 November 2017
Saudi German Hospital – Makkah - Under construction	4031215509	19 Shawwal 1439H	3 July 2018
MEAHCO – Dubai	Foreign branch	18 Muharram 1442H	6 September 2020
MEAHCO – Cairo	Foreign branch	15 Muharram 1442H	3 September 2020

The Company also has investment in the following subsidiary:

Subsidiary name	***Principal activities***	***Effective holding***	***Effective holding***
		2021	2020
National Hail Company for Healthcare (NHC) (note below)	Healthcare	47%	47%

During the year the Parent Company paid an advance to subsidiary to increase it's stake from 47% to 53.9%. However, the legal formalities and registration of increase in share capital of the subsidiary is yet to be completed.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRSs" as endorsed in Kingdom of Saudi Arabia"). The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

These consolidated financial statements have been prepared under the historical cost basis.

2 BASIS OF PREPARATION (continued)

The consolidated financial statements provide comparative information in respect of the previous year. An additional statement of financial position as at 1 January 2020 is presented in these consolidated financial statements due to the retrospective correction of an error (refer note 35).

The consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional and presentation currency of the Group.

2.1Impact of new standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for new standards adopted during the year as disclosed in note 2.1, in the preparation of these consolidated financial statements.

3.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Current versus non-current classification(continued)

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

The Group classifies all other liabilities as non-current.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2021. 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; and
- 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:
- 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 to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value. These consolidated financial statements comprising the financial statements the Company and its subsidiary as set out in note 1. The financial statements of the subsidiary are prepared for the same reporting period as that of the Company.

Business combinations and goodwill
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 acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

***Business combinations and goodwill* (continued)**
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. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.3 Revenue recognition

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

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 Company 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 Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company 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 Company 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 Company's performance as the Company performs.
b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The Company's performance does not create an asset with an alternate use to the Company and the Company 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 Company 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue recognition (continued)

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 Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for providing services to the customer. The variable consideration is estimated at transaction inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Patient services
The patient services revenue is recognized when the services are rendered to the patient net off any discount or rebates and expected rejections by the insurance companies (if applicable) at the time of providing services to the patients.

Sale of goods
The sales from medicine, 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 of any discount or rebates and expected rejections by the insurance companies (if applicable) 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 statement of comprehensive income.

All other revenues are recognized on an accrual basis.

Based on IFRS 15, for advance from customer or accounts receivable, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer will be one year or less.

3.4 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Foreign currencies (continued)

Foreign operations (continued)
When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign exchange translation reserve via other comprehensive income.

3.5 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.

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 Company recognises 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 property 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 recognised in the statement of comprehensive 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 statement of comprehensive income under other operating income when the asset is de-recognized.

Capital work-in-progress
Capital work-in-progress are carried at cost less any recognised impairment loss and is capitalized as property, plant and equipment when ready for the intended use. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Company’s policies.

Depreciation
Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets, development cost of leasehold land and building on leasehold land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Category of property and equipment	***Useful lives***
Buildings	*Shorter of lease period or 15 – 45 years*
Leasehold improvements	*Shorter of lease period or 10 – 20 years*
Plant and equipment	*4-15 years*
Computer equipment	*3 – 10 years*
Motor vehicles	*4 – 10 years*
Furniture and fixtures	*4 – 10 years*
Office equipment	*4 - 10 years*

3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the consolidated statement of profit or loss as incurred.

Amortisation is calculated on a straight line basis over the estimated useful lives of the assets which is given below.

Category of intangible assets	***Useful lives***
Licenses	*Term of the license or 8 years whichever is lower*
Software	*8 years*

3.7 Leases

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

Group as a lessee

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

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Leases (continued)

i) Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 'Impairment of non-financial assets'.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. 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

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.8 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.

3.9 Financial instruments

i) Financial assets

Initial recognition and measurement
Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

i) Financial assets (continued)

Initial recognition and measurement **(continued)**
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

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

Initial recognition and measurement
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:
a) Financial assets at amortised cost
b) Financial assets at fair value through OCI (FVOCI)
c) Financial assets at fair value through profit or loss (FVTPL)

a) Financial assets at amortised cost (debt instruments)

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

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

b) Financial assets at fair value through OCI

Debt instruments
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Equity instruments
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Business model assessment
The Group makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost
After initial recognition, financial liabilities, other than at fair value through profit or loss are measured at amortised cost using the EIR method. Gains and losses as a result of unwinding of profit cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

iii) Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

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

iv) Offsetting of financial instruments

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

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and other short-term highly liquid deposits / investments with original maturities of three month or less, if any, which are available to the Group without any restrictions. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances.

3.11 Inventories

Inventories represent spare parts and other supplies. 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.

3.12 Impairment of financial and non-financial assets

Financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of financial and non-financial assets (continued)

Non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When 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. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.13 Provisions

Provisions are recognized when the Company 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 Company may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive 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.

3.14 Contingent assets and liabilities

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable. An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Company.

3.15 Employees' end-of-service benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits
The Group's obligation under employee end of service benefit in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia, is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Employees' end-of-service benefits (continued)

Post-employment benefits(continued)
Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Company recognizes the following changes in the defined benefit obligation in the profit or loss:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

3.16 Zakat and Value Added Tax (VAT)

Zakat
The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiary is charged to the consolidated statement of profit or loss.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Zakat and Value Added Tax (VAT) (continued)

Deferred income tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax
The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value added tax (VAT)
Expenses and assets are recognised 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.

3.17 Expenses

Direct cost
Direct cost represents all expenses directly attributable or incidental to the core operating activities of the Group including but not limited to: depreciation of property, plant and equipment, amortization of intangibles, directly attributable employee related costs etc.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses. These also include allocations of certain general overheads.

General and administrative expenses
These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to direct cost or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administration expenses, where required, is made on a consistent basis.

3.18 Segment reporting

An operating segment is a component:

a) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
b) the results of its operations are continuously analysed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and
c) for which financial information is discretely available.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Segment reporting (continued)

Segment results that are reported to the chief operating decision makers and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.19 Government grants and assistance

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income over the period of repayment of grant.

