SPECIALIZED MEDICAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2022

SPECIALIZED MEDICAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT OF SPECIALIZED MEDICAL COMPANY

To the shareholders of
Specialized Medical Company
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Special Purpose Consolidated Financial Statements

Opinion
We have audited the special purpose consolidated financial statements of **Specialized Medical Company** (the "Company") **and its subsidiary (**the "Group"), which comprise the special purpose consolidated statement of financial position as at December 31, 2022, and the special purpose consolidated statement of profit or loss and other comprehensive income, special purpose consolidated statement of changes in equity and special purpose consolidated statement of cash flows for the year then ended, and notes to the special purpose consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting policies described in notes 2 and 3 to the special purpose consolidated financial statements.

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

Emphasis of Matter – Basis of Accounting and Restriction on Use
We draw attention to notes 2 and 3 of the special purpose consolidated financial statements, which describes the basis of accounting. The special purpose consolidated financial statements are prepared solely for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority in the Kingdom of Saudi Arabia. As a result, the special purpose consolidated financial statements may not be suitable for another use. Our report is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with the accounting policies described in notes 2 and 3 to the special purpose consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT OF SPECIALIZED MEDICAL COMPANY (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Special Purpose Consolidated Financial Statements (continued)

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

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

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

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose 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 special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT OF SPECIALIZED MEDICAL COMPANY (CONTINUED)

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

We communicate with those charged with governance i.e. Board of Directors 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.

Deloitte and Touche & Co.
Chartered Accountants

Mazen A. Al Omari
License No. 480
Jumada Al Akhira 21, 1446 H
December 22, 2024

SPECIALIZED MEDICAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Notes	December 31, 2022 SR	December 31, 2021 SR
Assets			
Current assets			
Cash and cash equivalents	5	**21,783,087**	12,816,106
Trade and other receivables	6	**425,611,639**	340,637,480
Due from related parties	21	**1,440,489**	2,361,914
Inventories	7	**20,055,572**	19,261,251
Prepayments and other assets	8	**26,439,368**	230,006,423
Total current assets		**495,330,155**	605,083,174
Non-current assets			
Property and equipment	9	**1,213,086,128**	1,021,529,684
Right-of-use assets	12	**178,426,061**	209,805,589
Total non-current assets		**1,391,512,189**	1,231,335,273
Total assets		**1,886,842,344**	1,836,418,447
Liabilities and Shareholders' Equity			
Current liabilities			
Trade payables		**109,695,464**	90,409,288
Due to related parties	21	**925,274**	450,250
Short-term loans	10	**395,000,000**	335,000,000
Long-term loans	11	**36,296,296**	20,000,000
Lease liabilities	12	**24,634,353**	21,558,370
Government loan	13	**2,565,278**	2,478,532
Deferred government grant	13	**278,892**	365,640
Accrued expenses and other credit balances	14	**76,372,529**	67,987,515
Zakat Payable	15	**3,957,230**	3,321,202
Total current liabilities		**649,725,316**	541,570,797
Non-current liabilities			
Long-term loans	11	**198,703,704**	282,750,000
Government loan	13	**5,403,057**	7,968,338
Lease liabilities	12	**152,416,192**	179,510,598
Deferred government grant	13	**285,284**	564,176
Long term trade payables		**1,106,909**	5,524,097
Employees defined benefits liabilities	16	**147,367,360**	134,284,749
Total non-current liabilities		**505,282,506**	610,601,958
Total liabilities		**1,155,007,822**	1,152,172,755
Shareholders' equity			
Share capital	17	**85,000,000**	85,000,000
Statutory reserve	18	**49,653,238**	49,653,238
Retained earnings		**597,181,284**	549,592,454
Total Shareholders' equity		**731,834,522**	684,245,692
Total Liabilities & Shareholders' equity		**1,886,842,344**	1,836,418,447

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

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

	Notes	2022 SR	2021 SR
Revenue		**1,208,651,638**	1,053,123,670
Cost of revenue		**(922,979,371)**	(815,695,113)
Gross profit		**285,672,267**	237,428,557
General and administrative expenses	19	**(149,479,670)**	(162,362,733)
Selling and marketing expenses		**(8,447,259)**	(5,867,518)
Operating profit		**127,745,338**	69,198,306
Finance costs		**(29,820,994)**	(18,885,684)
Other revenue		**9,191,168**	8,975,599
Profit for the year before zakat		**107,115,512**	59,288,221
Zakat	15	**(4,154,844)**	(3,321,202)
Profit for the year		**102,960,668**	55,967,019
Other comprehensive income:			
Items which will not be reclassified subsequently to profit or loss:			
Re - measurement of employees defined benefits liabilities	16	**(5,371,838)**	(2,146,746)
Total other comprehensive loss for the year		**(5,371,838)**	(2,146,746)
Total comprehensive income for the year		**97,588,830**	53,820,273
Earnings per share (EPS)			
Basic and diluted EPS	23	**12.11**	6.58

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

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

	Notes	Share capital SR	Statutory reserves SR	Retained earnings SR	Total SR
Balance as of January 1, 2021		85,000,000	49,653,238	530,772,181	665,425,419
Profit for the year		-	-	55,967,019	55,967,019
Total other comprehensive loss		-	-	(2,146,746)	(2,146,746)
Total comprehensive income for the year		-	-	53,820,273	53,820,273
Dividends	20	-	-	(35,000,000)	(35,000,000)
Balance as of December 31, 2021		85,000,000	49,653,238	549,592,454	684,245,692
Profit for the year		-	-	**102,960,668**	**102,960,668**
Total other comprehensive loss		-	-	**(5,371,838)**	**(5,371,838)**
Total comprehensive income for the year		-	-	**97,588,830**	**97,588,830**
Dividends	20	-	-	**(50,000,000)**	**(50,000,000)**
Balance as of December 31, 2022		**85,000,000**	**49,653,238**	**597,181,284**	**731,834,522**

