

**NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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Independent auditor's report to the shareholders of National Medical Care Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Medical Care Company (the "Company") as at 31 December 2022, 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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2022;
- the statement of financial position as at 31 December 2022;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.



Independent auditor's report to the shareholders of National Medical Care Company (continued)

Our audit approach

Overview

| | |
|------------------|---|
| Key Audit Matter | Revenue recognition - estimation of variable consideration relating to medical rejections |
|------------------|---|

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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 our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the Key audit matter |
|--|---|
| <i>Revenue recognition - estimation of variable consideration relating to medical rejection</i> During the year ended 31 December 2022, the Company recorded revenue amounting to Saudi Riyals 917.9 million. The Company recognizes revenue upon satisfaction of performance obligation related to medical and related services at the fair value of consideration received or receivable, net of variable consideration. | We performed the following procedures in relation to the management's assessment of estimation of variable consideration relating to medical rejection: <ul style="list-style-type: none">Assessed the appropriateness of the Company's revenue recognition accounting policies in context of variable consideration, by considering the requirements of IFRS 15;Obtained a detailed understanding of the design of the management's process established for estimation of variable consideration relating to medical rejection; |



Independent auditor's report to the shareholders of National Medical Care Company (continued)

Key audit matter

Certain contracts with customers include an element of implicit variable consideration, primarily relating to medical rejection against claims submitted.

We have considered estimation of variable consideration relating to medical rejections as a key audit matter because such estimation involves significant judgement on the part of management.

Refer to note 3.1 for the accounting policy related to estimation of variable consideration, and note 4(a) for accounting estimates in the accompanying financial statements.

How our audit addressed the Key audit matter

- Evaluated the appropriateness of significant accounting judgements and estimation made by the management to determine variable consideration;
- Performed retrospective review of actual claims settled (on a sample basis) against gross claims to assess the reasonableness of rejection rates used by the management; and
- Considered the adequacy of the related disclosures in the accompanying financial statements.



Independent auditor's report to the shareholders of National Medical Care Company (continued)

Other information

Management is responsible for the other information. The other information comprises information included in the Annual Report of the Company but does not include the financial statements and our auditor's report thereon, which 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 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 Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the 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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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



Independent auditor's report to the shareholders of National Medical Care Company (continued)

Auditor's responsibilities for the audit of the 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 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 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 Company 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.

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.



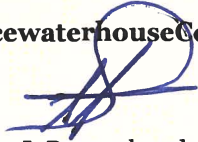
Independent auditor's report to the shareholders of National Medical Care Company (continued)

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

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.

PricewaterhouseCoopers


Bader I. Benmohareb
License No. 471

7 March 2023




NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)


| | Note | Year ended 31 December | |
|--|------|------------------------|--------------------|
| | | 2022 | 2021 |
| Revenue | 6 | 917,934,901 | 845,380,520 |
| Cost of sales | 7 | (628,254,384) | (598,911,021) |
| Gross profit | | 289,680,517 | 246,469,499 |
| Selling and distribution expenses* | | (4,465,243) | (2,052,755) |
| General and administrative expenses | 8 | (91,345,494) | (79,201,012) |
| Expected credit loss allowance* | 13 | (4,952,204) | (8,999,611) |
| Other operating income* | 9 | 9,584,237 | 8,185,550 |
| Profit before zakat | | 198,501,813 | 164,401,671 |
| Zakat expense | 20 | (28,426,968) | (28,044,998) |
| Profit for the year | | 170,074,845 | 136,356,673 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Gain (loss) on remeasurement of employee benefit obligations | 18 | 14,089,196 | (4,181,026) |
| Total comprehensive income for the year | | 184,164,041 | 132,175,647 |
| Earnings per share | | | |
| Basic and diluted | 24 | 3.79 | 3.04 |

The accompanying notes are an integral part of these financial statements.

*Certain reclassifications have been made to comparative statement of profit and loss and other comprehensive income. Refer to Note 28 for details.


Saad Abdulmohsen Alfadly
Chairman


Abdulaziz Alobaid
Chief Executive Officer



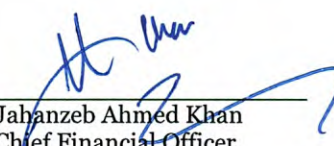

Jahanzeb Ahmed Khan
Chief Financial Officer

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

| | Note | As at 31 December | |
|---|------|----------------------|----------------------|
| | | 2022 | 2021 |
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 10 | 652,425,488 | 483,162,527 |
| Intangible assets | 11 | 4,357,494 | 7,481,659 |
| Total non-current assets | | 656,782,982 | 490,644,186 |
| Current assets | | | |
| Inventories | 12 | 42,662,669 | 45,858,628 |
| Trade and other receivables | 13 | 684,061,399 | 647,958,301 |
| Cash and cash equivalents | 14 | 329,213,441 | 374,959,655 |
| Total current assets | | 1,055,937,509 | 1,068,776,584 |
| Total assets | | 1,712,720,491 | 1,559,420,770 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 15 | 448,500,000 | 448,500,000 |
| Statutory reserve | 16 | 186,021,947 | 186,021,947 |
| Retained earnings | | 629,066,672 | 489,752,631 |
| Total equity | | 1,263,588,619 | 1,124,274,578 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 17 | 77,248,265 | 83,190,440 |
| Employee benefit obligations | 18 | 85,995,213 | 97,528,443 |
| Total non-current liabilities | | 163,243,478 | 180,718,883 |
| Current liabilities | | | |
| Trade and other payables | 19 | 189,516,800 | 175,147,200 |
| Current portion of long-term borrowings | 17 | 5,942,174 | 5,942,174 |
| Zakat payable | 20 | 90,429,420 | 73,337,935 |
| Total current liabilities | | 285,888,394 | 254,427,309 |
| Total liabilities | | 449,131,872 | 435,146,192 |
| Total equity and liabilities | | 1,712,720,491 | 1,559,420,770 |

The accompanying notes are an integral part of these financial statements.


