NATIONAL MEDICAL CARE COMPANY
(SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 AND
INDEPENDENT AUDITOR'S REPORT

National Medical Care Company
(Saudi Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
National Medical Care Company
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of National Medical Care Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing 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 are independent of the Company in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter
The financial statements of the Company for the year ended 31 December 2020 have been audited by another auditor who expressed an unmodified opinion on those financial statements on 9 Sha'ban 1442H (corresponding to 22 March 2021).

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
During the year ended 31 December 2021, the Company recognized revenue of SR 845 million. The Company recognizes revenue upon satisfaction of performance obligations attached to medical and related services at the fair value of consideration received or receivable, net of variable consideration. Certain contracts with customers include variable considerations in the form of prompt payment discount, medical rejection by insurance companies or any expected discounts for some of the services provided. Significant accounting judgments, estimates and assumptions are made by the management to determine the variable consideration. Revenue recognition is considered as a key audit matter due to the existence of risks associated with the amount of revenues related to the controls and judgments that mainly depend on management's estimates when the amount of revenue is recognized. *Refer to note 3.1 for the accounting policy related to revenue recognition and note 4.1 for estimates and assumption used in revenue recognition.*	Our audit procedures included, among others, the following: • Assessed the appropriateness of the Company's revenue recognition. • Obtained an understanding of, evaluated the design of the operating effectiveness of controls over the revenue recognition. • Assessed the appropriateness of significant accounting judgments, estimates and assumptions made by the management to determine the variable consideration. Performed tests (on a sample basis) on patient services provided, settlements, claims and collections made with major customers of the Company. • Evaluated the discounts for the key customers, by re-calculating the discounts awarded based on the contractual terms. • Evaluated the method of variable consideration calculation related to rejections for sample of Governmental customers. • Performed analytical review on revenue based on trends of monthly sales and profit margins. • Assessed the adequacy of relevant disclosures in the financial statements.
Expected credit losses	
As of 31 December 2021, the carrying value of trade receivables amounted to SR 606.5 million and the allowance for expected credit losses amounted SR 81.2 million. The Company assesses at each reporting period whether the financial assets carried at amortized cost are credit-impaired. The Company's management has applied simplified credit loss model to determine the allowance for impairment of trade receivables. The expected credit loss model involves the use of various assumptions, macro-economic factors, and the study of historical trends relating to Company's trade receivable collection experience. *Refer to note 3.7 for the accounting policy related to financial instruments and note 4.1 for estimates and assumption used in allowance for expected credit losses.*	Our audit procedures included, among others, the following: • Tested a sample of data used in the expected credit loss model to the underlying accounting records. • Evaluated the ECL model calculations, agreed the data inputs and checked the mathematical accuracy of the calculations. • Compared the Company's definition of default, as outlined in the accounting policy against the definition that Company uses for credit risk management. • Assessed the adequacy of relevant disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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 endorsed by SOCPA and Regulation for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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, board of directors are responsible for overseeing the Company's financial reporting process.

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 skepticism 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on: 27 Rajab 1443 (H)
Corresponding to: 28 February 2022 (G)

National Medical Care Company
(Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	*31 December 2021 SR*	*31 December 2020 SR*
Assets			
Non-current assets			
Property and equipment	6	**483,162,527**	494,529,809
Intangible assets	7	**7,481,659**	5,398,589
Total non-current assets		**490,644,186**	499,928,398
Current assets			
Inventories	8	**45,858,628**	45,849,105
Trade receivables, prepayments, and others	9	**647,958,301**	514,176,599
Cash and cash equivalents	10	**374,959,655**	372,672,212
Total current assets		**1,068,776,584**	932,697,916
Total assets		**1,559,420,770**	1,432,626,314
Equity and liabilities			
Equity			
Share capital	11	**448,500,000**	448,500,000
Statutory reserve	12	**186,021,947**	186,021,947
Retained earnings		**489,752,631**	402,426,984
Total equity		**1,124,274,578**	1,036,948,931
Liabilities			
Non-current liabilities			
Long-term loan	14	**83,190,440**	89,132,614
Employees' end-of-service benefits	15	**97,528,443**	92,667,784
Total non-current liabilities		**180,718,883**	181,800,398
Current liabilities			
Trade payables, accruals, and others	16	**175,147,200**	150,718,185
Current portion of long-term loan	14	**5,942,174**	5,942,174
Zakat provision	17	**73,337,935**	57,216,626
Total current liabilities		**254,427,309**	213,876,985
Total liabilities		**435,146,192**	395,677,383
Total equity and liabilities		**1,559,420,770**	1,432,626,314

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

The accompanying notes 1 to 30 form an integral part of these financial statements.