Where the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to the statement of profit or loss over the expected pattern of consumption of the benefit which is the tenure of the loan. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate or interest free, the effect of this favorable interest is regarded as government grant.

4 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 consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group will assess the impact of the amendments will have on current practice and whether existing loan agreements may require renegotiation.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. These amendments are not applicable to the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have an impact on the consolidated financial statements of the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have an impact on the consolidated financial statements of the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. These amendments are not applicable to the Group.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have an impact on the consolidated financial statements of the Group.

IAS 41 Agriculture – Taxation in fair value measurements
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

This standard is not applicable to the Group.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

5.1 Estimates and assumptions

The preparation of the Company's 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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

5.1 Estimates and assumptions (continued)

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

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

Satisfaction of performance obligations
The Company 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 Company is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Company 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 Company 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.

Estimating variable consideration for rejections
The Group estimates variable considerations to be included in the transaction price for the services provided.

The Group determines the expected rejections against the services provided to customers based on the historical rate of rejections by those customers. The latest percentages of rejections are applied to determine the expected value of the variable consideration. Any significant changes as compared to historical rejection pattern will impact the expected rejection percentages estimated by the Group.

The Group updates its assessment of expected rejection rates as and when the rejection rates are received and agreed, and the provision for rejection is adjusted accordingly. Estimates of rejections are sensitive to changes in circumstances and the Group's past experience regarding rejections and estimated rejections recorded may not be representative of the rejections in the future.

Allowance for expected credit losses
For trade 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 Company 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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

***5.1 Estimates and assumptions* (continued)**

Impairment of non-financial assets

During the year, management assessed the carrying amount of the subsidiary for impairment assessment. Impairment exists when the carrying value of an asset or cash generating unit 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 of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the future forecasted amounts, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is 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.

The pre-tax discount rate applied to cash flow projections is 11.0% and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate that is the same as the long-term average growth rate for the healthcare industry. Based on the assessment, management concluded that no impairment is required.

Useful lives of property and equipment

The useful life of each of the Company'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.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cashflows 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.

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the globe including Saudi Arabia. During the year ended 31 December 2021, the Saudi Arabian government rightly took many initiatives to contain the spread of virus, which included restrictions on travel, gathering of people and enactment of curfew timings. This resulted in many non-essential businesses to curtail or suspend activities until further notice. Considering these factors, the Group's management carried out an impact assessment on the overall Group's operations and business aspects and concluded that, as at the issuance date of these financial statements, the Group did not have significant impact on its operations and businesses due to COVID-19 pandemic and no significant changes are required to the judgements, assumptions and key estimates.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impact of COVID-19 (continued)

The operational and financial impacts of the COVID-19 pandemic to date, if any, have been reflected in these consolidated financial statements. The strong financial position, including access to funds, nature of activities coupled with the actions taken by the Group to date and the continued activity at the terminal ensures that the Group has the capacity to continue through the challenges caused by impacts of the COVID-19 pandemic. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

6. SEGMENT INFORMATION

The Company's operations principally consist of one main operating segment, which is hospital services. Accordingly, presenting different segmental information is not considered necessary. Furthermore, the Company's operations are conducted in the Kingdom of Saudi Arabia.

***Operating segments*:**

As the operations of the Group are conducted in the Kingdom of Saudi Arabia, accordingly, for management purposes, the Group is organized into business units based on its products and services and has mainly three reportable segments. Information regarding the Group's reportable segments is presented below:

	31 December 2021				
	In patient services SR	**Outpatient services SR**	**Pharmacy sales SR**	**Others SR**	**Total SR**
Revenue	**1,098,304,743**	**491,235,877**	**265,423,792**	**17,656,378**	**1,872,620,790**
Cost of revenue	**(713,510,824)**	**(330,374,291)**	**(215,259,947)**	**(5,295,605)**	**(1,264,440,667)**
Gross profit	**384,793,919**	**160,861,586**	**50,163,845**	**12,360,773**	**608,180,123**
Operating expenses					**(553,935,419)**
Operating profit					**54,244,704**
Other income					**11,972,897**
Finance charges					**(46,985,115)**
Zakat					**(7,500,000)**
Net profit					**11,732,486**

The Group operates healthcare services through hospitals. It is not practical to allocate assets to of the Group to reported segments.

6. SEGMENT INFORMATION (continued)

***Operating segments*: (continued)**

	31 December 2020 (Restated – note 35)				
	In patient services SR	Outpatient services SR	Pharmacy sales SR	Others SR	Total SR
Revenue	1,063,677,689	390,877,666	283,963,945	12,065,303	1,750,584,603
Cost of revenue	(693,829,951)	(259,890,528)	(217,730,795)	(759,184)	(1,172,210,458)
Gross profit	369,847,738	130,987,138	66,233,150	11,306,119	578,374,145
Operating expenses					(470,963,341)
Operating profit					107,410,804
Other income					7,477,578
Finance charges					(34,203,315)
Zakat					(5,500,000)
Net profit					75,185,067

7. PROPERTY AND EQUIPMENT

	Land SR	Buildings SR	Medical equipment SR	Motor vehicles SR	Furniture and equipment SR	Non-consumable items SR	Capital work in progress SR	Total SR
Cost:								
At 1 January 2020	**183,944,120**	**1,060,476,092**	**749,242,180**	**12,319,434**	**227,405,213**	**2,717,952**	**741,338,333**	**2,977,443,324**
Additions	-	3,599,200	41,280,804	941,806	17,354,075	959,628	228,938,148	293,073,661
Disposals	-	(3,536,678)	(48,123,269)	(592,340)	(7,772,152)	(535,626)	(54,483)	(60,614,548)
Transfers	-	154,121,416	91,535,609	-	146,704,024	4,513,214	(396,874,263)	-
Transfers to intangibles	-	-	-	-	-	-	(1,816,740)	(1,816,740)
At 31 December 2020	**183,944,120**	**1,214,660,030**	**833,935,324**	**12,668,900**	**383,691,160**	**7,655,168**	**571,530,995**	**3,208,085,697**
At 1 January 2021	**183,944,120**	**1,214,660,030**	**833,935,324**	**12,668,900**	**383,691,160**	**7,655,168**	**571,530,995**	**3,208,085,697**
Additions	-	5,476,540	50,605,849	520,000	12,310,716	663,375	346,984,556	416,561,036
Disposals	-	(4,000)	(31,011,537)	(445,151)	(10,837,785)	(820,857)	-	(43,119,330)
Transfers	-	19,049,395	846,178	-	3,723,817	-	(23,619,390)	-
Transfers to intangibles	-	-	-	-	-	-	(885,519)	(885,519)
At 31 December 2021	**183,944,120**	**1,239,181,965**	**854,375,814**	**12,743,749**	**388,887,908**	**7,497,686**	**894,010,642**	**3,580,641,884**