The financial statements including notes were approved and authorized for issue by the Board of Directors on 05 March 2023 and were signed on their behalf by:

| | | |
|---|---|---|
|  |  |  |
| Saad Abdulmohsen Alfadly Chairman | Abdulaziz Alobaid Chief Executive Officer | Jahanzeb Ahmed Khan Chief Financial Officer |

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Statement of changes in equity
 (All amounts in Saudi Riyals unless otherwise stated)

| | Note | Share capital | Statutory reserve | Retained earnings | Total |
|--|------|--------------------|--------------------|--------------------|----------------------|
| At 1 January 2021 | | 448,500,000 | 186,021,947 | 402,426,984 | 1,036,948,931 |
| Profit for the year | | - | - | 136,356,673 | 136,356,673 |
| Other comprehensive loss for the year | | - | - | (4,181,026) | (4,181,026) |
| Total comprehensive income for the year | | - | - | 132,175,647 | 132,175,647 |
| Dividends | 25 | - | - | (44,850,000) | (44,850,000) |
| At 31 December 2021 | | 448,500,000 | 186,021,947 | 489,752,631 | 1,124,274,578 |
| Profit for the year | | - | - | 170,074,845 | 170,074,845 |
| Other comprehensive income for the year | | - | - | 14,089,196 | 14,089,196 |
| Total comprehensive income for the year | | - | - | 184,164,041 | 184,164,041 |
| Dividends | 25 | - | - | (44,850,000) | (44,850,000) |
| At 31 December 2022 | | 448,500,000 | 186,021,947 | 629,066,672 | 1,263,588,619 |

The accompanying notes are an integral part of these financial statements.


 Saad Abdulmohsen Alfadly
 Chairman


 Abdulaziz Alobaid
 Chief Executive Officer



 Jahanzeb Ahmed Khan
 Chief Financial Officer

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

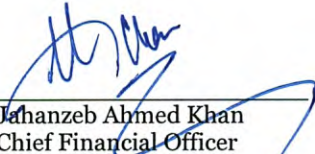
| | Note | Year ended 31 December | |
|---|------|------------------------|---------------|
| | | 2022 | 2021 |
| Cash flows from operating activities | | | |
| Profit before zakat | | 198,501,813 | 164,401,671 |
| <u>Adjustments for</u> | | | |
| Depreciation | 10 | 41,900,832 | 47,005,683 |
| Amortization | 11 | 3,780,823 | 3,151,268 |
| Gain on disposal of property and equipment | | (14,958) | (150,136) |
| Expected credit loss allowance | 13 | 4,952,204 | 8,999,611 |
| Employee benefit obligations | 18 | 17,282,414 | 15,959,392 |
| <u>Changes in operating assets and liabilities:</u> | | | |
| Increase in trade and other receivables* | 28 | (41,055,302) | (142,781,313) |
| Decrease (increase) in inventories | | 3,195,959 | (9,523) |
| Increase in trade and other payables | | 14,369,600 | 24,429,015 |
| Cash generated from operations | | 242,913,385 | 121,005,668 |
| Employee benefit obligations paid | 18 | (14,726,448) | (15,279,759) |
| Zakat paid | 20 | (11,335,483) | (11,923,689) |
| Net cash inflow from operating activities | | 216,851,454 | 93,802,220 |
| Cash flows from investing activities | | | |
| Payments for purchase of property and equipment | 10 | (211,171,245) | (35,688,875) |
| Payments for purchase of intangible assets | 11 | (656,658) | (5,234,338) |
| Proceeds from sale of property and equipment | | 22,410 | 200,610 |
| Net cash outflow from investing activities | | (211,805,493) | (40,722,603) |
| Cash flows from financing activities | | | |
| Repayment of long-term borrowings | 17 | (5,942,175) | (5,942,174) |
| Dividends paid | 25 | (44,850,000) | (44,850,000) |
| Cash outflow from financing activities | | (50,792,175) | (50,792,174) |
| Net change in cash and cash equivalents | | (45,746,214) | 2,287,443 |
| Cash and cash equivalents at beginning of year | | 374,959,655 | 372,672,212 |
| Cash and cash equivalents at end of year | 14 | 329,213,441 | 374,959,655 |

The accompanying notes are an integral part of these financial statements.

*Certain reclassifications have been made to comparative statement of cashflows. Refer to Note 28 for details.


Saad Abdulmohsen Alfadly
Chairman


Abdulaziz Alobaid
Chief Executive Officer


Jahanzeb Ahmed Khan
Chief Financial Officer

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

National Medical Care Company (the “Company” or “NMC”) is a Saudi Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration (‘CR’) number 1010194785 dated 9 Muharram 1425 (H) (corresponding to 29 February 2004). The registered office of the Company is located at Arrayyan District, P.O. Box 29393, Riyadh 11457, Kingdom of Saudi Arabia.

The Company carries out its activities through the following branches:

| Name | CR number | Date |
|--|------------|---|
| Riyadh Care Hospital | 1010195325 | 22 Muharram 1425 (H) (corresponding to 14 March 2004) |
| National Hospital | 1010195327 | 22 Muharram 1425 (H) (corresponding to 14 March 2004) |
| Care Company for Pharmaceutical and Medical Distribution | 1010301247 | 14 Safar 1432 (H) (corresponding to 19 January 2011) |
| Family Health Care Center | 1010397064 | 29 Muharram 1435 (H) (corresponding to 2 December 2013) |

The Company is engaged in the business to establish, own, equip, manage, maintain and operate healthcare facilities and provide home health care services.

In preparing the financial statements, the Company has considered the impact of climate change, particularly in the context of the Kingdom’s stated target of net zero carbon emissions by 2060. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year.

2 Basis of preparation

2.1 Statement of compliance

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

The impact of seasonality or cyclicity on operations is not regarded as significant to the financial statements.

2.2 Historical cost convention

These financial statements have been prepared under the historical cost convention except for employee benefit obligations as explained in the relevant accounting policies.

2.3 New and amended accounting standards adopted by the Company

There are no new accounting standards applicable to the Company, however, the Company has applied the following amendments to the accounting standards for the first time for their reporting periods commencing on or after 1 January 2022.