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

SPECIALIZED MEDICAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

Cash flows from operating activities	**Notes**	**2022 SR**	2021 SR
Profit before zakat		**107,115,512**	59,288,221
Adjustments for:			
Depreciation of property and equipment	9	**74,845,085**	72,349,977
Depreciation of right of use asset	12	**29,093,080**	30,586,381
Expected credit loss charged for the year	6	**36,125,726**	51,319,972
Amortization of deferred income - government grant	13	**(365,640)**	(513,207)
Employees defined benefits liabilities	16	**15,928,476**	14,899,405
Finance costs		**29,820,994**	18,885,684
Gains from disposal of property and equipment		**(64,272)**	(53,063)
		292,498,961	246,763,370
Working capital changes:			
Trade receivable		**(121,099,885)**	(111,957,959)
Due from related parties		**921,425**	(243,080)
Inventories		**(794,321)**	4,559,890
Prepayments and other balances		**(1,948,989)**	(196,225,042)
Trade payables		**14,868,988**	(32,126,302)
Due to related parties		**475,024**	(650,035)
Accrued expenses and other credit balances		**7,405,576**	18,950,493
Cash generated from / (used in) operating activities		**192,326,779**	(70,928,665)
Zakat paid	15	**(3,518,816)**	(1,767,838)
Employees defined benefits liabilities paid	16	**(11,326,050)**	(11,548,776)
Net cash generated from / (used in) operating activities		**177,481,913**	(84,245,279)
Cash flows from investing activities			
Purchase of property and equipment	9	**(40,606,291)**	(56,630,057)
Proceeds from disposal of property and equipment		**64,695**	195,703
Additions on projects under progress	9	**(20,279,617)**	(18,508,032)
Net cash used in investing activities		**(60,821,213)**	(74,942,386)
Cash flows from financing activities			
Dividends paid		**(50,000,000)**	(35,000,000)
Proceeds from short term loan – net	10	**15,000,000**	170,000,000
Repayment of long term loan / Proceeds from long term loan - net	11	**(22,750,000)**	47,714,264
Repayment of long-term government loan	13	**(2,478,535)**	(4,216,165)
Lease liabilities paid	12	**(21,731,975)**	(21,619,675)
Finance cost paid		**(25,733,209)**	(16,342,289)
Net cash (used in) / generated from financing activities		**(107,693,719)**	140,536,135
Net increase / (decrease) in cash and cash equivalents during the year		**8,966,981**	(18,651,530)
Cash and cash equivalents as of the beginning of the year		**12,816,106**	31,467,636
Cash and cash equivalents as of the end of the year		**21,783,087**	12,816,106
Non-cash items			
Transfer of the advance paid to purchase Land		**205,516,044**	-
Transfer from long term loan to short term loan	10 & 11	**45,000,000**	-
Re-measurement of employees defined benefits liabilities	16	**(5,371,838)**	(2,146,746)
Transfer of projects under progress to property and equipment	9	**131,950**	73,039
Additions of right of use assets	12	**-**	10,884,988

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

1. CORPORATE INFORMATION AND ACTIVITIES

Specialized Medical Company is a Saudi Closed Joint Stock Company operating in the Kingdom of Saudi Arabia under Commercial Registration No. 1010123832 dated 13/11/1414H (corresponding to April 24, 1994).

The principal activities of the Company are the management and operation of hospitals, clinics, medical centers and healthy food services, as well as hospital and medical facilities maintenance and non-medical operations. Additional activities include the production of cooked and non-cooked food and the management and operations of restaurants and food related services.

The address of the Company's registered office is as follows:
Building 6678 King Fahad Road, Alulaya district, unit No. 1, Riyadh 12311 -4405

The company has the following wholly owned subsidiary (2021: 100%);

Names	Country of Incorporation	Activities
International Specialized Food Company	Saudi Arabia	Food and catering services

These special purpose consolidated financial statements include the financial information of the Company, its subsidiary and the following branches, which operate under separate commercial registrations:

Branch Name	Commercial Registration No.	Branch Activities	Addresses	Commercial Registration Date
Specialized Medical Center – SMC – King Fahad Road	1010150227	Hospitals	Riyadh	23/06/1998
Diet World – SMC	1010156585	Nutrition Centers	Riyadh	12/03/1999
Diet World – SMC	2051030207	Nutrition Centers	Khobar	11/01/2004
Diet World – SMC	4030169166	Activities of caters who provide food services and nutrition centers	Jeddah	05/05/2007
Specialized Medical Center – SMC – King Abdullah Road	1010413585	Hospitals	Riyadh	05/07/2014
Specialized Medical Company	1010431691	Management and maintenance of hospitals, dispensaries, health facilities and non-medical operations	Riyadh	22/03/2015
Specialized Medical Company – SMC	1010851377	Public hospitals	Riyadh	22/12/2022

2. BASIS OF PREPARATION

2.1 *Statement of compliance*

These special purpose consolidated financial statements have been prepared on going concern basis, for internal management purposes in accordance with the accounting policies listed below for solely for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority in the Kingdom of Saudi Arabia. These special purpose consolidated financial statements are prepared for use and information of the management only and accordingly should not be used for any other purposes.

A separate set of statutory financial statements for the year ended December 31, 2022 were prepared by management and audited by another auditor whose report dated May 28, 2023 expressed an unmodified opinion on the financial statements. The audited statutory financial statements were submitted to The Ministry of Commerce and Industry.

The current year figures and comparative figures in these special purpose consolidated financial statements are different in classifications to the statutory financial statements of the Company for the year ended December 31, 2022 and 2021.