7. PROPERTY AND EQUIPMENT (continued)

	Land SR	Buildings SR	Medical equipment SR	Motor vehicles SR	Furniture and equipment SR	Non-consumable items SR	Capital work in progress SR	Total SR
Accumulated depreciation:								
At 1 January 2020	-	430,896,202	485,920,032	7,485,393	141,869,592	1,905,287	-	1,068,076,506
Charge during the year	-	32,439,996	57,822,916	843,046	25,345,764	4,554,346	-	121,006,068
Related to disposals	-	(74,033)	(47,251,591)	(551,362)	(6,241,084)	(517,229)	-	(54,635,299)
At 31 December 2020	-	**463,262,165**	**496,491,357**	**7,777,077**	**160,974,272**	**5,942,404**	-	**1,134,447,275**
At 1 January 2021	-	**463,262,165**	**496,491,357**	**7,777,077**	**160,974,272**	**5,942,404**	-	**1,134,447,275**
Charge during the year	-	35,981,834	61,298,453	866,345	30,847,736	1,912,160	-	130,906,528
Related to disposals	-	(126)	(30,330,711)	(445,147)	(9,663,435)	(810,113)	-	(41,249,532)
At 31 December 2021	-	**499,243,873**	**527,459,099**	**8,198,275**	**182,158,573**	**7,044,451**	-	**1,224,104,271**
Net carrying value at 31 December 2021	**183,944,120**	**739,938,092**	**326,916,715**	**4,545,474**	**206,729,335**	**453,235**	**894,010,642**	**2,356,537,613**
Net Carrying Value at 31 December 2020	183,944,120	751,397,865	337,443,967	4,891,823	222,716,888	1,712,764	571,530,995	2,073,638,422

7. PROPERTY AND EQUIPMENT (continued)

7.1 Capital work in progress (CWIP) mainly contains the progress payments for construction of a new hospital in Makkah, expansion of hospital in Riyadh, staff accommodation in Dammam, and renovations of several hospitals' buildings at different locations. These projects are expected to be completed financial year 2022. The amount of borrowing costs capitalised during the year ended 31 December 2021 was SR 9.4 million (2020: SR 17.5 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.90% to 3.50%, which is the effective profit rate of the specific borrowing.

7.2 The land and buildings with a net book value of SR 368.7 million (2020: SR 381.73 million) are mortgaged to secure loan from Ministry of Finance (note 22).

7.3 Depreciation charge for the year has been allocated as follows:

	2021	*2020*
	SR	*SR*
Cost of revenue	**100,257,502**	97,341,932
General and administrative expense	**30,649,026**	23,664,136
	130,906,528	121,006,068

8. INTANGIBLE ASSETS

The Group's intangibles comprise of software. the movement of intangible assets are as follows:

	2021	*2020*
	SR	*SR*
Cost		
At 1 January	**18,468,217**	15,130,134
Additions during the year	**953,254**	1,521,343
Transfers from CWIP (note 7)	**885,519**	1,816,740
Written off during the year	**(22,279)**	-
At 31 December	**20,284,711**	18,468,217
Amortization		
At the beginning of the year	**11,544,940**	10,236,601
Charge for the year (note 27)	**1,381,528**	1,333,874
Written off during the year	**(19,197)**	(25,535)
At the end of the year	**12,907,271**	11,544,940
Net book value	**7,377,440**	6,923,277

9. TRADE RECEIVABLES

	2021	*2020*
	SR	*SR*
		(Restated- note 35)
Third party customers	**1,329,492,240**	1,331,469,057
Related parties (note 24)	**17,705,619**	24,934,283
	1,347,197,859	1,356,403,340
Less: expected credit losses	**(64,890,065)**	(120,726,363)
	1,282,307,794	1,235,676,977

Trade receivables are non-interest bearing and are generally on terms of 90 days. It is not the practice of the Group to obtain collateral over receivables and the vast majority of these are, therefore, unsecured.

9. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	At 31 December 2021					
	Current SR	***<90 days SR***	***90–180 days SR***	***181–365 days SR***	***>1 year SR***	***Total SR***
Total exposure at default	**403,938,199**	**373,428,364**	**278,928,840**	**269,120,743**	**4,076,094**	**1,329,492,240**
Expected loss rate	**3.0%**	**3.4%**	**3.3%**	**11.0%**	**25.2%**	**4.9%**
Expected credit loss	**(12,304,743)**	**(12,538,125)**	**(9,313,508)**	**(29,707,022)**	**(1,026,667)**	**(64,890,065)**
	391,633,456	**360,890,239**	**269,615,332**	**239,413,721**	**3,049,427**	**1,264,602,175**

	At 31 December 2020 (restated-note 35)					
	Current SR	*<90 days SR*	*90–180 days SR*	*181–365 days SR*	*>1 year SR*	*Total SR*
Total exposure at default	404,538,811	373,893,614	379,343,579	167,042,878	6,650,175	1,331,469,057
Expected loss rate	5.2%	6.5%	13.1%	15.1%	11.1%	9.1%
Expected credit loss	(20,998,913)	(24,184,533)	(49,533,819)	(25,268,805)	(740,293)	(120,726,363)
	383,539,898	349,709,081	329,809,760	141,774,073	5,909,7082	1,210,742,694

The movement in expected credit losses for the year is given below:

	2021 SR	*2020 SR (Restated- note35)*
At 1 January	**120,726,363**	118,103,831
Charge during the year	**3,312,773**	7,336,164
Reversal during the year	**(17,053,809)**	-
Written off during the year	**(42,095,262)**	(4,713,632)
At 31 December	**64,890,065**	120,726,363