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41; and
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

No material impact was identified upon adoption of the new and amended accounting standards.

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

2.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are mandatory from 1 January 2023 or later reporting periods and have not been early adopted by the Company. Such standards are not expected to have a material impact in the future reporting periods and on foreseeable future transactions.

3 Significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below. The accounting policies have been consistently applied to all the years presented.

3.1 Revenue

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

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- The entity performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 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.

If a performance obligation is not satisfied over time, revenue is recognised at a point in time at which the Company satisfies a performance obligation.

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 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 Company 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 Company and the revenue and costs, if applicable, can be measured reliably.

Vairable consideration - estimation of medical rejections:

The normal business process associated with transactions with insurers includes an amount of claims disallowed (disallowance provision) which is not paid by the insurer. These disallowed claims could be for various technical or medical reasons. Disallowances on rejected claims is a general practice by the insurers in the Kingdom of Saudi Arabia. Accordingly, the Company expects an amount of consideration that is less than what was originally invoiced. These disallowances constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur.

Specific accounting policies for applicable revenue streams are as follows:

(a) Rendering of services

Hospital services provided to patients are regarded as a bundle of services which comprise accommodation, meals, theatre time, use of equipment, pharmacy stock and nursing services. This is considered to be a single performance obligation as the medical procedures cannot be performed without one of the above elements. Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients and/or insurance entities. Fees are calculated and billed based on various tariff agreements with such entities. Revenue from in-patient services is recorded over-time, while revenue generated from outpatient is recorded at a point in time.

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
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(All amounts in Saudi Riyals unless otherwise stated)

Discounts comprise retrospective volume rebates granted to certain customers on attainment of certain levels of patient visits and constitute variable consideration under IFRS 15. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted against revenue at the end of the arrangement to reflect actual volumes.

(b) Sale of pharmaceuticals

The sales from medicine, medical supplies and medical equipment, collectively referred to as 'pharmaceuticals', are recognised when pharmaceuticals 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 medical rejections by the insurance companies (if applicable) at the time of delivery of pharmaceuticals to the patients. Revenue from sale of pharmaceuticals is recorded at a point in time.

(c) 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 operating income in the statement of profit and loss and other comprehensive income.

The Company does not expect to have any contracts where the period between the transfer of the promised service to the patient and the payment by the patient exceeds one year. Consequently, the Company does not adjust any of the transaction prices for time value of money.

Based on IFRS 15, for advance from customers or accounts receivable, the Company used the practical expedient. As such, the Company does 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.

3.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in "Saudi Riyals", which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognised in the profit or loss.

3.3 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of Zakat, Tax and Customs Authority (ZATCA). Zakat for the Company is calculated based on higher of approximate zakat base and adjusted profit charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

3.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight line basis. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognised at their fair value. Intangible assets under development are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is 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 is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Intangible assets are amortized on a straight-line basis.

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

3.6 Financial instruments

3.6.1 Financial asset

(i) Classification

The Company's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) Recognition and derecognition

At initial recognition, the Company 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 that are directly attributable to the acquisition of the financial asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

Subsequent measurement of Company's financial assets are at amortised cost. Interest income from financial assets is measured and included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

3.6.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

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

3.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or Cash-Generating Units ("CGU") exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.8 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to the profit or loss.

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified gross domestic product for the Kingdom of Saudi Arabia as the most relevant factor, and accordingly, adjusts the loss rates based on such expected changes.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 730 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence is made considering various factors including age of the inventory items, expiry date, historic usage and expected utilization in future.

3.10 Trade receivables

Trade receivables are carried at the transaction price related to a performance obligation less Expected Credit Loss ("ECL") allowance on trade receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Company holds trade receivables with the objective to collect the contractual cash flows and therefore measures them at amortized cost using effective interest rate method. Also see Note 3.8.

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3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

3.13 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

3.14 Provisions

Provisions are recognised when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.15 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit or loss as other operating income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

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3.16 Employee benefit obligations

The Company operates a single employment benefit scheme of defined benefit plan driven by the Labor Laws of Saudi Arabia which is based on most recent salary and number of service years.

The employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of Saudi Arabia.

3.17 Dividends distribution

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company.

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

(a) Revenue recognition - estimating variable consideration for medical rejections

The management estimates variable considerations to be included in the transaction price of services provided. The expected medical rejections are estimated against the services provided to customers based on the historical rate of rejections and ongoing discussions with such customers. The latest percentages of rejections are applied to determine the expected value of the variable consideration.

The management updates its assessment of expected medical rejection rates as and when the medical rejection rates are received and agreed, and the provision for medical rejection is adjusted accordingly. Estimates for medical rejections are sensitive to changes in circumstances and the Company's past experience regarding medical rejections. The estimated medical rejections recorded may not be representative of medical rejections in the future. A 100 basis-points change in percentage of medical rejections will result in revenue for the year being Saudi Riyals 8.2 million lower or higher.

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(b) *ECL allowance*

Measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 13. The components that have a major impact on credit loss allowance include significant increase in credit risk and certain forward-looking factors. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

5 Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The CODM has been identified as the Board of Directors of the Company through the executive management, which includes Chief Executive Officer, Chief Medical Officer and Chief Financial Officer.

With respect to the allocation of resources and assessment of performance of the Company, the CODM considers the entire hospital services as one function. Accordingly, presenting different segmental information is not considered necessary. Furthermore, the Company's operations are conducted in the Kingdom of Saudi Arabia.