2.2 *Basis of Consolidation*

The special purpose consolidated financial statements have been prepared on the historical cost basis unless otherwise stated in the accounting policies below.

These special purpose consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiary (the "Group") listed in note (1) above. The Company and its subsidiary are collectively referred to as the "Group". Subsidiary is the entity controlled by the Company.

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is consolidated from the date on which control commences until the date on which control ceases.

The Company accounts for the business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill in special purpose consolidated statement of financial position. Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated. Accounting policies of subsidiary is aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiary have the same reporting periods.

2.3 *Functional and presentation currency*

The special purpose consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Cash and cash equivalents*

Cash and cash equivalents in the special purpose consolidated statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less.

3.2 *Inventories*

Inventories are stated at lower of cost or estimated net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any cost to complete the selling process. Cost is determined using weighted average method. Appropriate provision is made for slow moving inventories, if any.

Cost includes the expenditure incurred in acquiring the inventories and costs incurred in bringing the inventories to their existing location and conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 *Property and equipment*

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, (if any) except for assets under construction and lands which are stated at cost and are not depreciated. Assets under construction represent all costs relating directly to the projects in progress and are capitalized as property and equipment when the project is completed.

Costs includes all expenditures directly attributable to the construction or purchase of the item of property and equipment. Such costs include the cost of replacing parts of the property and equipment and borrowing costs for' long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful life and depreciates them accordingly. All repair' and maintenance costs are recognised in the special purpose consolidated statement of profit or loss and Comprehensive Income as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, lease hold improvements are depreciated at the lower of its useful life or' lease term. The annual depreciation rates used are as follows:

Description	Depreciation Percentage
Building & Renovation	1.75% - 6.67%
Medical equipment	10% - 25%
Furniture & fixtures	10% - 20%
Computer & Software	14% - 25%
General Equipment	10% - 25%
Motor vehicles	25%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Special purpose consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful life and methods of depreciation of property and equipment are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

3.4 *Right-of-Use Assets and Lease Liabilities*

The group has recognised new assets and liabilities for its finance leases of various types of contracts including buildings, lands, warehouse and depot facilities, accommodation/office rental premises, medical equipment's etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the special purpose consolidated Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

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

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 *Right-of-Use Assets and Lease Liabilities (continued)*

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

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

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the special purpose consolidated statement of profit or loss, short-term leases are leases with a lease term or 12 months or less. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

3.5 *Financial Instruments*

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Group requires all financial assets to be classified and subsequently' measured at either amortised cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under accounting policies:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to Comprehensive Income on derecognition:
- Equity instruments at FVOCI, with no recycling of gains or losses to Comprehensive Income on derecognition; and financial assets at fair value through profit and loss (FVPL).

Financial assets classified as amortised cost
Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through Comprehensive Income on initial recognition):

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

If a financial asset does not meet both of these conditions, it is measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 *Financial Instruments* *(continued)*

Financial assets designated as FVOCI

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

Investment in equity instruments designated as FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

As of reporting date, the Group do not possess any equity instruments designated as at FVOCI.

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Group designates an investment that is not held for trading as at FVOCI on initial recognition.

As of reporting date, the Group does not possess any financial assets classified as at FVPL

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortised cost such as trade receivables and other financial assets.

No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on trade receivables and this always recognises lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognised when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognised the credit risk on the financial instrument which has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of' default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default for financial assets, this is represented by the assets’ gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 *Financial Instruments* *(continued)*

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are companied on the following basis:

Measurement and recognition of expected credit losses

- Nature of financial instruments (i.e., the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Group recognises an impairment gain or loss in the special purpose consolidated Statement of Comprehensive Income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCl, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the Financial asset in the Special Purpose Consolidated Statement of Financial Position.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Group neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and associated liability for' amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Financial liabilities
Financial liabilities carried at amortised cost have been classified and measured at amortised cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other- comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other- comprehensive income would create or enlarge an accounting mismatch in special purpose consolidated statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to special purpose consolidated statement of comprehensive income. The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through Comprehensive Income that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in special purpose consolidated statement of profit or loss. Amount presented in liability credit reserve are not subsequently transferred to special purpose consolidated statement of profit or' loss. When such investments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 *Statutory reserve*

As required by Saudi Arabian Regulations for Companies, 10% of the Company's net income for the year is to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 30% of the share capital. The reserve is not available for distribution.

3.7 *Zakat provision*

The Company and its subsidiary are subject to zakat according to the regulations of the General Authority of Zakat and Income. Zakat is calculated according to the Zakat rule on the basis of the special purpose consolidated financial statements of the Company and its subsidiary. The calculated Zakat provision is distributed between the Company and its subsidiary. Any difference between the provisions and the final assessment is recorded in the year in which the final assessment occurs.

3.8 *Employees benefits*

Short term obligations
Liabilities for wages and salaries and any other short term benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees, under the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the special purpose consolidated statement of financial position.

Post-employment liabilities

Defined contribution plans

Retirement benefit in the Form of General Organization of Social Insurance (GOSl) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSl. The Group recognises contribution payable to the GOSl as an expense, when an employee renders the related service.

Defined benefits plans
The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised 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 Comprehensive Income in subsequent periods.

The discount rate for discounting the estimated future cash outflows is required to be based on the yield on corporate bonds of duration and currency consistent with the liabilities. Where there is no deep market in corporate bonds in the currency under consideration, the yields on government bonds are used. In the absence of deep bond market in KSA, the discount rate used is based on US Corporate Bond Rates.