National Medical Care Company
(Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	***31 December 2021 SR***	*31 December 2020 SR*
Revenue	19	**845,380,520**	808,953,117
Cost of revenue		**(598,911,021)**	(585,072,241)
Gross profit		**246,469,499**	223,880,876
Selling and marketing expenses	20	**(11,983,783)**	(42,359,708)
General and administrative expenses	21	**(79,201,012)**	(67,408,460)
Operating income		**155,284,704**	114,112,708
Other income, net	22	**9,116,967**	9,184,230
Income before zakat		**164,401,671**	123,296,938
Zakat	17	**(28,044,998)**	(26,027,938)
Income for the year		**136,356,673**	97,269,000
Other comprehensive loss for the year:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of employees' end-of-service benefits obligation	15	**(4,181,026)**	(3,510,603)
Total comprehensive income for the year		**132,175,647**	93,758,397
Earnings per share:			
Basic and diluted earnings per share	23	**3.04**	2.17

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

The accompanying notes 1 to 30 form an integral part of these financial statements.

National Medical Care Company
(Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital ***SR***	***Statutory reserve*** ***SR***	***Retained earnings*** ***SR***	***Total*** ***SR***
As at 1 January 2021	**448,500,000**	**186,021,947**	**402,426,984**	**1,036,948,931**
Income for the year	-	-	**136,356,673**	**136,356,673**
Other comprehensive loss	-	-	**(4,181,026)**	**(4,181,026)**
Total comprehensive income	-	-	**132,175,647**	**132,175,647**
Dividends (note 13)	-	-	**(44,850,000)**	**(44,850,000)**
As at 31 December 2021	**448,500,000**	**186,021,947**	**489,752,631**	**1,124,274,578**
As at 1 January 2020	448,500,000	186,021,947	398,368,587	1,032,890,534
Income for the year	-	-	97,269,000	97,269,000
Other comprehensive loss	-	-	(3,510,603)	(3,510,603)
Total comprehensive income	-	-	93,758,397	93,758,397
Dividends (note 13)	-	-	(89,700,000)	(89,700,000)
As at 31 December 2020	448,500,000	186,021,947	402,426,984	1,036,948,931

Chairman
Saad Abdulmohsen Alfadly

Chief Executive Officer
Abdulaziz Alobaid

Chief Financial Officer
Jahanzeb Ahmed Khan

National Medical Care Company
(Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	*31 December 2021 SR*	*31 December 2020 SR*
CASH FLOW FROM OPERATING ACTIVITIES			
Income before zakat		**164,401,671**	123,296,938
Adjustments for non-cash items:			
Depreciation of property and equipment	6	**47,005,683**	55,318,831
Amortisation of intangible assets	7	**3,151,268**	883,438
(Gain)/ loss on disposal of property and equipment		**(150,136)**	106,553
Allowance for expected medical rejections	9(d)	**56,185,399**	41,757,232
Allowance for expected credit losses	9(e)	**9,180,034**	41,366,007
Allowance for slow moving inventories	8	**-**	1,431,060
Provision of employees' defined benefit liabilities	15	**15,959,392**	15,560,317
		295,733,311	279,720,376
Changes in operating assets and liabilities:			
Trade receivables, prepayments and others		**(199,147,135)**	(210,693,907)
Inventories		**(9,523)**	4,558,780
Trade payables, accruals and others		**24,429,015**	58,005,930
Net cash from operations		**121,005,668**	131,591,179
Zakat paid	17	**(11,923,689)**	(13,323,461)
Employees' end-of-service benefits paid	15	**(15,279,759)**	(11,551,806)
Net cash from operating activities		**93,802,220**	106,715,912
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property and equipment	6	**(35,688,875)**	(13,536,106)
Proceeds from disposal of property and equipment		**200,610**	117,416
Additions to intangible assets	7	**(5,234,338)**	(4,684,742)
Net cash used in investing activities		**(40,722,603)**	(18,103,432)
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term loan paid		**(5,942,174)**	(5,942,174)
Dividends paid	13	**(44,850,000)**	(89,664,004)
Net cash used in financing activities		**(50,792,174)**	(95,606,178)
Net change in cash and cash equivalents		**2,287,443**	(6,993,698)
Cash and cash equivalents at the beginning of the year	10	**372,672,212**	379,665,910
Cash and cash equivalents at the end of the year	10	**374,959,655**	372,672,212

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

The accompanying notes 1 to 30 form an integral part of these financial statements.