6 Revenue

| | 2022 | 2021 |
|-------------------------------------|--------------------|--------------------|
| Rendering of services | 807,411,301 | 742,990,383 |
| Sale of pharmaceuticals | 110,523,600 | 102,390,137 |
| | 917,934,901 | 845,380,520 |
| | 2022 | 2021 |
| Revenue recorded overtime | 762,051,036 | 702,461,935 |
| Revenue recorded at a point in time | 155,883,865 | 142,918,585 |
| | 917,934,901 | 845,380,520 |

7 Cost of sales

| | Note | 2022 | 2021 |
|--|-------------|--------------------|--------------------|
| Salaries and benefits | | 391,670,924 | 367,895,911 |
| Medicines, medical materials and consumables | | 172,102,558 | 166,421,088 |
| Depreciation and amortization | 10, 11 | 33,326,063 | 36,495,861 |
| Repairs and maintenance | | 16,674,173 | 13,054,754 |
| Rent and utilities* | | 12,546,261 | 14,096,685 |
| Other | | 1,934,405 | 946,722 |
| | | 628,254,384 | 598,911,021 |

*During 2022, expense relating to short-term lease for warehouse amounted to Saudi Riyals 0.2 million (2021: Saudi Riyals 1.0 million) has been included in Rent and utilities.

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8 General and administrative expenses

| | Note | 2022 | 2021 |
|----------------------------------|--------|-------------------|------------|
| Salaries and benefits | | 51,862,432 | 41,351,406 |
| Depreciation and amortization | 10, 11 | 12,355,592 | 13,661,090 |
| Office expenses | | 6,262,145 | 5,637,324 |
| Professional fees | | 7,351,473 | 6,143,311 |
| Board of Directors' remuneration | 21 | 2,545,000 | 3,029,000 |
| Repairs and maintenance | | 2,734,150 | 2,168,732 |
| Security expenses | | 1,295,477 | 1,193,284 |
| Other | | 6,939,225 | 6,016,865 |
| | | 91,345,494 | 79,201,012 |

9 Other operating income

| | 2022 | 2021 |
|--------------------------|------------------|-----------|
| Income from Care Academy | 5,245,226 | 3,513,299 |
| Rental income* | 1,089,004 | 1,040,052 |
| Others | 3,250,007 | 3,632,199 |
| | 9,584,237 | 8,185,550 |

*The rental income is received from external parties during the year from the letting of spaces to cafes and flower shops.

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10 Property and equipment

| | 1 January 2022 | Additions | Disposals | Transfers | 31 December 2022 |
|--|-----------------------------|----------------------------|---------------------------|------------------|-----------------------------|
| <u>2022</u> | | | | | |
| Cost | | | | | |
| Land | 62,281,717 | 180,148,184 | - | - | 242,429,901 |
| Buildings and improvements | 762,172,422 | 287,137 | (10,301) | 5,805,135 | 768,254,393 |
| Medical and general equipment | 365,727,080 | 12,269,622 | (3,635,276) | 1,586,577 | 375,948,003 |
| Furniture, fixtures and office equipment | 25,829,897 | 457,117 | (1,033,073) | - | 25,253,941 |
| Computer hardware | 29,395,017 | 3,576,895 | (644,326) | - | 32,327,586 |
| Vehicles | 7,768,373 | 258,296 | - | - | 8,026,669 |
| Capital work-in-progress | 4,592,679 | 14,173,994 | - | (7,391,712) | 11,374,961 |
| | <u>1,257,767,185</u> | <u>211,171,245</u> | <u>(5,322,976)</u> | <u>-</u> | <u>1,463,615,454</u> |
| Accumulated depreciation | | | | | |
| Buildings and improvements | (398,958,353) | (21,633,548) | 5,335 | - | (420,586,566) |
| Medical and general equipment | (318,281,797) | (16,773,991) | 3,633,996 | - | (331,421,792) |
| Furniture, fixtures and office equipment | (24,047,035) | (843,982) | 1,032,062 | - | (23,858,955) |
| Computer hardware | (25,862,312) | (2,498,196) | 644,131 | - | (27,716,377) |
| Vehicles | (7,455,161) | (151,115) | - | - | (7,606,276) |
| | <u>(774,604,658)</u> | <u>(41,900,832)</u> | <u>5,315,524</u> | <u>-</u> | <u>(811,189,966)</u> |
| | <u>483,162,527</u> | | | | <u>652,425,488</u> |

During 2022, the Company has purchased a parcel of land in Riyadh for a consideration of Saudi Riyals 180.1 million to construct new healthcare facility.

Capital work-in-progress as at 31 December 2022 principally represents certain improvements to the buildings, development of a new long-term healthcare facility and construction of a new warehouse. Such projects are expected to be completed in 2023. Also see note 26.

Certain land and buildings are pledged to the Ministry of Finance against loan granted to the Company. Also see note 17.

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| | 1 January 2021 | Additions | Disposals | Transfers | 31 December 2021 |
|--|---------------------------|---------------------|---------------------|------------------|-----------------------------|
| <u>2021</u> | | | | | |
| Cost | | | | | |
| Land | 58,780,660 | 3,501,057 | - | - | 62,281,717 |
| Buildings and improvements | 760,263,120 | 1,914,302 | (5,000) | - | 762,172,422 |
| Medical and general equipment | 362,459,895 | 23,164,892 | (20,310,936) | 413,229 | 365,727,080 |
| Furniture, fixtures and office equipment | 26,115,112 | 505,027 | (377,013) | (413,229) | 25,829,897 |
| Computer hardware | 27,231,893 | 2,261,137 | (98,013) | - | 29,395,017 |
| Vehicles | 8,263,648 | - | (495,275) | - | 7,768,373 |
| Capital work-in-progress | 250,219 | 4,342,460 | - | - | 4,592,679 |
| | <u>1,243,364,547</u> | <u>35,688,875</u> | <u>(21,286,237)</u> | <u>-</u> | <u>1,257,767,185</u> |
| Accumulated depreciation | | | | | |
| Buildings and improvements | (377,585,484) | (21,376,697) | 3,828 | - | (398,958,353) |
| Medical and general equipment | (316,856,402) | (21,376,383) | 20,294,863 | (343,875) | (318,281,797) |
| Furniture, fixtures and office equipment | (23,435,174) | (1,314,092) | 358,356 | 343,875 | (24,047,035) |
| Computer hardware | (23,238,014) | (2,722,304) | 98,006 | - | (25,862,312) |
| Vehicles | (7,719,664) | (216,207) | 480,710 | - | (7,455,161) |
| | <u>(748,834,738)</u> | <u>(47,005,683)</u> | <u>21,235,763</u> | <u>-</u> | <u>(774,604,658)</u> |
| | <u>494,529,809</u> | | | | <u>483,162,527</u> |