10 INVENTORIES

	2021	*2020*
	SR	*SR*
Pharmacy items	**60,162,684**	96,237,994
Kitchen items	**840,027**	1,372,515
Spare parts and consumables	**112,359,225**	74,610,988
	173,361,936	172,221,497
Less: provision for slow moving and obsolete inventories	**(17,734,908)**	(16,378,305)
Total inventories at the lower of cost and net realisable value	**155,627,028**	155,843,192

The movement in provision for slow moving and obsolete inventories for the year is given below:

	2021	*2020*
	SR	*SR*
At 1 January	**16,378,305**	14,077,627
Charge during the year	**1,356,603**	2,410,904
Written off during the year	**-**	(110,226)
At 31 December	**17,734,908**	16,378,305

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	2021	*2020*
	SR	*SR*
Advances to suppliers	**25,163,008**	31,415,237
Prepayments	**42,569,884**	23,554,789
Advances to staff	**1,043,894**	2,580,956
Deposits (refer to note (a) below)	**1,336,218**	1,336,218
Others (refer to note (b) below)	**39,570,174**	25,953,656
	109,683,178	84,840,856

a) Deposits mainly consists of security deposit paid to a vendor for janitorial services as per the terms of the agreement with the counter party and are renewed every year.

b) The carrying amount included VAT. During the year, ZATCA issued preliminary VAT assessment and penalties of SAR 41.09 million and SAR 57.12 million, for the years 2018 and 2019, respectively. The Group objected against the said assessment with ZATCA. ZATCA issued their revised decision in January 2021 and the total amount was reduced to SAR 52.56 million. Out of total amount, the Group paid SR 18.98 million to avail the amnesty scheme and waiver of penalties amounting to SR 33.57 million. The Group had a hearing session with Tax Violations and Disputes Resolution Committees (TVDRC) and the Company lost the case with the TVDRC. The Group has proceeded with the appeal with the Tax Violations and Dispute Resolution (ACTVDR). The management believes that the Company has adequate basis to contest and the outcome would be in favour of the Company.

12 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for certain buildings used for the purpose of staff accommodation and operating clinics. The movement in right-of-use assets and lease liability for the year is as follows:

	2021	*2020*
	SR	*SR*
Right of use assets		
Cost:		
At 1 January	**35,096,652**	35,096,652
Addition during the year	**16,965,129**	-
Lease contract terminated during the year	**(1,098,242)**	-
	50,963,539	35,096,652
Depreciation:		
Accumulated depreciation	**9,519,680**	4,642,409
Depreciation for the year	**9,121,488**	4,877,271
Relating to terminated contract	**(274,560)**	
Accumulated depreciation	**18,366,608**	9,519,680
Net value as at 31 December	**32,596,931**	25,576,972

	2021	*2020*
	SR	*SR*
Lease liabilities		
At the beginning of the year	**27,132,548**	31,313,426
Interest expense for the year	**2,043,928**	1,722,241
Addition for the year	**16,965,127**	-
Related to terminated contract	**(1,098,242)**	-
Payments made during the year	**(10,236,451)**	(5,903,119)
At the end of the year	**34,806,910**	27,132,548

Depreciation charged on right of use assets have been allocated as follows:

	2021	*2020*
	SR	*SR*
Cost of revenue	**893,129**	893,125
General and administrative expense	**8,228,359**	3,984,146
	9,121,488	4,877,271

The following are the amounts recognised in the statement of profit or loss:

	2021	*2020*
	SR	*SR*
Depreciation on right of use assets	**9,121,488**	4,877,271
Interest expense on lease liabilities	**2,043,928**	1,722,241
Expense relating to short term leases (included in cost of revenue)	**8,313,576**	9,115,276
Expense relating to lease of low value assets (included in cost of revenue)	**168,485**	168,485
	19,647,477	15,883,273

13 CASH AND CASH EQUIVALENTS

	2021	*2020*
	SR	*SR*
Cash in hand	**1,505,013**	1,446,137
Cash at bank – current accounts	**26,624,394**	15,463,809
	28,129,407	16,909,946

14 SHARE CAPITAL

As at the statement of financial position date, the Parent Company's authorized, issued and fully paid share capital is SR 920.4 million (2020: SR 920.4 million) which is divided into 92.04 million (2021: 92.04 million) shares of SR 10 par value each (2020: SR 10 par value each).

15 STATUTORY RESERVE

In accordance with Saudi Regulations for Companies and the Company'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.

16 NON-CONTROLLING INTEREST

The following table summarises the information relating to the Group's subsidiary that has material non-controlling interests (NCI), before any intra group eliminations:

	2021	*2020*
	SR	*SR*
Non-current assets	**145,991,892**	153,933,136
Current assets	**49,292,101**	64,889,554
Non-current liabilities	**(61,123,979)**	(63,591,986)
Current liabilities	**(36,913,635)**	(73,978,905)
Net assets	**97,246,379**	81,251,799
Revenue	**119,610,482**	101,074,760
Loss for the year	**(10,317,974)**	(12,844,349)
Other comprehensive income	**312,554**	(1,402,757)
Total comprehensive income	**(10,005,420)**	(14,247,106)

During year 2020, the Parent Company increased its percentage holding from 32.3% to 47%, resulting in increase its share of losses by SR 11.5 million recorded in equity. The carrying amount of the net assets of the subsidiary includes advance paid by the Parent Company amounting to SR 26 million towards increasing the share capital of the subsidiary.