1. CORPORATE INFORMATION AND ACTIVITIES

National Medical Care Company (the "Company") is a Saudi Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010194785 dated 9 Muharram 1425 (H) (corresponding to 29 February 2004).

The Company carries out its activities through the following branches:

- Riyadh Care Hospital under commercial registration No. 1010195325 dated 22 Muharram 1425 (H) (corresponding to 14 March 2004).
- National Hospital under commercial registration No. 1010195327 dated 22 Muharram 1425 (H) (corresponding to 14 March 2004).
- Care Company for Pharmaceutical and Medical Distribution under commercial registration No. 1010301247 dated 14 Safar 1432 (H) (corresponding to 19 January 2011).
- Family Health Care Center under commercial registration No. 1010397064 dated 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.

The Company is subsidiary of Saudi Medical Care Group Company (the "Parent") which owns 49.2% of the Company's shares, while the remaining shares, which represent 50.8%, are publicly owned by several shareholders with less than 5% ownership each.

The registered office is located at Arrayyan District, P.O. Box 29393, Riyadh 11457, Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

The financial statements of the Company as at and for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

The financial statements have been prepared on a historical cost basis following the accrual basis of accounting, except for employees' end of service benefits which have been measured at the present value of future obligations using Projected Unit Credit Method.

These financial statements have been presented in Saudi Riyals ("SR"), which is the functional currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Revenue recognition (continued)

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

Sale of goods
The sales from medicine, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net of any discount or rebates and expected rejections by the insurance companies (if applicable) at the time of delivery of goods to the patients.

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

Others
All other revenues are recognized on an accrual basis.

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

3.2 Foreign currencies

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

3.3 Property and equipment

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

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

Category of property and equipment	***Useful lives***
Buildings and leasehold improvements	10-33
Medical and general equipment	6-7
Motor vehicles and ambulances	4
Furniture and office equipment	6-7
Computer’s hardware	3

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property and equipment (continued)

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

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

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

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

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

3.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalised and the related expenditure is reflected in statement of profit and loss and other comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The following useful lives have been determined for intangible assets:

Category of intangible assets	***Useful lives***
Licenses	3 years
Software	3 years

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 amortisation period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the statement of profit and loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss and other comprehensive income when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment of non-financial assets

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

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

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

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

Impairment losses of continuing operations are recognized in the statement of profit and loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU'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 recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised as income immediately in the statement of profit and loss and other comprehensive income.

3.6 Borrowing costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments

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

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

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

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

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

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

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

De-recognition
A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Company has transferred substantially all the risks and rewards of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments (continued)

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

Impairment

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

The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

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

3.8 Cash and cash equivalents

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

3.9 Inventories

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

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

3.10 Provisions

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

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

3.11 Contingent assets and liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Employees' end-of-service benefits

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

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

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

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Company recognizes the following changes in the defined benefit obligation in the profit or loss:

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

3.13 Zakat and Value Added Tax (VAT)

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the profit or loss. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted. In 2021, GAZT became part of newly formed Zakat, Tax and Customs Authority ("ZATCA").

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 **Application of new and revised International Financial Reporting Standards (IFRS)**

New standards, interpretations and amendments adopted from 1 January 2021

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 but they had no material impact on these financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

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

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

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

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

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

3.15 Standards and interpretations issued but not yet effective

The Company has not yet applied the following new and revised standards that have been issued but are not yet effective:

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

4.1 Estimates and assumptions

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

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

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

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

- *Satisfaction of performance obligations*

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

- *Determination of transaction prices*

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

- *Transfer of control in contracts with customers*

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

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

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

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

4.1 Estimates and assumptions (continued)

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

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

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

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

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

5. SEGMENT INFORMATION

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

6. PROPERTY AND EQUIPMENT

	Lands *SR*	*Buildings and leasehold improvements* *SR*	*Medical and general equipment* *SR*	*Motor vehicles and ambulances* *SR*	*Furniture and office equipment* *SR*	*Computer hardware* *SR*	*Capital work-in-progress* *SR*	*Total* *SR*
Cost:								
At 1 January 2021	**58,780,660**	**760,263,120**	**362,459,895**	**8,263,648**	**26,115,112**	**27,231,893**	**250,219**	**1,243,364,547**
Additions	**3,501,057**	**1,914,302**	**23,164,892**	**-**	**505,027**	**2,261,137**	**4,342,460**	**35,688,875**
Disposals/transfers	**-**	**(5,000)**	**(19,897,707)**	**(495,275)**	**(790,242)**	**(98,013)**	**-**	**(21,286,237)**
At 31 December 2021	**62,281,717**	**762,172,422**	**365,727,080**	**7,768,373**	**25,829,897**	**29,395,017**	**4,592,679**	**1,257,767,185**
Accumulated depreciation:								
At 1 January 2021	**-**	**377,585,484**	**316,856,402**	**7,719,664**	**23,435,174**	**23,238,014**	**-**	**748,834,738**
Depreciation charge for the year	**-**	**21,376,697**	**21,376,383**	**216,207**	**1,314,092**	**2,722,304**	**-**	**47,005,683**
Relating to disposals/transfers	**-**	**(3,828)**	**(19,950,988)**	**(480,710)**	**(702,231)**	**(98,006)**	**-**	**(21,235,763)**
At 31 December 2021	**-**	**398,958,353**	**318,281,797**	**7,455,161**	**24,047,035**	**25,862,312**	**-**	**774,604,658**
Net book value:								
At 31 December 2021	**62,281,717**	**363,214,070**	**47,445,283**	**313,212**	**1,782,862**	**3,532,704**	**4,592,680**	**483,162,527**

a) Property and equipment include land and buildings amounting to SR 315 million (2020: SR 326 million) pledged against the loan obtained from the Ministry of Finance (note 14).

b) Additions to capital work-in-progress of SR 4,342,460 (2020: SR 250,219) mainly represents renovation and expansion of RCH building project.

6. PROPERTY AND EQUIPMENT (continued)

	Lands	*Buildings and leasehold improvements*	*Medical and general equipment*	*Motor vehicles and ambulances*	*Furniture and office equipment*	*Computer hardware*	*Capital work-in-progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:								
At 1 January 2020	58,780,660	760,268,169	358,296,309	8,143,003	26,660,453	25,587,988	-	1,237,736,582
Additions	-	-	10,957,252	414,445	169,435	1,744,755	250,219	13,536,106
Disposals/transfers	-	(5,049)	(6,793,666)	(293,800)	(714,776)	(100,850)	-	(7,908,141)
At 31 December 2020	58,780,660	760,263,120	362,459,895	8,263,648	26,115,112	27,231,893	250,219	1,243,364,547
Accumulated depreciation:								
At 1 January 2020	-	355,993,360	295,405,628	7,680,763	21,284,978	20,835,350	-	701,200,079
Depreciation charge for the year	-	21,597,171	28,197,650	310,024	2,710,488	2,503,498	-	55,318,831
Relating to disposals/transfers	-	(5,047)	(6,746,876)	(271,123)	(560,292)	(100,834)	-	(7,684,172)
At 31 December 2020	-	377,585,484	316,856,402	7,719,664	23,435,174	23,238,014	-	748,834,738
Net book value:								
At 31 December 2020	58,780,660	382,677,636	45,603,493	543,984	2,679,938	3,993,879	250,219	494,529,809

6. PROPERTY AND EQUIPMENT (continued)

The depreciation charge has been allocated in the statement of profit and loss and other comprehensive income as follows:

	31 December 2021 SR	*31 December 2020 SR*
Cost of revenue	**36,495,861**	43,102,677
General and administrative expenses (note 21)	**10,509,822**	12,216,154
	47,005,683	55,318,831

7. INTANGIBLE ASSETS

	31 December 2021 SR	*31 December 2020 SR*
Cost:		
Balance as at 1 January	**8,710,362**	4,025,620
Additions (see note 7.1)	**5,234,338**	4,684,742
Balance as at 31 December	**13,944,700**	8,710,362
Accumulated amortisation:		
Balance as at 1 January	**3,311,773**	2,428,335
Amortisation charge for the year (note 21)	**3,151,268**	883,438
Balance as at 31 December	**6,463,041**	3,311,773
Net book value:		
Balance as at 31 December	**7,481,659**	5,398,589

7.1 Additions during the year amounting to SR 5.2 million represents mainly PACS SYSTEM (2020: SR 4.6 million represents mainly IP wireless solutions) installed during the year relating to one of the hospitals.

8. INVENTORIES

	31 December 2021 SR	*31 December 2020 SR*
Pharmaceuticals	**27,264,149**	24,890,428
Medical supplies	**18,966,209**	21,247,935
Consumables and cleaning materials	**1,333,974**	1,446,609
	47,564,332	47,584,972
Less: allowance for slow moving inventories	**(1,705,704)**	(1,735,867)
	45,858,628	45,849,105

8. INVENTORIES (continued)

The movement of allowance for inventories is as follows:

	31 December 2021 SR	*31 December 2020 SR*
Balance as at 1 January	**1,735,867**	1,131,274
Charge for the year	**-**	1,431,060
Written-off during the year	**(30,163)**	(826,467)
Balance as at 31 December	**1,705,704**	1,735,867

Cost of inventories recognized in profit or loss for the year ended 31 December 2021 amounted to SR 156 million (2020: SR 116 million).

9. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS

	31 December 2021 SR	*31 December 2020 SR*
Trade receivables	**286,771,028**	397,792,724
Due from a related party - trade receivables (note 18)	**517,491,787**	323,541,288
Gross trade receivables	**804,262,815**	721,334,012
Allowance for expected medical rejections	**(116,475,681)**	(125,733,930)
	687,787,134	595,600,082
Less:		
Allowance for expected credit losses	**(81,260,957)**	(112,774,211)
Net trade receivables	**606,526,177**	482,825,871
Letters of guarantee margin	**27,121,670**	15,526,518
Advances to suppliers	**4,244,414**	7,776,955
Prepaid expenses	**4,963,598**	3,581,308
Others	**5,102,442**	4,465,947
	647,958,301	514,176,599

9. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS (continued)

Terms and conditions:

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

a) As of 31 December 2021, the amounts due from governmental and semi-governmental entities represent 81% of total trade receivables and due from related parties (2020: 79%). Normally such entities are granted extended credit terms compare to other customers.

b) The three-year contract with General Organization for Social Insurance (indirect shareholder) for occupational hazard was due to expire on 31 December 2020. The Company received notification on that date for the extension of the contract for a period of three months ending on 31 March 2021. The negotiations to renew the contract are currently ongoing. The contract gave exclusive rights to the Company to treat occupational injuries in its facilities within the Riyadh region.

c) Letters of guarantee represent margins given for the performance guarantees issued to governmental entities and addition during the year represents margins given on additional performance guarantees issued against renewal of a contract (note 24).

d) The movement in the expected medical rejections is as follows:

	31 December 2021 SR	*31 December 2020 SR*
Balance as at 1 January	**125,733,930**	107,586,375
Charge for the year	**56,185,399**	41,757,232
Utilized / reversed during the year	**(16,129,187)**	-
Written-off during the year	**(49,314,461)**	(23,609,677)
Balance as at 31 December	**116,475,681**	125,733,930

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

	31 December 2021 SR	*31 December 2020 SR*
Balance as at 1 January	**112,774,211**	73,053,014
Charge for the year (note 20)	**9,180,034**	41,366,007
Utilized / reversed during the year	**(931,418)**	-
Written-off during the year	**(39,761,870)**	(1,644,810)
Balance as at 31 December	**81,260,957**	112,774,211

9. TRADE RECEIVABLES, PREPAYMENTS AND OTHERS (continued)

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

	Total SR	*Less than one year SR*	*Greater than one year SR*
31 December 2021	**804,262,815**	**472,000,939**	**332,261,876**
31 December 2020	721,334,012	431,740,610	289,593,402

10. CASH AND CASH EQUIVALENTS

	31 December 2021 SR	*31 December 2020 SR*
Cash on hand	**443,425**	263,876
Cash at bank	**374,516,230**	172,408,336
Short-term deposits (see note a below)	**-**	200,000,000
	374,959,655	372,672,212

a) Short-term bank deposits represent time deposits with local banks during last year with original maturities of less than three months. An average rate of commission for deposits outstanding at 31 December 2020 amounted to 0.65% per annum.

11. ISSUED AND PAID-UP SHARE CAPITAL

The Company's authorised, issued and paid-up share capital comprise of 44,850,000 shares (2020: 44,850,000 shares) of SR 10 each (2020: SR 10 each) amounting to SR 448,500,000 (2020: SR 448,500,000).

12. STATUTORY RESERVE

In accordance with Saudi Regulations for Companies and the Company's bylaws, the Company is establishing the statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to at least 30% of share capital. No transfer to statutory reserve was made during 2021 and 2020 as the statutory reserve balance has exceeded 30% of the share capital. This statutory reserve is not available for distribution to shareholders currently.

13. DIVIDEND DISTRIBUTION

The Board of Directors in their meeting held on 15 Sha'ban 1442H (corresponding to 24 March 2021) proposed dividends of SR 1.00 per share totalling to SR 44,850,000 for the year ended 31 December 2020, which was approved in the Company's general assembly meeting held on 16 Shawwal 1442H (corresponding to 27 May 2021).