Depreciation is calculated on a straight-line basis over the following useful lives of the assets:

| | Number of years |
|--|------------------------|
| • Buildings and improvements | 10 - 33 |
| • Medical and general equipment | 6 - 7 |
| • Furniture, fixtures and office equipment | 6 - 7 |
| • Computer hardware | 3 |
| • Vehicles | 4 |

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11 Intangible assets

| | 2022 | 2021 |
|---------------------------------|---------------------|-------------|
| Cost | | |
| 1 January | 13,944,700 | 8,710,362 |
| Additions | 656,658 | 5,234,338 |
| 31 December | 14,601,358 | 13,944,700 |
| Accumulated amortization | | |
| 1 January | (6,463,041) | (3,311,773) |
| Charge for the year | (3,780,823) | (3,151,268) |
| 31 December | (10,243,864) | (6,463,041) |
| | 4,357,494 | 7,481,659 |

Intangible assets primarily represent software and are amortized over periods not exceeding 3 years.

12 Inventories

| | 2022 | 2021 |
|--|--------------------|-------------|
| Pharmaceuticals | 27,376,864 | 27,264,149 |
| Medical supplies | 15,510,999 | 18,966,209 |
| Consumables and cleaning materials | 1,480,510 | 1,333,974 |
| | 44,368,373 | 47,564,332 |
| Less: allowance for inventory obsolescence | (1,705,704) | (1,705,704) |
| | 42,662,669 | 45,858,628 |

Movement in allowance for inventory obsolescence is as follows:

| | 2022 | 2021 |
|----------------|------------------|-------------|
| At 1 January | 1,705,704 | 1,735,867 |
| Reversal | - | (30,163) |
| At 31 December | 1,705,704 | 1,705,704 |

Cost of inventories recognised in profit or loss for the year ended 31 December 2022 amounted to Saudi Riyals 172.1 million (2021: Saudi Riyals 166.4 million).

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13 Trade and other receivables

| | Note | 2022 | 2021 |
|-------------------------------------|------|---------------------|---------------------|
| Trade and related party receivables | 21 | 740,979,057 | 687,787,134 |
| Less: ECL allowance | | (83,122,883) | (81,260,957) |
| | | 657,856,174 | 606,526,177 |
| Letters of guarantee margin | | 7,492,500 | 4,244,414 |
| Advances to suppliers | | 6,477,536 | 27,121,670 |
| Prepaid expenses | | 7,119,506 | 4,963,598 |
| Others | | 5,115,683 | 5,102,442 |
| | | 684,061,399 | 647,958,301 |

(a) The Company applies IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and other financial assets.

The expected loss rates are based on the roll-rate method calculated over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the gross domestic product of the Kingdom of Saudi Arabia to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

For the trade receivables, the ECL allowance as at 31 December 2022 and 2021 was determined as follows:

| 31 December 2022 | Days past due | | | | Total |
|----------------------------|---------------|------------|------------|-------------------|-------------|
| | Not due | 0-90 | 91-270 | Over 270 days | |
| Insurance customers | | | | | |
| Expected loss rate | 3.28% | 9.40% | 18.86% | 40.96% to 100% | |
| Gross carrying amount | 56,455,544 | 10,339,702 | 21,771,006 | 21,865,062 | 110,431,314 |
| ECL allowance | 1,853,232 | 972,110 | 4,105,760 | 8,955,737 | 15,886,839 |
| Corporate customers | | | | | |
| Expected loss rate | 0.23% | 0.96% | 20.19% | 99.49% to 100% | |
| Gross carrying amount | 2,281,454 | 331,572 | 733,277 | 6,557,239 | 9,903,542 |
| ECL allowance | 5,259 | 3,186 | 148,043 | 6,523,540 | 6,680,028 |

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| 31 December 2021 | Days past due | | | | Total |
|----------------------------|---------------|-----------|-----------|------------------|------------|
| | Not due | 0-90 | 91-270 | Over 270 days | |
| Insurance customers | | | | | |
| Expected loss rate | 3.08% | 12.73% | 38.46% | 99.31% to 100% | |
| Gross carrying amount | 49,785,769 | 8,598,807 | 8,546,077 | 6,076,249 | 73,006,902 |
| ECL allowance | 1,533,466 | 1,095,014 | 3,286,522 | 6,034,220 | 11,949,222 |
| Corporate customers | | | | | |
| Expected loss rate | 0.08% | 0.41% | 4.28% | 98.29% to 100% | |
| Gross carrying amount | 867,572 | 100,627 | 104,870 | 7,182,618 | 8,255,687 |
| ECL allowance | 683 | 409 | 4,493 | 7,059,988 | 7,065,573 |

The aging of government related receivables is as follows:

| | 2022 | 2021 |
|----------------|--------------------|-------------|
| Not due | 189,349,085 | 139,309,071 |
| 0 to 90 days | 38,374,286 | 86,350,015 |
| 91 to 270 days | 64,772,095 | 123,089,985 |
| Over 271 days | 294,631,587 | 224,246,512 |
| | 587,127,053 | 572,995,583 |

Specific provision against balances receivable from government related entities and individual customers as at 31 December 2022 amounted to Saudi Riyals 27.8 million and Saudi Riyals 32.7 million respectively (2021: Saudi Riyals: 30.4 million and Saudi Riyals 31.9 million respectively).

The increase in balances due from government related customers primarily relate to restructuring carried out in administrative functions of certain customers which has resulted in collections taking longer than usual. The balances remain recoverable and the Company has established history of collection of balances due for over 271 days from such customers. The management's assessment of credit risk remains unaffected due to such changes as the Company has agreed with customers on final payment amounts.

The customers have been disaggregated based on credit risk associated with each portfolio.