17 LOANS AND BORROWINGS

The Group's loans and borrowings comprise of the following:

	2021 ***SR***	*2020* *SR*
Loan from Ministry of Finance	**183,283,563**	158,589,873
Less: Unamortised portion of transaction cost (note 18)	**(13,602,238)**	(15,247,580)
Loan from Ministry of Finance, net (note a)	**169,681,325**	143,342,293
Long term loans (note b)	**1,039,999,055**	816,101,271
Short term loans (note c)	**722,324,720**	563,218,626
	1,932,005,100	1,522,662,190

	2021 ***SR***	*2020* *SR*
Current portion:		
Long term loans	**174,475,468**	107,142,856
Short-term borrowings	**722,324,720**	563,218,626
Loan from Ministry of Finance	**7,008,378**	4,900,343
	903,808,566	675,261,825
Non-current portion:		
Long term loans	**865,523,588**	708,958,415
Loan from Ministry of Finance	**162,672,946**	138,441,950
	1,028,196,534	847,400,365
	1,932,005,100	1,522,662,190

a) The loans from the Ministry of Finance (MOF) is secured by the mortgage of certain lands and buildings (note 7) of the Group. The outstanding balance comprise of:

- Interest free loan for Madinah Hospital The loan was fully repaid during the year 2021 (2020: SR 3.06 million).
- Interest free loan to support construction of a hospital by the Subsidiary. The loan is to be repaid in 20 equal annual instalments started from year 2018. The net amount payable is SR 55.73 million (2020: SR 59.20 million).
- The Group obtained a Murabaha facility from Ministry of Finance for the construction of Dammam Hospital. The loan has been received partially in December 2020. The loan carries mark-up at the rate 2.5% on outstanding balance. The loan is repayable in 16 semi-annual instalments starting from February 2022. The net amount payable is SR 127.57 million (2020: SR 98.02 million).

b) The long-term loans were obtained from local commercial banks and the outstanding balance comprise of:

- The Group has secured a Murabaha term facility from a commercial bank for part funding the construction of hospital project at Dammam and Makkah, amounting to SR 500 million. The loan was available for draw down over a period of three years started from December 2017. The first repayment was due in June 2020 and the last will be in December 2026. This loan is secured by promissory note from the Company. As at 31 December, the net amount payable is SR 399.33 million (2020: SR 359.09 million).

17 LOANS AND BORROWINGS (continued)

- A long-term loan amounting to SR 185 million was approved during the year ended 31 December 2020. The net amount as on 31 December 2021 is SR 110.7 million (2020: SR 8.7 million). This loan is secured by promissory note from the Company.

- In July 2018, the Company secured a Murabaha facility from a commercial bank amounting to SR 500 million for part funding the construction of hospital project at Makkah, expansion project and medical tower project at SGH Riyadh. The loan was to draw down over a period of three years started from July 2018. The first repayment was in September 2021 and last payment in March 2028. This loan is secured by promissory note from the Company. The net amount payable is SR 480.7 million (2020: SR 290.2 million).

- A long term loan amounting to SR 100 million was approved during the year ended 31 December 2019 by a commercial bank. The net amount payable as on 31 December 2021 is SR 49.3 million (2020: SR 22.3 million).

c) The followings are the details of short term loans obtained from various banks. These loans are secured by promissory notes from the Company:

- The Group obtained a short-term loan amounting to SR 120 million in December 2020 for the working capital management. The net amount as on 31 December 2021 is SR 118.6 million (2020: SR 89.5 million).

- In December 2018, the Group signed an amendment to Islamic financing agreement with a commercial bank for increasing its revolving working capital facility from SR 35 million to SR 150 million. The net amount payable as on 31 December 2021 is SR 149.7 million (2020: SR 135.7 million).

- A loan facility amounting to SR 250 million received in October 2018 from a commercial bank. The net amount as on 31 December 2021 is SR 172.0 million (2020: SR 138.8 million).

- A short-term loan amounting to SR 100 million was approved during the year ended 31 December 2020 from a commercial bank for working capital. The net amount as on 31 December 2021 is SR 66.7 million (2020: SR 36.52 million).

- In March 2017, the Group secured revolving Tayseer facility from a commercial bank for an amount of SR 100 million. This loan was fully repaid during the year 2021 (2020: SR 30.08 million).

- A loan amount of SR 150 million was approved during the year ended 31 December 2019 from a commercial bank. The net amount payable as on 31 December 2021 is SR 137.0 million (2020: SR 149.5 million).

- A loan amount of SR 150 million was approved during the year ended 31 December 2019 from a commercial bank. The net amount as on 31 December 2021 is SR 78.4 million (2020: SR 118.8 million).

d) Loans from commercial banks are borrowed at SIBOR plus agreed mark ups.

e) These loan agreements with the banks contain covenants, which, among other things, require the Group to maintain a minimum current, gearing band debt service coverage ratio.

18 DEFERRED INCOME

As stated in note 17, the Group obtained interest free loan from Ministry of Finance. The amount is recognised in income using effective interest rate method. The movement in deferred income in lieu of government grants, is as follows

	2021 ***SR***	*2020* *SR*
Balance at the beginning of the year	**15,144,276**	16,751,933
Transferred to statement of profit or loss (note 29)	**(1,542,038)**	(1,607,657)
	13,602,238	15,144,276
Current portion	**(1,474,121)**	(1,542,038)
Non current portion	**12,128,117**	13,602,238

19 EMPLOYEE TERMINAL BENEFITS

The Company and its subsidiary operate an approved unfunded employees' end of service benefits scheme / plan for its permanent employees as required by the applicable local laws. The movement in defined benefits for the year ended is as follows:

	2021 ***SR***	*2020* *SR*
Balance at the beginning of the year	**235,391,073**	212,632,946
Included in statement of profit or loss		
Current service cost	**35,585,549**	31,437,992
Interest cost (included in employee cost)	**7,864,359**	5,986,120
	43,449,908	37,424,112
Included in statement of other comprehensive income		
Re-measurement (gain) / losses on defined benefit obligation	**(8,781,929)**	23,152,754
Benefits paid	**(39,450,156)**	(37,818,739)
Balance at the end of the year	**230,608,896**	235,391,073

Actuarial assumptions

The defined benefit plan is exposed to various actuarial risks, the most significant of which are final salary risk, discount / interest rate fluctuation risk, longevity risk and inflation risk. The following were the principal actuarial assumptions at the reporting date:

	2021	*2020*
Discount rate	**2.90%**	2.49%
Future salary growth / expected rate of salary increases	**3.00%**	3.00%
Employee turnover / withdrawal rates	**10%**	10%
Retirement age	**60**	60
Average duration of defined benefit obligation	**12.7 years**	12.8 years

19 EMPLOYEE TERMINAL BENEFITS (continued)

Sensitivity analysis

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

The quantitative sensitivity analysis for principal assumptions is as follows:

		Impact on EOSB Increase / (decrease)	
	Change in assumption by	***Increase by SR***	***Decrease by SR***
31 December 2021			
Discount rate	**1%**	**(27,159,905)**	**30,621,676**
Future salary growth / expected rate of salary increases	**1%**	**41,198,688**	**(33,907,037)**
31 December 2020			
Discount rate	**1%**	(26,718,444)	30,139,473
Future salary growth / expected rate of salary increases	**1%**	40,127,703	(33,009,556)

The following are the expected payments or contributions to the employees in future years:

	2021 SR	*2020 SR*
Within the next 12 months (next annual reporting period)	**23,152,749**	21,684,241
Between 2 and 5 years	**78,754,918**	78,768,171
Beyond 5 years	**146,527,281**	133,548,582

20 TRADE PAYABLES

	2021 SR	*2020 SR*
Third party suppliers	**166,980,068**	205,843,629
Due to related parties (note 24)	**132,055,200**	153,120,511
	299,035,268	358,964,140

Trade payables are non-interest bearing and are normally settled on 90-days term.

21 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2021 SR	*2020 SR*
Accrued expenses	**94,750,612**	105,265,379
Value added tax (VAT) payable	**479,193**	6,975,115
Other liabilities	**44,372,254**	22,375,422
	139,602,059	134,615,916

22 ZAKAT PAYABLE

The Company and its subsidiary files the zakat returns on an individual basis. The movements in accrued Zakat for the Group for the years are as follows:

	2021	*2020*
	SR	*SR*
At 1 January	**6,309,663**	4,648,077
Provision made during the year	**7,500,000**	5,500,000
Payments made during the year	**(3,573,237)**	(3,838,414)
At 31 December	**10,236,426**	6,309,663

Zakat assessments status
The Group's status of the assessments is as follows:

The Parent Company:
The Company finalized its Zakat status up to the year 2008.

The Company filed the Zakat/tax returns for the years ended 31 December 2009 to 2013. General Authority of Zakat, Tax and Customs Authority ("ZATCA") did not issue the final Zakat/tax assessments for the said years till to date. The status of the Company for the said years is considered finalized. In addition to that, the Company has the balance of SR 11,739,543 with the ZATCA on its Zakat account to be used to settle Zakat differences based on Zakat assessments. The management believes that it has a strong chance to win the case regarding certain items in the said objection.

ZATCA issued the preliminary assessment for the year 2014, showing Zakat differences of SR 4.62 million due from the Company. The said differences resulted from rejecting the application of Fatwa No. 23408 by the ZATCA. The said Fatwa stated that Zakat is to be calculated on the Zakat base even if it is less than the net result of the year. The Company submitted a bank guarantee against the said Zakat differences and objected against such treatment. The ZATCA refused the Company's objection for the year 2014. The Company transferred the objection to the Committee for Resolution of Tax Violations and Disputes (CRTVD), which is still under study by the CRTVD to date. The management believes that it has a strong chance to win the case regarding certain items in the said objection.

The Company filed its Zakat/ tax returns for the years ended 31 December 2015 to 2018. The ZATCA issued the Zakat and withholding tax (WHT) assessment for the said years. The Company objected against the said assessment, which is still under review by the ZATCA till to date. The Company filed the Zakat/tax return for the year ended 31 December 2019 and 31 December 2020 and obtained the Zakat/tax certificate for the said year. The GAZT did not issue the Zakat/tax assessment for the said years till date.

The Subsidiary
The subsidiary has finalized its Zakat assessment up to the year ended 31 December 2012.The subsidiary filed the Zakat return for the year ended 31 December 2013 and obtained the unrestricted Zakat and tax certificate for the said year. The ZATCA issued the Zakat assessment for the said year, which showed Zakat differences of SR 0.059 million due from the subsidiary. The subsidiary filed an objection against the said assessment, which is still under review by ZATCA. The Subsidiary filed the Zakat/tax returns for the years ended 31 December 2014 to 2020, and obtained the Zakat/tax certificate for the said years.

23 OTHER FINANCIAL LIABILITIES

It represents financial liabilities which are payable on account of procuring medical equipment on instalments within one year or more. The breakup of current portion and non-current portion is as follows:

	2021	*2020*
	SR	*SR*
Current portion	**7,178,313**	8,150,065
Non current portion	**11,350,561**	17,788,483
	18,528,874	25,938,548

24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group:

	Nature of transactions	*Transactions for the year*		*Balance as 31 December*	
		2021	*2020*	***2021***	*2020*
Related parties due to shareholders / Board members		***SR***	*SR*	***SR***	*SR*
a) *Amounts due from related parties*					
Bait Al Batterjee Company for Education & Training	Staff training	**-**	241,993	**-**	7,164,940
Emirates Healthcare Development Company	Management fee	**8,778,641**	8,675,187	**10,702,133**	10,557,883
Egypt Healthcare Company	Management fee	**4,114,720**	1,048,699	**787,004**	985,645
Bait Al Batterjee Medical College	Training fee	**542,278**	1,069,883	**4,349,873**	5,095,235
Al Bait International Company	Medical services	**-**	-	**-**	3,203,073
Saudi German Hospital Sana'a	Medical services	**-**	-	**895,675**	895,675
Saudi German Hospital Ajman	Medical services	**-**	-	**857,979**	3,298,326
Bait Al Batterjee Fitness Company	Medical services	**-**	33,586	**112,955**	133,506
		-	-		
		-	-	**17,705,619**	24,934,283
		-	-		

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	Nature of transactions	*Transactions for the year*		*Balance at 31 December*	
		2021	*2020*	***2021***	*2020*
Related party, due to shareholder / Board member		***SR***	*SR*	***SR***	*SR*
c) *Amounts due to related parties*					
Bait Al Batterjee Pharmaceutical Company	Supplies of certain pharmaceutical	**14,416,747**	16,124,727	**2,528,390**	3,057,528
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Repair of medical instruments	**1,292,106**	3,682,944	**475,573**	*997,902*
International Hospital Construction Company	Construction and renovation	**244,979,177**	85,746,243	**128,436,823**	*149,575,235*
Bait Al Batterjee Medical Company	Advisory fee	**6,300,895**	6,300,895	**3,199,452**	*2,534,871*
Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)	Janitorial services	**19,789,628**	11,769,744	**-**	-
Megamind IT Solution Company	Advance against outsourced IT services	**9,292,272**	-	**(2,585,038)**	*12,503*
				132,055,200	*153,120,511*

Terms and conditions of transactions with related parties
Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2021 and 2020, the amounts owed by related parties are not impaired.