The Board of Directors in their meeting held on 29 Jumada Al-Ula 1441H (corresponding to 24 January 2020) proposed dividend of SR 2 per share totalling to SR 89,700,000 for the year ended 31 December 2019 which was approved at the General Assembly meeting held on 22 Sha'ban 1441H (corresponding to 15 April 2020).

14. LONG TERM LOAN

Aggregate maturities of loan from Ministry of Finance are as follows:

	31 December 2021 SR	*31 December 2020 SR*
Within one year – current portion	**5,942,174**	5,942,174
One to five years	**23,768,696**	23,768,696
More than five years	**59,421,744**	65,363,918
Long term loan- non-current portion	**83,190,440**	89,132,614
Total long term loan	**89,132,614**	95,074,788

On 10 December 2012, the Company signed a loan agreement with the Ministry of Finance to fund the construction work under progress amounting to SR 154,112,000. The Company was able to utilize only SR 118,843,485 during 2013 and 2015. The loan is payable in 20 equal annual instalments with the first instalment due after 5 years of the contract date. The first instalment became due on 11 October 2017. The loan is interest free and is secured by the Company's collateralised land and buildings (note 6).

On transition (effective from 1 January 2018) from Generally Accepted Accounting Standards issued by SOCPA to IFRS as endorsed in KSA, 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.

15. EMPLOYEES’ END-OF-SERVICE BENEFITS

	31 December 2021 SR	*31 December 2020 SR*
Balance as at 1 January	**92,667,784**	85,148,670
Service and interest cost	**15,959,392**	15,560,317
Paid during the year	**(15,279,759)**	(11,551,806)
Actuarial loss on the defined benefit obligation recognized in other comprehensive income	**4,181,026**	3,510,603
Balance as at 31 December	**97,528,443**	92,667,784

15. EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

The principal actuarial assumptions used to calculate the present value of the liability for employees' end of service indemnities are as follows:

	31 December 2021	*31 December 2020*
Discount factor	**2.58%**	2.06%
Expected salary growth	**2.50%**	2.25%
Expected growth of benefits paid	**11.35%**	11.35%

The sensitivity analysis on the balance of the liability for end of service indemnities for the change, main assumptions while maintaining the other assumptions at the reporting date is as follows:

	Increase / (Decrease)	***31 December 2021***	*31 December 2020*
Discount factor	+1%	**90,833,228**	86,218,405
	-1%	**105,231,212**	100,107,372
Expected salary growth	+1%	**105,669,422**	100,503,090
	-1%	**90,322,898**	85,747,903
Expected growth of benefits paid	+10%	**96,579,708**	91,612,765
	-10%	**98,541,609**	93,806,896

16. TRADE PAYABLES, ACCRUALS AND OTHERS

	31 December 2021 SR	*31 December 2020 SR*
Trade payables	**46,845,201**	39,379,795
Accrued expenses	**69,254,124**	57,844,330
Employees' related accruals	**45,216,675**	42,982,530
VAT payable	**9,766,751**	6,597,443
Others	**4,064,449**	3,914,087
	175,147,200	150,718,185

Terms and conditions:

Trade payables and other payables are non-interest bearing and have a term of two to four months.

17. ZAKAT PROVISION

The Company's Zakat charge for the year ended 31 December 2021 amounted to SR 28,044,998 (2020: SR 26,027,938) which is charged to profit or loss in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations.

	31 December 2021 SR	*31 December 2020 SR*
Shareholders' equity	**992,098,932**	943,190,534
Non-current assets	**(490,644,186)**	(499,928,398)
Non-current liabilities	**350,090,974**	360,326,244
Adjusted net income	**245,726,496**	210,303,584
	1,097,272,216	1,013,891,964

a). Zakat provision

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

	31 December 2021 SR	*31 December 2020 SR*
Balance as at 1 January	**57,216,626**	44,512,149
Charge for the year	**28,044,998**	26,027,938
Paid during the year	**(11,923,689)**	(13,323,461)
Balance as at 31 December	**73,337,935**	57,216,626

b. Zakat status

The Company has filed its zakat returns with the Zakat, Tax and Customs Authority ("ZATCA") and received the zakat certificates up to 31 December 2020. The Company received final zakat assessments up to the year 2014. The Company is currently conducting assessment procedures for the years 2015 to 2020, however, final assessments for these years have not been issued.