Past service costs are recognised in the special purpose consolidated statement of Comprehensive Income on the earlier of the date of the plan amendment or curtailment and the date on which the Group recognises related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the changes in the net defined benefit obligation under 'cost of revenue, 'general and administrative expenses' and 'selling and distribution expenses' in the special purpose consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 *Government grants*

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

The Group has received interest free loans from Ministry of finance with a condition to use the proceeds only for the purpose of the purchase of medical equipment and furniture. The difference between the initial carrying value of the loan (its fair value) and the proceeds received is treated as a government grant. The grant income is deferred and subsequently released in the special purpose consolidated statement of Comprehensive Income for the same period as the depreciation of the relevant asset.

3.10 *Impairment of Non-Financial Assets*

For all tangible and intangible assets, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, 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 assets or cash generating unit’s (“CGU”) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate' that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

3.11 *Revenue*

The Group recognises revenue from customers based on following five steps:

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met:

Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer:

Step 3: Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 *Revenue (continued)*

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

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

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

Medical services
Revenue from medical services primarily comprises fees charged for inpatient and outpatient hospitals services. Services include charges for accommodation, medical professional services, medical supplies and medication, equipment, radiology and laboratory. These services are sold either separately or bundled together with the sale of pharmaceutical products to a customer.

The Group assessed that there is only one performance obligation in a contract for bundled medical services, because the transferred services are not capable of being distinct.

The Group concluded that revenue from bundled services will be recognised over time, using the output method to measure progress towards complete satisfaction of the service similar to the previous accounting policy.

Medical claims objections
The objections of medical claims are estimated from customers based on the Group's past experience and are recognised against revenue earned during the year. These estimates are subsequently adjusted to the actual settlement with the customers.

3.12 *Cost of Revenue*

Cost of Revenue represents expenses directly related to the generation of revenue, including but not limited to salaries and benefits, materials and supplies, depreciation and other direct costs.

3.13 *General and Administrative Expenses*

General and administrative expenses include direct and indirect costs that do not specifically form part of the medical cost. Allocations between general, administrative, and medical cost, when required, are made on a consistent basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 *Foreign Currencies*

Transactions in foreign currencies are initially recorded by the Group at functional currency spot rate at the date the transaction qualifies for recognition.
Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the financial statements date. All differences are recognised in the special purpose consolidated statement of profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3.15 *Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised 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.

3.16 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is 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-tax 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 recognised as a finance cost.

3.17 *Contingent Liabilities*

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

4. SIGNIFICANT JUDGEMENTS ASSUMPTION AND ESTIMATES

In preparing these special purpose consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are behaved to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

Judgments
In the process of applying the Group’s accounting policies, management has made judgements, which have the effect on the amounts recognised in the special purpose consolidated financial statements.

4. SIGNIFICANT JUDGEMENTS ASSUMPTION AND ESTIMATES (continued)

Assumptions and estimates

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 judgement:

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

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

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

Allowance for expected credit losses

When measuring expected credit losses the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Useful lives of property and equipment

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

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

4. SIGNIFICANT JUDGEMENTS ASSUMPTION AND ESTIMATES (continued)

Measurement of employees' defined benefits liabilities
The Group net obligation in respect of defined benefit schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods: that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation is determined based on actuarial valuation at the statement of special purpose consolidated financial position date by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are determined by reference to US bond yields, (as the Saudi Riyal is pegged to the US dollar), adjusted for an additional risk premium reflecting the possibility of the linkage being broken.

5. CASH AND CASH EQUIVALENTS

	December 31, 2022 SR	December 31, 2021 SR
Cash at banks	**21,263,773**	12,342,062
Cash on hand	**519,314**	474,044
	21,783,087	12,816,106

6. TRADE AND OTHER RECEIVABLES

	December 31, 2022 SR	December 31, 2021 SR
Total trade and other receivables	**510,502,268**	391,957,452
Less: Provision of expected credit losses (6.1)	**(84,890,629)**	(51,319,972)
	425,611,639	340,637,480

6.1 Movements in the provision of expected credit losses

	December 31, 2022 SR	December 31, 2021 SR
Balance as of January 01	**51,319,972**	4,560,617
Charged during the year	**36,125,726**	51,319,972
Write off during the year	**(2,555,069)**	(4,560,617)
Balance as of December 31	**84,890,629**	51,319,972

7. INVENTORIES

	December 31, 2022 SR	December 31, 2021 SR
Medical and operating room supplies	**15,816,195**	15,198,717
Other inventories	**4,239,377**	4,062,534
	20,055,572	19,261,251

8. PREPAYMETS AND OTHER ASSETS

	December 31, 2022 SR	December 31, 2021 SR
Iqama fees	**11,137,398**	8,934,590
Advance payments *	**6,352,610**	212,245,170
Employee receivables	**2,671,708**	1,973,338
Prepaid expenses	**2,442,805**	1,989,551
Advances to suppliers - other purposes	**1,776,131**	1,467,932
Others	**2,058,716**	3,395,842
	26,439,368	230,006,423

* Advance payments as of December 31, 2021 include SR 205,516,044 which represents advance paid for purchase of Land in order to build new branch, the title deed was transferred under the Company's name during the year 2022, accordingly this balance was transferred to land under property and equipment in 2022.