The management estimated that related party balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for balances due from related parties.

Amount due from / to related parties are shown in notes 9 and 20, respectively.

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Compensation of key management personnel of the Group:

Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The compensation to key management is shown below:

	2021 SR	*2020 SR*
Short-term employee benefits	**9,293,670**	6,657,633
Employees' defined benefit liabilities	**526,800**	183,254
	9,820,470	6,840,887

The amounts disclosed in the table are the amounts recognised as an expense during the year related to key management personnel amd.

25 COST OF REVENUES

	2021 SR	*2020 SR*
Staff salaries and benefits	**678,941,295**	600,969,916
Medicines and disposal supplies	**392,585,087**	390,009,379
Depreciation on property and equipment (note 7)	**100,257,502**	97,341,932
Janitorial expenses	**31,198,235**	25,549,084
Utilities	**20,809,191**	22,360,495
Maintenance	**15,137,988**	11,151,333
Stationary	**4,801,036**	4,705,240
Depreciation on right of use assets (note 12)	**893,129**	893,125
Travelling expense	**81,916**	364,219
Other expenses	**19,735,288**	18,865,735
	1,264,440,667	1,172,210,458

26 SELLING AND MARKETING EXPENSES

	2021 SR	*2020 SR*
Advertisement and marketing	**38,834,838**	27,365,095
Sales promotion expenses	**7,130,272**	3,778,162
	45,965,110	31,143,257

27 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 SR	*2020 SR*
Staff salaries and benefits	**355,641,727**	314,534,216
Professional services	**41,548,263**	23,358,294
Depreciation (note 7)	**30,649,026**	23,664,136
Repair and maintenance	**13,035,638**	16,596,989
(Reversal) / allowance for expected credit losses	**(13,741,036)**	7,336,164
Security	**9,782,037**	10,137,434
Depreciation on right of use assets (note 12)	**8,228,359**	3,984,146
Bank charges	**6,813,698**	3,329,357
Postage, telephone and internet	**6,433,165**	5,134,943
Director's remuneration	**3,549,363**	2,057,661
Travelling expenses	**1,632,174**	2,017,800
Amortization of intangible assets (note 8)	**1,381,528**	1,333,874
Insurance	**1,042,465**	916,855
Other expenses	**41,973,902**	25,418,215
	507,970,309	439,820,084

28 OTHER INCOME, NET

	2021 SR	2020 SR
Rental income	**3,032,408**	3,118,636
Loss on sale of property and equipment	**(1,675,514)**	(1,667,013)
Training and symposium	**5,849,040**	4,283,880
Others	**4,766,963**	1,742,075
	11,972,897	7,477,578

29 FINANCE COST, NET

	2021 SR	*2020 SR*
Finance cost on borrowings	**41,522,134**	31,114,390
Finance income from government grants (note 18)	**(1,542,038)**	(1,607,657)
Others	**7,005,019**	4,696,582
	46,985,115	34,203,315

30 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 basic earnings per share as the Company does not have any convertible securities or diluted instruments to exercise.

The following table reflects the income for the year attributable to ordinary equity holders and weighted average number of ordinary share outstanding during the year used in the basic and diluted EPS computations:

30 EARNINGS PER SHARE (continued)

Basic and diluted earnings per share from total income.

	2021 SR	*2020 SR (Restated)*
Total income for the year	**17,201,012**	81,992,572
Weighted average number of ordinary shares	**92,040,000**	92,040,000
Basic and diluted earnings per share	**0.19**	0.89

31 COMMITMENTS AND CONTINGENCIES

a) Various employees have filed cases against the Group for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to SR 6.1 million (31 December 2020: SR 5.5 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard. In addition, potential Zakat and VAT exposure is disclosed in note 11 and 22, respectively.

b) The Company and its Subsidiary is also contesting various cases on account of alleged non-compliance of regulations. The total amount under consideration is SR 1.6 million (31 December 2020: SR 1.7 million). Most of the cases are under hearing. The management is confident that the outcome will be in favour of the Group and no provision is required in this regard.

c) At 31 December 2021, the Group had commitments of SR 304.1 million (31 December 2020: SR 297.9 million) relating to capital expenditures.

d) At 31 December 2021 the Group's bankers have issued letters of guarantees amounting to SR 2.42 million (31 December 2020: Nil).

32 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, 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.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

32 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred. During the year ended 31 December 2021, there were no movements between the levels.

As at 31 December 2021 and 31 December 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values except for interest free loans.

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance. The Group's principal financial assets include trade and other receivables, due form related parties and cash and bank balances. The Group's principal financial liabilities comprise term loans, trade and other payables, lease liabilities and due to related parties. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

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. 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 a financial instrument will fluctuate because of changes in market commission rates. The Group's exposure to the risk of changes in market commission rates may relate primarily to The Group's bank borrowings with floating commission rates. The Group's manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments.

As at the reporting date, the Group does not have any Murabaha term deposits with banks at floating commission rates. Accordingly, only bank borrowings are exposed to floating commission rates.

Increase / decrease in variable rate by 1% with all other variables held constant, the impact on the equity and profit before zakat and income tax for the year would have been SR 19.32 million (2020: SR 15.23 million).

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 Company's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Company does not have significant exposure to currency risk.

Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored The Company is exposed to credit risk from its operating activities (primarily trade receivables including related parties' balances and other current financial assets) and from its financing activities, including balances with banks.

Trade receivables

Credit risk is managed subject to the Company's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Company comprise primarily of Government and its related ministries, insurance companies and others. The Company 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 Company's standard payment terms and conditions are offered. The credit terms are extended to customers where the Company does not expect any inability to pay.