(b) Movement in ECL allowance is as follows:

| | 2022 | 2021 |
|--------------------------|--------------------|--------------|
| At 1 January | 81,260,957 | 112,774,211 |
| Charge for the year | 4,952,204 | 9,931,028 |
| Reversed during the year | - | (931,417) |
| Write-off | (3,090,278) | (40,512,865) |
| At 31 December | 83,122,883 | 81,260,957 |

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(c) Trade and other receivables are non-interest bearing and are generally on a term of 90 days. As of 31 December 2022, the amounts due from governmental and semi-governmental entities represent 79.2% of total trade receivables and due from related parties (2021: 83.3%). Normally such entities are granted extended credit terms compare to other customers but not exceeding 180 days. The increase in ECL allowance is in line with the increase in gross receivables.

(d) The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

(e) The Company does not hold any collateral as security.

14 Cash and cash equivalents

| | 2022 | 2021 |
|----------------------|---------------------------|---------------------------|
| Cash in hand | 329,552 | 443,425 |
| Cash at banks | 78,883,889 | 374,516,230 |
| Short-term deposits* | 250,000,000 | - |
| | <u>329,213,441</u> | <u>374,959,655</u> |

*Short-term deposits represent deposits placed with banks and have original maturity of less than three-months. Such deposits earn financial income based on prevailing market rates.

15 Share capital

The authorized, issued and fully paid-up share capital comprises of 44,850,000 (31 December 2021: 44,850,000) ordinary shares of Saudi Riyals 10 each.

The Company's majority shareholder is Saudi Medical Care Group ("SMCG"), incorporated in the Kingdom of Saudi Arabia, which owns 49.2% in the Company. The Company is ultimately owned by General Organization for Social Insurance, Saudi Arabia.

16 Statutory reserve

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve until it equals to at least 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

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17 Long-term borrowings

| | 2022 | 2021 |
|---------------------------|--------------------------|--------------------------|
| Within one year - current | 5,942,174 | 5,942,174 |
| One to five years | 23,768,697 | 23,768,696 |
| More than five years | 53,479,568 | 59,421,744 |
| | <u>83,190,439</u> | <u>89,132,614</u> |

Long-term borrowings are presented as follows:

| | 2022 | 2021 |
|---------------------|--------------------------|--------------------------|
| Current portion | 5,942,174 | 5,942,174 |
| Non-current portion | 77,248,265 | 83,190,440 |
| | <u>83,190,439</u> | <u>89,132,614</u> |

During 2012, the Company signed a loan agreement with the Ministry of Finance to fund the construction work under progress amounting to Saudi Riyals 154.1 million. The Company was able to utilize Saudi Riyals 118.8 million during 2013 and 2015. There are no loan covenants attached to the loan from the Ministry of Finance.

The loan is payable in twenty equal annual instalments with the first instalment due in 2017. During 2022, the Company has repaid borrowings amounting to Saudi Riyals 5.9 million as per the repayment terms of the agreement (2021: Saudi Riyals 5.9 million). The loan is interest free and is secured by the Company's collateralized land and buildings. Also see note 10.

The fair value of the borrowing as at 31 December 2022 amounted to Saudi Riyals 59.6 million. The fair value is based on discounted cash flows approach which takes into account the present value of expected payments, discounted using a risk-adjusted discount rate. The fair value is classified as level 3 in the fair value hierarchy.

On transition (effective from 1 January 2018) from Generally Accepted Accounting Standards issued by SOCPA to IFRS, management opted for the exemption provided under IFRS 1 to keep the similar classification of interest free loan obtained from Ministry of Finance till 31 December 2017 and to adopt application of IAS – 20 “Accounting for Government Grants and Disclosure of Government Assistance” for new loans (within the scope of IAS – 20) obtained on and after the date of adoption of IFRS for its statutory financials statements.

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18 Employee benefit obligations

18.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2022.

| | 2022 | 2021 |
|-----------------------------------|---------------------|--------------|
| At 1 January | 97,528,443 | 92,667,784 |
| Current service and interest cost | 17,282,414 | 15,959,392 |
| Payments | (14,726,448) | (15,279,759) |
| Remeasurements | (14,089,196) | 4,181,026 |
| At 31 December | 85,995,213 | 97,528,443 |

18.2 Amounts recognised in the statement of profit or loss and other comprehensive income

The amounts recognised in the statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

| | 2022 | 2021 |
|--|---------------------|-------------|
| Current service cost | 14,956,151 | 14,207,818 |
| Interest expense | 2,326,263 | 1,751,574 |
| Total amount recognised in profit or loss | 17,282,414 | 15,959,392 |
| <u>Re-measurements</u> | | |
| Gain from change in financial assumptions | (10,532,563) | (1,854,274) |
| Experience (gain) loss | (3,556,633) | 6,035,300 |
| Total amount recognised in other comprehensive income | (14,089,196) | 4,181,026 |

18.3 Key actuarial assumptions

| | 2022 | 2021 |
|--------------------|-------------|-------------|
| Discount rate | 4.22% | 2.58% |
| Salary growth rate | 2.50% | 2.50% |
| Withdrawal rate | 11.35% | 10.85% |

The discount rate is derived based on 'KSA Sukuk bonds'.

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18.4 Sensitivity analysis for actuarial assumptions

| | Change in assumption | | Impact on employee benefit obligations | |
|--------------------|-----------------------------|------------------------|---|------------------------|
| | Increase in assumption | Decrease in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 1.0% | -1.0% | (5,396,276) | 6,142,197 |
| Salary growth rate | 1.0% | -1.0% | 6,636,452 | (5,925,265) |

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

18.5 Expected maturity analysis

The expected maturity analysis of undiscounted employee benefit obligations is as follows:

| | Less than a year | Between 1 - 5 years | Over 5 years | Total |
|------------------|-------------------------|----------------------------|---------------------|--------------------|
| 31 December 2022 | 10,486,204 | 35,309,692 | 73,241,237 | 119,037,133 |
| 31 December 2021 | 11,300,503 | 35,458,026 | 73,251,966 | 120,010,495 |

19 Trade and other payables

| | 2022 | 2021 |
|-----------------------------|--------------------|-------------|
| Trade payables | 38,346,153 | 46,845,201 |
| Accrued expenses | 87,428,270 | 69,254,124 |
| Employees' related accruals | 48,945,498 | 45,216,675 |
| VAT payable | 10,337,582 | 9,766,751 |
| Other | 4,459,297 | 4,064,449 |
| | 189,516,800 | 175,147,200 |

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20 Zakat matters

20.1 Components of approximate zakat base

The Company is subject to zakat. The significant components of the zakat base comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less deduction for the net book value of property and equipment, spare parts and supplies and certain other items.