9. PROPERTY AND EQUIPMENT

	Land**	Building and renovation**	Medical equipment	Furniture and fixtures	Computer and software	General equipment	Motor vehicles	Projects under progress *	Total
Cost:									
Balance as of January 1, 2021	121,034,345	680,206,915	351,054,420	90,477,913	78,826,853	37,731,663	7,455,894	33,253,538	1,400,041,541
Additions	-	8,013,187	29,926,530	12,233,356	2,252,504	3,832,480	372,000	18,508,032	75,138,089
Transfer	-	73,039	-	-	-	-	-	(73,039)	-
Disposals	-	(14,200)	(536,000)	-	-	(546,640)	(140,850)	-	(1,237,690)
Balance as of December 31, 2021	121,034,345	688,278,941	380,444,950	102,711,269	81,079,357	41,017,503	7,687,044	51,688,531	1,473,941,940
Additions	**205,516,044**	**1,677,929**	**23,144,511**	**6,893,155**	**3,668,150**	**5,119,046**	**103,500**	**20,279,617**	**266,401,952**
Transfer	-	-	-	**131,950**	-	-	-	**(131,950)**	-
Disposals	-	-	-	**(1,580)**	**(639,755)**	**(165,610)**	-	-	**(806,945)**
Balance as of December 31, 2022	**326,550,389**	**689,956,870**	**403,589,461**	**109,734,794**	**84,107,752**	**45,970,939**	**7,790,544**	**71,836,198**	**1,739,536,947**
Accumulated depreciation:									
Balance as of January 1, 2021	-	77,058,546	176,730,473	46,869,297	54,505,419	19,696,282	6,297,312	-	381,157,329
Charge for the year	-	15,892,976	36,897,032	7,170,655	8,569,969	3,328,913	490,432	-	72,349,977
Disposals	-	(1,218)	(536,000)	-	-	(416,982)	(140,850)	-	(1,095,050)
Balance as of December 31, 2021	-	92,950,304	213,091,505	54,039,952	63,075,388	22,608,213	6,646,894	-	452,412,256
Charge for the year	-	**16,346,007**	**38,553,727**	**7,852,967**	**8,294,602**	**3,380,546**	**417,236**	-	**74,845,085**
Disposals	-	-	-	**(1,580)**	**(639,332)**	**(165,610)**	-	-	**(806,522)**
Balance as of December 31, 2022	-	**109,296,311**	**251,645,232**	**61,891,339**	**70,730,658**	**25,823,149**	**7,064,130**	-	**526,450,819**
Net book value:									
December 31, 2022	**326,550,389**	**580,660,559**	**151,944,229**	**47,843,455**	**13,377,094**	**20,147,790**	**726,414**	**71,836,198**	**1,213,086,128**
December 31, 2021	121,034,345	595,328,637	167,353,445	48,671,317	18,003,969	18,409,290	1,040,150	51,688,531	1,021,529,684

* Capital work-in-progress represents cost incurred to date on different hospital projects of Group.

**Land and Building and Renovation include land and building of SR 60,983,414 are mortgaged against the loan from ministry of finance (Note 13).

9. PROPERTY AND EQUIPMENT (continued)

Movement of projects under progress is summarized as following:

	2022 SR	2021 SR
Balance as of January 01	**51,688,531**	33,253,538
Additions during the year	**20,279,617**	18,508,032
Transfers during the year	**(131,950)**	(73,039)
Balance as of December 31	**71,836,198**	51,688,531

Projects under progress

The construction contracts of the Ishbilia Kitchen and Ishbilia Nurses Housing projects are signed with Abdulrahman Saad Al-Rashid & Sons Co., a major shareholder in the group (Note 21).

10. SHORT-TERM LOANS

The Group obtained bank facilities from commercial banks with a rate of one month SIBOR + agreed rates to finance working capital, with corporate and personal guarantees from the shareholders, the value of the withdrawal until December 31, 2022: SR 395,000,000 (December 31, 2021: SR 335,000,000).

11. LONG-TERM LOANS

	December 31, 2022 SR	December 31, 2021 SR
Balance as of January 01	**302,750,000**	255,035,736
Additions during the year	**-**	280,000,000
Reclassification to short term loan	**(45,000,000)**	-
Paid during the year	**(22,750,000)**	(232,285,736)
Balance as of December 31	**235,000,000**	302,750,000
Current portion of long-term loans	**36,296,296**	20,000,000
Non-current portion of long-term loans	**198,703,704**	282,750,000
	235,000,000	302,750,000

The Group utilized bank facilities from commercial banks with a rate of one month SIBOR + agreed rates to finance the working capital with the corporate and personal guarantee of shareholders. Part of this loan utilized for the purchase of land in order to build a new hospital (SMC 3), the value of the withdrawal until December 31, 2022: SR 235,000,000 (December 31, 2021: SR 302,750,000).

12. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right-Of-Use Assets

	December 31, 2022 SR	December 31, 2021 SR
Cost		
Balance as of January 01	**320,484,111**	311,520,980
Additions during the year	**-**	10,884,988
Disposals during the year	**(5,460,990)**	(1,921,857)
Balance as of December 31	**315,023,121**	320,484,111
Accumulated depreciation		
Balance as of January 01,	**110,678,522**	82,013,998
Charge for the year	**29,093,080**	30,586,381
Disposals during the year	**(3,174,542)**	(1,921,857)
Balance as of December 31	**136,597,060**	110,678,522
Net book value		
As of December 31,	**178,426,061**	209,805,589

Lease liabilities

	2022 SR	2021 SR
Balance as of January 01	**201,068,968**	211,803,655
Additions during the year	**-**	10,884,988
Finance cost during the year	**5,518,506**	6,060,401
Disposal during the year	**(2,286,448)**	-
Payments during the year	**(27,250,481)**	(27,680,076)
Balance as of December 31	**177,050,545**	201,068,968

Lease liabilities as of the year-end are as follows:

	December 31, 2022 SR	December 31, 2021 SR
Current portion of lease liabilities	**24,634,353**	21,558,370
Non-current portion of lease liabilities	**152,416,192**	179,510,598
Balance as of December 31	**177,050,545**	201,068,968

12. RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)

	December 31, 2022 SR	December 31, 2021 SR
Future minimum lease liabilities	**201,104,430**	239,650,735
Less: un-amortised finance costs	**(24,053,885)**	(38,581,767)
Present value of minimum lease liabilities	**177,050,545**	201,068,968
Less: current portion of lease liabilities	**(24,634,353)**	(21,558,370)
Non – current portion of lease liabilities	**152,416,192**	179,510,598

13. LONG TERM GOVERNMENT LOAN

	December 31, 2022 SR	December 31, 2021 SR
Balance as of January 01	**10,446,870**	14,663,035
Paid during the year	**(2,478,535)**	(4,216,165)
Balance as of December 31	**7,968,335**	10,446,870
Current portion of long-term government loan	**2,565,278**	2,478,532
Non-current portion of long-term government loan	**5,403,057**	7,968,338
Balance as of December 31	**7,968,335**	10,446,870

The group obtained government interest-free loan to finance the purchase of medical equipment and furniture. These are secured against the mortgage of the land and the building (Note 9).