18. RELATED PARTY DISCLOSURES

The Company in the normal course of business carries on business with other enterprises that fall within the definition of a related party contained in IFRS. The Company's related parties represent, major shareholders, directors and key management personnel of the Company, or significantly influenced by such parties and, businesses which are controlled directly or indirectly or influenced by the shareholders, directors, key management personnel. Pricing policies and terms of these transactions are approved by the Company's management.

a) Related party transactions

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

	Relation	*Nature of transaction*	***31 December 2021 SR***	*31 December 2020 SR*
General Organization for Social Insurance ("GOSI")	Indirect shareholder	Revenue from medical service	**283,776,413**	268,015,254
Drager Arabian Company Ltd.	Owned by a shareholder	Purchases	**1,157,504**	173,352

b) Related party balances

	Relation	***31 December 2021 SR***	*31 December 2020 SR*
Due from a related party:			
General Organization for Social Insurance (note 9)	Indirect shareholder	**517,491,787**	323,541,288
Due to a related party:			
Drager Arabian Company Ltd.	Owned by a shareholder	**19,464**	17,311

c) Compensation of key management personnel of the Company

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

	31 December 2021 SR	*31 December 2020 SR*
Short-term benefits	**11,634,437**	10,294,953
BOD remuneration, attendance allowance and committee's remuneration	**3,029,000**	2,767,000
Post-employment benefits	**375,618**	338,446
	15,039,055	13,400,399

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

18. RELATED PARTY DISCLOSURES (continued)

d) Terms and conditions of transactions with related parties

The transactions with related parties are at terms as agreed by the management. Outstanding balances as at 31 December 2021 and 31 December 2020 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 year and prior year. The Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

19. REVENUE

	31 December 2021 SR	*31 December 2020 SR*
Revenue by category:		
Rendering of clinical services	**742,990,383**	715,480,996
Sale of medicines	**102,390,137**	93,472,121
	845,380,520	808,953,117

Company's revenues are recognised at a point in time.

20. SELLING AND MARKETING EXPENSES

	31 December 2021 SR	*31 December 2020 SR*
Allowance for expected credit losses (note 9)	**9,931,028**	41,366,007
Promotion expenses	**2,052,755**	993,701
	11,983,783	42,359,708

21. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2021 SR	*31 December 2020 SR*
Salaries and wages	**41,351,406**	31,930,613
Depreciation (note 6)	**10,509,822**	12,216,154
Professional fees	**6,143,311**	2,488,962
Office supplies	**5,637,324**	4,892,263
Board of Directors' remuneration	**3,029,000**	2,767,000
Repair and maintenance	**2,168,732**	2,706,748
Amortisation (note 7)	**3,151,268**	883,438
Security expenses	**1,193,284**	1,095,216
Others	**6,016,865**	8,428,066
	79,201,012	67,408,460

22. OTHER INCOME, NET

	31 December 2021 SR	*31 December 2020 SR*
Income from time deposits	**209,444**	3,374,011
Care academy	**3,513,299**	2,707,771
Rental income	**1,040,051**	1,251,127
Reversal of bad debt provisions	**931,417**	1,412,326
Others	**3,422,756**	438,995
	9,116,967	9,184,230

23. EARNINGS PER SHARE

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

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

Basic and diluted earnings per share from total income.

	31 December 2021 SR	*31 December 2020 SR*
Income for the year	**136,356,673**	97,269,000
Weighted average number of ordinary shares	**44,850,000**	44,850,000
Basic and diluted earnings per share	**3.04**	2.17

24. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Company has capital commitments resulting from the expansion and renovation of National Care Hospital as of 31 December as follows:

	31 December 2021 SR	*31 December 2020 SR*
Capital commitments	**9,927,546**	335,989

24. COMMITMENTS AND CONTINGENCIES (continued)

Letters of credit and guarantee
The Company has outstanding guarantees, as follows:

	31 December 2021 SR	*31 December 2020 SR*
Letters of guarantee	**16,278,742**	15,526,518

There are various legal cases filed against the Company by former employees and third parties, however, the outcome of these cases is not yet certain as most of the cases are under hearings. Information relating to the amounts of these claims and the provisions against them are not disclosed, as management believes this may prejudice the Company's position in litigation. However, the Company has made appropriate provisions for certain legal cases. Management is confident that the outcome of these cases will be in favour of the Company and provisions recognised in the financial statements are sufficient to cover the risks involved.

25. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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

25. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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

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

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

26. FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

	31 December 2021 SR	*31 December 2020 SR*
Financial assets at amortised cost:		
Trade receivables	**804,262,815**	721,334,012
Short-term deposits with banks	**-**	200,000,000
Cash at bank	**374,516,230**	172,408,336
Cash on hand	**443,425**	263,876
Letters of guarantee margin	**27,121,670**	15,526,518
Total financial assets	**1,206,344,140**	1,109,532,742

FINANCIAL LIABILITIES AT AMORTISED COST

	Effective interest rate	*Maturity*	***31 December 2021 SR***	*31 December 2020 SR*
Current interest-bearing liabilities:				
Current portion of long-term loan	Interest free	Less than 1 year	**5,942,174**	5,942,174
Trade payables, accruals and others	Interest free	Less than 1 year	**175,147,200**	150,718,185
Total financial liabilities- current			**181,089,374**	156,660,359
Non-current interest-bearing liabilities:				
Long term loan	Interest free	More than 1 year	**83,190,440**	89,132,614

26. FINANCIAL ASSETS AND LIABILITIES (continued)

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2021	***Cash flows***	***31 December 2021***
	SR	***SR***	***SR***
Long term loan	**95,074,788**	**(5,942,174)**	**89,132,614**

	1 January 2020	*Cash flows*	*31 December 2020*
	SR	*SR*	*SR*
Long term loan	101,016,962	(5,942,174)	95,074,788

RISK MANAGEMENT

The Company's principal financial liabilities mainly comprise long term loan, trade payables, advances from customers, amounts due to a related party, accrued expenses and other liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

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

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

Commission rate risk
Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Company is not exposed to commission rate risk as it does not carry any variable commission-bearing assets and liabilities.

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

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to 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.

26. FINANCIAL ASSETS AND LIABILITIES (continued)

RISK MANAGEMENT

Credit risk (continued)

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

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions.

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

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

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

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

The Company has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires 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 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

26. FINANCIAL ASSETS AND LIABILITIES (continued)

Risk management (continued)

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

As at 31 December 2021	*On demand* *SR*	*Within one year* *SR*	*One to five years* *SR*	*More than five years* *SR*	*Total* *SR*
Long term loans	**-**	**5,942,174**	**23,768,696**	**59,421,744**	**89,132,614**
Trade payables	**46,845,201**	**-**	**-**	**-**	**46,845,201**
Accruals and other liabilities	**128,301,999**	**-**	**-**	**-**	**128,301,999**
	175,147,200	**5,942,174**	**23,768,696**	**59,421,744**	**264,279,814**

As at 31 December 2020	*On demand* *SR*	*Within one year* *SR*	*One to five years* *SR*	*More than five years* *SR*	*Total* *SR*
Long term loans	-	5,942,174	23,768,696	65,363,918	95,074,788
Trade payables	39,379,795	-	-	-	39,379,795
Accruals and other liabilities	111,338,390	-	-	-	111,338,390
	150,718,185	5,942,174	23,768,696	65,363,918	245,792,973

27. CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

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

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

27. CAPITAL MANAGEMENT (continued)

	31 December 2021 SR	*31 December 2020 SR*
Long term loan	**89,132,614**	95,074,788
Employee's terminal benefits	**97,528,443**	92,667,784
Zakat provision	**73,337,935**	57,216,626
Less: Cash and cash equivalents	**(374,959,655)**	(372,672,212)
	(114,960,663)	(127,713,014)
Equity	**1,124,274,578**	1,036,948,931
Capital and net debt	**1,009,313,915**	909,235,917

28. SUBSEQUENT EVENTS

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

29. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The existence of novel coronavirus (COVID-19) was confirmed and characterized as a pandemic by the World Health Organisation (WHO) during March 2020 which since then caused disruption to business and economic activities around the globe. The government of Saudi Arabia is constantly monitoring and managing the spread of infection through various measure including implementation of travel bans, limiting large gatherings, mandating vaccinations, etc.

The extent to which the pandemic impacts Company's business and operations is ascertainable but the financial impact over the next 12 months cannot be measured reliably as it depends on various factors and future developments, that the Company may currently not be able to estimate reliably. These factors include virus transmission rate, duration of the outbreak or vaccination of significant percentage of population, advent of subsequent waves of the virus, etc. and the resulting precautionary actions that may be taken by the authorities to control spread of the virus and impact of such measures on economic activities and Company's customers.

Considering the challenges of the uncertainty around the extent and duration of business and economic impact, management is monitoring the situation with a continued focus on ensuring employees' and patient safety, sustainability of supply chain and maintenance of sufficient liquidity.

In view of the above, management has made certain estimates and assumptions and any future change in assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of assets or liabilities affected in the future years. As the situation continues to evolve, management will continue to assess the impact based on prospective developments.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the Board of Directors on 27 Rajab 1443H (corresponding to 28 February 2022).