20.2 Provision for zakat

| | 2022 | 2021 |
|----------------|--------------------------|-------------------|
| At 1 January | 73,337,935 | 57,216,626 |
| Provision | 28,426,968 | 28,044,998 |
| Payments | (11,335,483) | (11,923,689) |
| At 31 December | <u>90,429,420</u> | <u>73,337,935</u> |

20.3 Status of certificates and final assessments

During 2021, ZATCA issued additional zakat assessments for the years from 2015 to 2018 amounting to Saudi Riyals 29.0 million. The Company had filed appeals against such assessments with the Preliminary Objection Committee ('POC') but the appeal was rejected. The Company has filed an appeal against such decision by POC with Higher Appeal Committee ('HAC') and is yet to hear back from HAC.

During later part of 2021, ZATCA issued additional zakat assessments for the years 2019 and 2020 amounting to Saudi Riyals 25.0 million. The Company has filed appeals with POC. Subsequent to 2022, the Company has received summary judgement in its favour.

The Company is maintaining adequate provision against such additional assessments.

During April 2022, the Company has filed the Zakat return with ZATCA and received the zakat certificates for the years up to 2021.

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21 Related party transactions and balances

Related parties are key shareholders, directors and key management personnel of the Company. The terms of these transactions have been approved by the Company's management. The following are the most significant transactions with related parties and the resulting balances:

(a) *Related party transactions:*

| Name of related party and relationship | Nature of transaction | Year ended 31 December | |
|--|--------------------------------|------------------------|-------------|
| | | 2022 | 2021 |
| General Organization for Social Insurance ("GOSI") (Ultimate shareholder) | Revenues from medical services | 342,081,352 | 283,776,413 |
| Drager Arabian Company Limited (Owned by a shareholder and director) | Purchases | 284,811 | 1,157,504 |

(b) *Related party balances*

| Name of related party | Relationship | As at 31 December | |
|---|-------------------------------------|-------------------|-------------|
| | | 2022 | 2021 |
| <u>Due from a related party</u> GOSI | Ultimate shareholder | 473,865,735 | 464,542,292 |
| <u>Due to a related party</u> Drager Arabian Company Limited | Owned by a shareholder and director | 211,754 | 19,464 |

ECL allowance against balance due from GOSI is immaterial.

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Key management personnel compensation

Key management includes Board of Directors, members of the Executive Committee, Audit Committee and the directors of business functions.

| | 2022 | 2021 |
|---|-------------------|-------------|
| Salaries and other short-term employee benefits | 12,597,953 | 11,078,621 |
| Attendance allowance and committee's remuneration | 2,545,000 | 3,029,000 |
| Employee benefit obligations | 345,294 | 341,529 |
| | 15,488,247 | 14,449,150 |

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

Terms and conditions of transactions with related parties

The transactions with related parties are at mutually agreed terms. Outstanding balances as at 31 December 2022 and 2021 are unsecured, interest free and are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables during the current or prior year.

22 Financial risk management

22.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by Internal Audit department. Internal Audit department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

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(a) *Market risk*

(i) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are primarily in Saudi Riyals. Foreign currency exposure for the Company is limited.

(ii) *Fair value and cash flow interest rate risk*

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company is not exposed to interest rate risk, as it does not carry any variable interest bearing assets or liabilities.

(iii) *Price risk*

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) *Credit risk*

The risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. 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.

In monitoring customer credit risk, customers are grouped according to their credit characteristics trading history with the Company and existence of previous financial difficulties. As at 31 December, the exposure to credit risks for trade receivables by types of customers was as follows:

| | 2022 | 2021 |
|----------------------------|---------------------------|--------------------|
| Government entities* | 587,127,053 | 572,995,583 |
| Insurance companies | 110,431,314 | 73,006,902 |
| Corporates and individuals | 43,420,690 | 41,784,649 |
| | <u>740,979,057</u> | <u>687,787,134</u> |

*The balance due from government entities as at 31 December 2022, include Saudi Riyals 473.9 million receivable from GOSI, a related party and ultimate shareholder (2021: Saudi Riyals 464.5 million). Also see note 21.

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 Insurance Companies, Government related entities and corporate customers. 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.

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Simplified approach for estimating ECL:

The Company establishes ECL allowance that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of recovery statistics for similar financial assets.

The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. At 31 December 2022, 64% of accounts receivables was due from GOSI (2021: 67% of accounts receivables were due from GOSI). Management believes that this concentration of credit risk is mitigated considering the nature of relationship of GOSI with the Company. Further, GOSI has established track record of regular and timely payments. ECL allowance against such receivable balance is immaterial.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

While amounts due from related parties and balances with banks are also subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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 organizing the collection and disbursement systems in such a way as to maximize 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 sales and services generally require amounts to be paid within 90 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

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The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

| | Less than a year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
|--------------------------|-------------------------|---------------------|---------------------|---------------------|--------------------|
| 2022 | | | | | |
| Borrowings | 5,942,174 | 5,942,174 | 17,826,523 | 53,479,568 | 83,190,439 |
| Trade and other payables | 179,179,218 | - | - | - | 179,179,218 |
| | 185,121,392 | 5,942,174 | 17,826,523 | 53,479,568 | 262,369,657 |
| | | | | | |
| | Less than a year | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
| 2021 | | | | | |
| Borrowings | 5,942,174 | 5,942,174 | 17,826,522 | 59,421,744 | 89,132,614 |
| Trade and other payables | 165,380,449 | - | - | - | 165,380,449 |
| | 171,322,623 | 5,942,174 | 17,826,522 | 59,421,744 | 254,513,063 |

The financial assets and non-financial assets and liabilities are expected to be realised/settled within twelve months, unless otherwise specified.