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

	2022 SR	2021 SR
Balance as of January 01	**929,816**	1,443,023
Amortization during the year	**(365,640)**	(513,207)
Balance as of December 31	**564,176**	929,816

	December 31, 2022 SR	December 31, 2021 SR
Current portion of deferred income government grant	**278,892**	365,640
Non-current portion of deferred income government grant	**285,284**	564,176
	564,176	929,816

The grant represents the difference between the fair value and carrying value of the interest free loans obtained from Ministry of Finance to fund the purchase of medical equipment and furniture.

14. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	December 31, 2022 SR	December 31, 2021 SR
Employees' salaries and benefits	**41,508,574**	41,872,621
Advance from customers	**9,617,834**	7,272,769
Value added tax	**9,454,405**	8,369,895
Unearned other revenue	**2,334,559**	1,907,537
GOSI payable	**2,092,973**	1,581,620
Others payable balances	**11,364,184**	6,983,073
	76,372,529	67,987,515

15. ZAKAT PAYABLE

The principal elements of the zakat base are as follows:

	December 31, 2022 SR	December 31, 2021 SR
Non-current assets	**1,391,512,189**	1,231,335,273
Non-current liabilities	**505,282,506**	610,601,958
Opening shareholders' equity	**684,245,692**	665,425,419
Profit before zakat	**107,115,512**	59,288,221
Dividends	**50,000,000**	35,000,000

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in Zakat provision for the years ended December 31, is as follows:

	2022 SR	2021 SR
Balance as of January 01	**3,321,202**	1,767,838
Charge for the current year	**4,154,844**	3,321,202
Paid during the year	**(3,518,816)**	(1,767,838)
Balance as of December 31	**3,957,230**	3,321,202

Status of assessments:

Zakat declarations were submitted to the Zakat, Tax and Customs Authority (ZATCA) for all years up to December 31, 2023, the Group obtained the final assessment up to the year ended 2018, and it is still, awaiting the final assessments for the years from 2019 up to 2023 from ZATCA.

16. EMPLOYEES DEFINED BENEFITS LIABILITIES

The Group provides end of service benefits to its employees. The entitlement is based upon the employees' final salary and length of service, provided that a minimum period of service is completed. The entitlement is calculated according to the Saudi Arabian Labor Law and is payable upon resignation or termination of the employee.

The expense recognised in the Special purpose consolidated statement of profit or loss and other comprehensive income is as follows:

	2022	2021
	SR	SR
Current service cost	**15,928,476**	14,899,405
Interest cost	**3,108,347**	3,174,957
	19,036,823	18,074,362

The movement of present value of total employee benefits liability recognised in the special purpose consolidated statement of financial position is as follows:

	2022	2021
	SR	SR
Balance as of January 01	**134,284,749**	125,612,417
Current service cost	**15,928,476**	14,899,405
Interest cost	**3,108,347**	3,174,957
Benefits paid	**(11,326,050)**	(11,548,776)
Remeasurement	**5,371,838**	2,146,746
Balance as of December 31	**147,367,360**	134,284,749

Actuarial assumptions

The main financial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows:

	2022	2021
Discount rate	**4.50%**	2.50%
Future salary growth/expected rate of salary increase	**4.50%**	2.50%
Withdrawal rate	**14%**	15%

16. EMPLOYEES DEFINED BENEFITS LIABILITIES (continued)

The sensitivity of employee benefits obligation to changes in the weighted principal assumptions is as follows:

	December 31, 2022		
	Impact on employee benefits liability Increase/(decrease) in actual figures		
	Change in assumption by	**Increase in assumption by**	**Decrease in assumption by**
Discount rate	**1%**	**137,213,580**	**148,554,855**
Future salary growth/expected rate of salary increase	**1%**	**148,584,816**	**137,087,288**

	December 31, 2021		
	Impact on employee benefits liability Increase/(decrease) in actual figures		
	Change in assumption by	Increase in assumption by	Decrease in assumption by
Discount rate	1%	124,142,944	136,239,869
Future salary growth/expected rate of salary increase	1%	136,175,204	124,089,182

17. SHARE CAPITAL

Capital consists of 8,500,000 shares of SR 10 each fully paid and held as of December 31, 2022 and 2021 as follows:

Name	Nationality	Number of shares	%	Amount
Abdulrahman Saad Al-Rashid & Sons Co.	**Saudi**	**3,433,500**	**40.39 %**	**34,335,000**
Abdullah Saad Al-Rashid & Sons, Co.	**Saudi**	**1,754,481**	**20.64 %**	**17,544,810**
Al Thomad Trading & Contracting Co.	**Saudi**	**1,716,750**	**20.20 %**	**17,167,500**
Rashid Al-Rashid & Sons Co.	**Saudi**	**1,106,769**	**13.02 %**	**11,067,690**
Dr. Khaled Al Sebaiay	**Saudi**	**325,000**	**3.83 %**	**3,250,000**
Dr. Mohammad Saleh Al	**Saudi**	**163,500**	**1.92 %**	**1,635,000**
		8,500,000	**100%**	**85,000,000**

18. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company has set aside 10% of its yearly net income until it has built a reserve equal to 30% of the share capital. The reserve is not available for dividend distribution.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 **SR**	2021 SR
Employees' salaries & benefits	**78,946,922**	77,097,705
Expected credit losses	**36,125,726**	51,319,972
Depreciation	**12,822,370**	13,316,975
Repair and maintenance	**7,015,847**	9,190,792
Subscription	**2,078,307**	2,563,156
Rents	**2,033,845**	1,789,581
Others	**10,456,653**	7,084,552
	149,479,670	162,362,733

20. DIVIDEND DISTRIBUTION

The board of directors in its meeting held on February 09, 2022 approved annual dividend amounting to SR 50 million for the year ended December 31, 2021 (SR 35 million for the year ended December 31, 2020)

21. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the shareholders, affiliated companies, directors, and relatives thereof. The terms and conditions of such transactions are approved by the management:

Name of Related Party	Relationship
Saudi Bunyan Company	Common Directorship
Snow Bright Laundry Company	Common Directorship
Mr. Sulaiman Abdulrahman Al-Rashid	Chairman of Board of Directors
Al-Thomad Travel and Tourism Company	Shareholder
Rashid Saad Al Rashid & Sons Company	Shareholder
Abdullah Saad Al Rashid & Sons Company	Shareholder
Dr. Mohammad Saleh Al Konbaz	Shareholder
Dr. Khalid Al Sebaiay	Shareholder
Abdulrahman Saad Al-Rashid & Sons Company	Shareholder
Mr. Abdulrahman Al-Rashid	Director
Mr. Rashid Saad Al-Rashid	Director
Mr. Omran AbdulRahman Al-Rashid	Director
Mr. Yousef Rashid Al-Rashid	Director
Abdallah A. Al-Twaijri	Director
Code Invention Company	Owned by a close family member of a director
Family members of shareholders, board members, and those related to them	Family Members

The significant transactions and the related approximate amounts are as follows:

Transactions with related parties	2022 SR	2021 SR
Lease rentals payments	**14,813,663**	14,813,663
Revenue	**1,956,267**	3,223,263
Purchases and services	**5,740,322**	3,348,268
Expense incurred on behalf of related party	**601,811**	135,081

Due from related parties	December 31, 2022 SR	December 31, 2021 SR
Saudi Bunyan Company	**380,776**	69,291
Dr. Mohammad Saleh Al Konbaz	**94,970**	100,233
Mr. Sulaiman Abdulrahman Al-Rashid	**71,702**	399,302
Dr. Khalid Al Sebaiay	**31,650**	45,780
Mr. Rashid Saad Al-Rashid	**15,231**	51,649
Abdallah A. Al-Twaijri	**11,805**	-
Mr. Omran AbdulRahman Al-Rashid	**9,757**	349,359
Mr. Abdulrahman Al-Rashid	**9,237**	265,573
Rashid Saad Al Rashid & Sons Company	**6,915**	30,019
Mr. Yousef Rashid Al-Rashid	**6,802**	16,522
Family members of shareholders, board members, and those related them	**801,644**	1,034,186
	1,440,489	2,361,914

The amount due from related parties represent health care services provided to those related parties in the course of ordinary business with other customers.

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due to related parties	**December 31, 2022 SR**	December 31, 2021 SR
Al-Thomad Travel and Tourism Company	**437,412**	172,526
Code Invention Company	**290,000**	97,129
Snow Bright Laundry Company	**197,862**	180,595
	925,274	450,250

Compensation of key management personnel of the group:

	2022 SR	2021 SR
Short term employment benefits	**10,041,682**	11,790,693
Board of Directors' remuneration	**1,500,000**	1,500,000
Post employment benefits	**1,011,595**	1,037,512
	12,553,277	14,328,205

22. COMMITMENTS AND CONTINGENCIES

Capital commitments

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

	December 31 2022 SR	December 31 2021 SR
Capital commitments *	**24,403,826**	18,801,79

* The commitments are relating to various construction contracts projects with Abdulrahman Saad Al-Rashid & Sons Co., a major shareholder in the group.

Letter of guarantees

The Group has guarantees related to, as follows:

	December 31 2022 SR	December 31 2021 SR
Letters of guarantees	**23,840,745**	26,836,52

23. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue outstanding during the year.

	2022 SR	2021 SR
Total profit for the year attributable to the shareholders	**102,960,668**	55,967,019
Weighted average number of ordinary shares outstanding for basic EPS	**8,500,000**	8,500,000
Earnings per share - basic and diluted	**12.11**	6.58

24. FINANCIAL INSTRUMENTS

24.1 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the group financial instruments are compiled under the historical cost convention, differences may arise between the book values and fair value estimates. Management believes that the fair values of the group financial assets and liabilities are not materially different from their carrying values.

The management assessed that cash and short-term deposits, trade and other receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The table below shows the carrying amounts of financial assets and liabilities:

Financial Assets **Amortised cost**	**Notes**	**December 31, 2022** **SR**	December 31, 2021 SR
Trade and other receivables	6	**425,611,639**	340,637,480
Due from related parties	21	**1,440,489**	2,361,914
Other debit balances	8	**2,058,716**	3,395,842
Cash and cash equivalents	5	**21,783,087**	12,816,106
		450,893,931	359,211,342

Financial Liabilities **Amortised cost**		**December 31, 2022** **SR**	December 31, 2021 SR
Long term loans	11 & 13	**242,968,335**	313,196,870
Short term loans	10	**395,000,000**	335,000,000
Lease liabilities	12	**177,050,545**	201,068,968
Due to related parties	21	**925,274**	450,250
Trade payables		**110,802,373**	95,933,385
		926,746,527	945,649,473

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in 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 level input that is significant to the entire measurement.