33 FINANCIAL INSTRUMENTS 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 reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	2021	*2020*
	SR	*SR*
Financial assets		
Trade accounts receivable	**1,264,602,175**	1,210,760,563
Amount due from related parties	**17,705,619**	24,916,414
Deposits	**1,336,218**	1,336,218
Bank and cash balances	**28,019,749**	16,909,946
	1,311,663,761	1,253,923,141

Short-term deposits with banks and cash at banks

Credit risk from balances with banks and financial institution is managed by the Company's treasury department in accordance with the Company's policy. The Company 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 Company 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 Company maintains sufficient liquidity. Senior management continuously reviews information on the Company's liquidity developments.

The Company 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 time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations. The Company's terms of services require amounts to be paid within 90 days of the date of submitting the invoice. Trade payables are normally settled within 90 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:

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

As at 31 December 2021	*Up to 12 months SR*	*One to five years SR*	*More than five years SR*	*Total SR*
Loans and borrowings	848,752,543	1,396,790,371	185,864,882	**2,431,407,796**
Trade payables	299,035,268	-	-	**299,035,268**
Lease liabilities	9,084,880	19,110,332	20,891,960	**49,087,172**
Other financial liabilities	7,317,861	12,208,910	-	**19,526,771**
Accruals and other liabilities	139,122,866	-	-	**139,122,866**
	1,303,313,418	**1,428,109,613**	**206,756,842**	**2,938,179,873**

As at 31 December 2020	*Up to 12 months SR*	*One to five years SR*	*More than five years SR*	*Total SR*
Loans and borrowings	695,716,884	867,785,723	825,733,076	2,389,235,683
Trade payables	358,964,140	-	-	358,964,140
Lease liabilities	5,903,120	6,006,680	22,418,880	34,328,680
Other financial liabilities	11,816,977	16,017,840	-	27,834,817
Accruals and other liabilities	127,640,801	-	-	127,640,801
	1,200,041,922	889,810,243	848,151,956	2,938,004,121

Changes in liabilities arising from financing activities are as follows:

	1 January 2021 SR	Cash flows SR	*New lease SR*	*Others SR*	***31 December 2021 SR***
Loans and borrowings	1,522,662,189	409,342,911	-	-	**1,932,005,100**
Lease liabilities	27,132,548	(9,677,943)	16,965,127	387,178	**34,806,910**
Total liabilities from financing activities	**1,549,794,737**	**399,664,968**	**16,965,127**	**387,178**	**1,966,812,010**

	1 January 2020 SR	Cash flows SR	New lease SR	*Others SR*	*31 December 2020 SR*
Loans and borrowings	1,000,158,340	522,503,854		-	1,522,662,189
Lease liabilities	31,313,428	(5,903,119)	-	1,722,239	27,132,548
Total liabilities from financing activities	1,031,471,768	516,600,735	-	1,722,239	1,549,794,742

34 CAPITAL MANAGEMENT

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

The Company 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 2021 and 31 December 2020.For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Company informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, term loan, , trade and other payables, less cash and bank balances.

	2021 SR	2020 SR
Loans and borrowings	**1,932,005,100**	1,522,662,190
Lease liabilities	**34,806,910**	27,132,548
Other financial liabilities	**18,528,874**	25,938,548
Trade and other payables	**438,637,327**	493,580,058
Less: Cash and cash equivalents	**(28,129,407)**	(16,909,946)
	2,395,848,804	2,052,403,398
Equity	**1,295,307,741**	1,274,793,325
Capital and net debt	**3,691,156,545**	3,327,196,723
Gearing ratio	**65%**	62%

35 RESTATEMENT OF PRIOR PERIODS

As stated in note 1, the Group provides medical and related services in accordance with contractual terms with customers and patients, through its branches and a subsidiary. During 2021, management of the Group conducted a detailed review of certain long outstanding receivables and discovered that certain invoices raised in prior years until 31 December 2020 were either not in accordance with the contractual terms and conditions or not preapproved prior to invoicing and were, consequentially, rejected by the customers. These errors were primarily due to weaknesses in applicable internal controls. To avoid the recurrence of these errors in the current year and future periods, the management has addressed these weaknesses in the current year and will continue to improve the control environment.

Accordingly, the management assessed that revenues from rejected and erroneous invoices and related receivables until 31 December 2020 were erroneously recorded and have been corrected by restating each of the affected consolidated financial statement line items for the prior periods, as follows:

	31 December 2020 SR (previously reported)	Impact of restatement SR	31 December 2020 SR (Restated)
Impact on statement of profit or loss			
Revenue	1,772,209,616	(21,625,013)	1,750,584,603
Allowance for expected credit losses	9,970,468	(2,634,304)	7,336,164
Net profit for the year	100,983,281	(18,990,709)	81,992,572
Earnings per share	1.10	(0.21)	0.89

35 RESTATEMENT OF PRIOR YEAR ERRORS (continued)

	31 December 2020 SR (previously stated)	*Impact of Restatement SR*	*31 December 2020 SR (Restated)*
Impact on statement of financial position			
Accounts receivable, gross	1,739,179,442	(407,710,385)	1,331,469,057
Allowance for expected credit losses	(170,392,610)	49,666,247	(120,726,363)
Accounts receivable, net	1,568,786,832	(358,044,138)	1,210,742,694
Retained earnings	477,466,298	(358,044,138)	119,422,160

	1 January 2020 SR (previously stated)	*Impact of Restatement SR*	*1 January 2020 SR (Restated)*
Impact on statement of financial position			
Accounts receivable, gross	1,255,829,839	(386,085,371)	869,744,468
Allowance for expected credit losses	(165,135,773)	47,031,942	(118,103,831)
Accounts receivable, net	1,090,694,066	(339,053,429)	751,640,637
Retained earnings	76,955,437	(17,961,658)	81,452,933

The change did not have an impact on OCI for the period or the Group's operating, investing and financing cash flows.

36 SUBSEQUENT EVENTS

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2021 that would have a material impact on the financial position or financial performance of the Group.

37 COMPARATIVE INFORMATION

Certain prior year amounts have been reclassified to conform to the current year presentation. However, there was no material impact of such reclassifications on the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group.

38 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the Board of Directors on 30 March 2022 corresponding to 26 Shaban 1443).