22.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2022 and 2021 were as follows:

| | 2022 | 2021 |
|---------------------------------|---------------|---------------|
| Borrowings | 83,190,439 | 89,132,614 |
| Less: cash and cash equivalents | (329,213,441) | (374,959,655) |
| Net debt | (246,023,002) | (285,827,041) |
| Total equity | 1,263,588,619 | 1,124,274,578 |
| Total capital | 1,017,565,617 | 838,447,537 |
| Gearing ratio | -24.2% | -34.1% |

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22.3 Net debt reconciliation

The net debt of the Company is as follows:

| | 2022 | 2021 |
|---------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents | (329,213,441) | (374,959,655) |
| Borrowings | 83,190,439 | 89,132,614 |
| Net debt | <u>(246,023,002)</u> | <u>(285,827,041)</u> |

The Company's net debt reconciliation is as follows:

| | Cash and cash equivalents | Borrowings | Total |
|-------------------------|----------------------------------|--------------------------|-----------------------------|
| 1 January 2021 | (372,672,212) | 95,074,788 | (277,597,424) |
| Cashflows | (2,287,443) | (5,942,174) | (8,229,617) |
| 31 December 2021 | <u>(374,959,655)</u> | <u>89,132,614</u> | <u>(285,827,041)</u> |
| Cashflows | 45,746,214 | (5,942,175) | 39,804,039 |
| 31 December 2022 | <u>(329,213,441)</u> | <u>83,190,439</u> | <u>(246,023,002)</u> |

22.4 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

As at 31 December 2022 and 2021, the face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

23 Financial instruments

(a) Categories of financial instruments

The Company's financial instruments were classified into the following measurement categories:

| | At amortised cost | |
|---|---------------------------|---------------------------|
| | 2022 | 2021 |
| Assets as per statement of financial position | | |
| Trade and other receivables | 670,464,357 | 615,873,033 |
| Cash and cash equivalents | 329,213,441 | 374,959,655 |
| Total | <u>999,677,798</u> | <u>990,832,688</u> |
| | | |
| | At amortised cost | |
| | 2022 | 2021 |
| Liabilities as per statement of financial position | | |
| Trade and other payables | 179,179,218 | 165,380,449 |
| Borrowings | 83,190,439 | 89,132,614 |
| Total | <u>262,369,657</u> | <u>254,513,063</u> |

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At 31 December 2022, for the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 13.6 million and Saudi Riyals 10.3 million, respectively (2021: Saudi Riyals 32.1 million and Saudi Riyals 9.8 million, respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

(b) Credit quality of financial assets

As per the credit policy of the Company, customers are extended a credit period of up to 90 days in the normal course of business. The credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and management's trade experience. External ratings generally are not available in the environment in which the Company operates.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivable - Counterparties without external credit rating

| | 2022 | 2021 |
|-------------------|--------------------|-------------|
| Not due | 248,269,041 | 190,648,413 |
| Due above 90 days | 492,710,016 | 497,138,721 |
| Total | 740,979,057 | 687,787,134 |

Cash at bank

The Company generally deals with banks that have a minimum rating of P-2. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

24 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

| | Year ended 31 December | |
|---|-------------------------------|-------------|
| | 2022 | 2021 |
| Profit attributable to the shareholders of the Company | 170,074,845 | 136,356,673 |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 44,850,000 | 44,850,000 |
| Basic and diluted earnings per share | 3.79 | 3.04 |

25 Dividends

On 16 Shawwal 1443 H (17 May 2022) the shareholders in their Extraordinary General Assembly Meeting approved dividends of Saudi Riyals 44.9 million (Saudi Riyal 1.00 per share) for the year ended 31 December 2021 which was paid during 2022 (2021: Saudi Riyals 44.9 million approved and paid).

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26 Contingencies and commitments

- (i) At 31 December 2022, the Company was contingently liable for bank guarantees issued in the normal course of business amounting to Saudi Riyals 53.1 million (2021: Saudi Riyals 43.4 million).
- (ii) There are various ongoing legal cases filed against the Company by former employees and third parties. The management of the Company has recorded appropriate provision based on the expected outcomes of such cases and believes that such cases would be resolved without any material impact on the financial statements of the Company.
- (iii) The capital expenditure contracted by the Company as at 31 December 2022 was approximately Saudi Riyals 53.2 million (2021: Saudi Riyals 9.9 million).

27 Subsequent events

Subsequent to 31 December 2022 the Company entered into a share-purchase agreement (the "Agreement") to acquire entire share capital of Jiwar Medical Services Company for a consideration of Saudi Riyals 65.0 million, subject to customary purchase price adjustments made in light of the completion accounts under the Agreement.

28 Comparative figures

During the year, the Company performed an exercise to determine if the presentation of the financial statements is in accordance with IAS 1 "Presentation of financial statements". This exercise resulted in reclassification of certain line items in the financial statements. The comparative figures have been reclassified in order to conform with the presentation for the current year. Such reclassifications have been made by the Company to improve the quality of information presented.

The following reclassification relate to the year ended 31 December 2021:

- Charge for expected credit loss allowance amounting to Saudi Riyals 9.9 million previously included in 'selling and distribution expenses' is now presented under 'expected credit loss allowance;' as a separate line item in the profit or loss;
- Reversal for expected credit loss allowance amounting to Saudi Riyals 0.9 million previously included in 'other operating income' is included under the 'expected credit loss allowance' line item in the profit or loss; and
- Allowance for medical rejections amounting to Saudi Riyals 56.2 million previously presented as 'adjustment for non-cash items' in the statement of cash flows has been adjusted. Such adjustment does not have any impact on 'cash inflow from operating activities'.