24. FINANCIAL INSTRUMENTS (continued)

24.1 Fair value measurement (continued)

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Management believes that its estimates and judgments are reasonable and adequate.

24.2 Financial risk management

The Board of Directors of the group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The group has exposure to the following risks from its use of financial instruments.
- Credit risk
- Liquidity risk
- Market risk
- Foreign Currency risk
- Commission rate risk
- Capital Management

Credit risk
Credit risk is the risk that one party will fail to discharge its obligation and will cause the other party to incur a financial loss.

The group assets that are subject to credit risks comprise of bank balances, bank deposits, advances to suppliers, receivables and other debit balances. Cash is placed with banks with high credit ratings and credit limits to the customers are monitored on regular basis thus reduces credit risk.

The group does not believe that there is a significant risk of non-performance by these financial institutions, the group does not consider itself exposed to a concentration of credit risk with respect to accounts receivable due to its diverse customer base operating in various industries and located in many regions.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the financial position date was as follows:

	December 31, 2022 SR	December 31, 2021 SR
Trade and other receivables	**425,611,639**	340,637,480
Due from related parties	**1,440,489**	2,361,914
Other debit balances	**2,058,716**	3,395,842
Cash and cash equivalents	**21,783,087**	12,816,106
	450,893,931	359,211,342

Liquidity risk
Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis to ensure that sufficient funds are available to meet any future commitments. The group approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the group reputation.

24. FINANCIAL INSTRUMENTS (continued)

24.2 Financial risk management (continued)

Liquidity risk *(continued)*

The following are the contracted maturities of financial liabilities, including estimated interest payments:

December 31, 2022	**Carrying Amount SR**	**Contractual Cash Flows SR**	**Less than a year SR**	**More than a year SR**
Non-derivative financial liabilities				
Long term loans	**242,968,335**	**281,546,472**	**51,553,288**	**229,993,184**
Short term loan	**395,000,000**	**405,672,343**	**405,672,343**	**-**
Lease liabilities	**177,050,545**	**201,104,430**	**25,128,233**	**175,976,197**
Due to related parties	**925,274**	**925,274**	**925,274**	**-**
Trade payables	**110,802,373**	**110,802,373**	**110,802,373**	**-**
	926,746,527	**1,000,050,892**	**594,081,511**	**405,969,381**

December 31, 2021	Carrying Amount SR	Contractual Cash Flows SR	Less than a year SR	More than a year SR
Non-derivative financial liabilities				
Long term loans	313,196,870	399,383,812	35,695,130	363,688,682
Short term loan	335,000,000	339,392,938	339,392,938	-
Lease liabilities	201,068,968	230,203,087	27,816,401	202,386,686
Due to related parties	450,250	450,250	450,250	-
Trade payables	95,933,385	95,933,385	95,933,385	-
	945,649,473	1,065,363,472	499,288,104	566,075,368

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

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Management monitors the fluctuation in currency exchange rates and believes that the currency risk is not significant. The Group's transaction is principally in Saudi Riyals.

Commission rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's financial assets and liabilities as of the special purpose consolidated financial position date, except for some banking facilities and long-term loans, are not exposed to interest rate risk.

24. FINANCIAL INSTRUMENTS (continued)

24.2 Financial risk management (continued)

Capital management
Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowing in the current period. Surplus cash is either reinvested in the business, used to repay debt or returned to shareholders.

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

25. SEGMENT INFORMATION

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 two reportable segments. Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief executive officer (CEO) as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments. Revenue and segment profit is a consistent measure within the Group. The identified key segments are medical services, and trading and retail.

The following table presents segment information (assets, liabilities, revenue and net income) foreach of the business segments as at and for the year ended 31 December:

	Medical services SR	Trading, retail & others SR	Total SR
For the year ended December 31, 2022			
Revenue	**1,007,987,899**	**200,663,739**	**1,208,651,638**
Gross profit	**229,837,672**	**55,834,595**	**285,672,267**
As of December 31, 2022			
Total assets	**1,886,842,344**	**-**	**1,886,842,344**
Total liabilities	**1,119,582,363**	**35,425,459**	**1,155,007,822**

	Medical services SR	Trading, retail & others SR	Total SR
For the year ended December 31, 2021			
Revenue	905,110,991	148,012,679	1,053,123,670
Gross profit	197,202,926	40,225,631	237,428,557
As of December 31, 2021			
Total assets	1,836,418,447	-	1,836,418,447
Total liabilities	1,131,928,946	20,243,809	1,152,172,755

26. SUBSEQUENT EVENTS

The Company's share capital as of December 31, 2022 is SR 85 million (December 2021: SR 85 million) consisting of 8.5 million ordinary shares (December 2021: 8.5 million ordinary shares), fully paid up with a nominal value of SR 10. During the subsequent period, the Company resolved to increase the share capital by SR 165 million by capitalizing the retained earnings with a total value SR 165 million as per approval of the Board of Director dated August 27, 2024 and approval of Extraordinary General Assembly of the Company in its meeting held on September 15, 2024. The increase has been recorded as an additional contribution to share capital and the Company obtained the Ministry of Commerce approval and updated the Commercial Registration on November 19, 2024.

There were no events, except for aforementioned, subsequent to December 31, 2022, and occurring before the date of the approval of the special purpose consolidated financial statements that are expected to have a significant impact on this special purpose consolidated financial statements.

27. APPROVAL ON THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

The special purpose consolidated financial statements have been approved by the board of directors on 11 Jumada II 1446 H (corresponding to December 12, 2024).