SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
AND INDEPENDENT AUDITOR'S REPORT

SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
AND INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholders,

Scientific and Medical Equipment House Company

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements 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 Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for professional Accountants (including International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated 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.

Key Audit Matters

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

Independent Auditor's Report (Continued)

To the Shareholders,

Scientific and Medical Equipment House Company

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed during our audit
Revenue recognition As disclosed in the consolidated financial statements, the revenues for the year ended December 31, 2022 amounted to SR 714 million (2021: SR 699 million). We have identified revenue as a key audit matter because revenue is one of the Group's performance indicators and that gives rise to an inherent risk that revenue may be overreported to meet targets or expectations. Refer to note (2-27) for the summary of the significant accounting policies of revenue recognition and note (23) for related disclosures.	Our audit procedures in this area included, among other: - Assessed the appropriateness of the Group's revenue recognition accounting policy by considering the requirements of relevant international accounting standards. - Evaluated key contractual arrangements by considering relevant documentation and agreements with customers. - Assessed the design and implementation, and tested their effectiveness of the Group's controls, over the recognition of revenue as per the Group's policy. - Tested the supporting documents for a sample of the revenue transactions. - Selected a sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period. - Evaluated the adequacy of the disclosures in the Group's consolidated financial statements as per the relevant International Financial Reporting Standards.
Assessment of the expected credit losses provision As at December 31, 2022, the Group has recorded an expected credit losses (ECL) provision for trade receivables and contract assets amounting to SR 48.6 million (2021: SR 9.2 million). The provision for the expected credit losses in the trade receivables and contract assets depends on management's estimate of the lifetime expected credit losses that will be incurred, which is estimated by considering the history of credit losses, the ages of trade receivables, contract assets, payment history and the financial position of the trade receivables and	Our audit procedures included, among others: - Evaluating the appropriateness of applying the "expected credit losses" model prepared by the Group's management in accordance with the requirements of International Financial Reporting Standard No. (9) - Make an assessment, on a sample basis, of whether the items in the aging of trade receivables and contract assets report are categorized within the appropriate age category by comparing individual items in the report with the underlying documents, which included invoices for sales and services and delivery notes for goods and services;

Independent Auditor's Report (Continued)

To the Shareholders,

Scientific and Medical Equipment House Company

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed during our audit
Assessment of the expected credit losses provision (continued) assessing the current and expected general economic conditions. Which involves a high degree of management judgment. We identified the ECL provision as a key audit matter because recording the impairment is subjective in nature and requires significant management judgment, which increases the risk of error and potential management bias. Refer to significant accounting policies in note (2-11) for policies of recognizing impairment in the financial assets, and note (9) for more detail of related disclosures.	- Obtain an understanding of the key indicators and assumptions of the expected credit loss model applied by management, including historical default data and estimated loss rates from management; - Evaluate the reasonableness of ECL allowance estimates by checking the information used by management to form such judgments, including testing the accuracy of historical default data and assessing whether historical loss rates have been appropriately adjusted based on current economic conditions and forward-looking information; and - Assessment of the adequacy of the Group's disclosure regarding expected credit losses of the account receivables and contract assets and management's assessment of credit risk and its responses to these risks.

Other Information included on the Group's 2022 Annual Report

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. It is expected that the annual report to be available after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report (Continued)

To the Shareholders,

Scientific and Medical Equipment House Company

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (Continued)

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Continued)

To the Shareholders,

Scientific and Medical Equipment House Company

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

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

Baker Tilly MKM & Co.
Certified Public Accountants

بيكر تيلي م ك م وشركاه
محاسبون قانونيون
CPA
C.R: 1010428101 :س.ت
BAKER TILLY
M K M & CO.

Majed Moneer AlNemer
(License No. 381)
Riyadh on Ramadan 8, 1444H
Corresponding to March 30, 2023

SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY AND THE SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(SAUDI RIYAL)

	Notes	2022	2021
ASSETS			
Non-current assets			
Property and equipment	4	36,698,464	33,866,486
Right-of-use assets	5	20,545,054	9,948,826
Investment properties	6	31,918,144	32,263,943
Intangible Assets	7	3,693,434	-
Other non-current assets		-	70,523
Total non-current assets		92,855,096	76,149,778
Current assets			
Inventories	8	97,679,230	97,237,669
Trade receivables and contract assets	9	594,848,337	709,426,179
Prepayments and other debit balances	10	60,084,652	73,307,724
Capitalized contracts costs	11	12,241,632	12,141,128
Due from related parties	13-A	18,766,227	4,240,235
Cash and cash equivalents	12	54,558,170	45,322,900
Total current assets		838,178,248	941,675,835
TOTAL ASSETS		931,033,344	1,017,825,613
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	200,000,000	200,000,000
Statutory reserve	15	36,586,165	34,829,506
Retained earnings		233,786,599	238,628,179
Equity attributable to the shareholders of the Parent Company		470,372,764	473,457,685
Non-controlling interests	30	(1,744,361)	218,049
TOTAL EQUITY		468,628,403	473,675,734
LIABILITIES			
Non-current liabilities			
Employees' defined benefits obligations	17	63,610,909	56,804,434
Lease liabilities	18	10,606,791	5,770,811
Long-term borrowings	19	9,673,750	7,225,000
Total non-current liabilities		83,891,450	69,800,245
Current liabilities			
Lease liabilities – current portion	18	8,232,953	4,740,868
Long-term borrowings - current portion	19	163,750	500,000
Overdrafts	19	-	7,920,125
Notes payable	19	7,841,356	7,202,062
Short-term borrowings	19	170,038,472	232,884,177
Trade payables	20	68,490,730	60,148,074
Accrued expenses and other credit balances	21	107,794,566	143,450,242
Due to related parties	13-B	-	4,963,020
Contract liabilities	9-D	3,788,673	5,611,383
Zakat provision	22	12,162,991	6,929,683
Total current liabilities		378,513,491	474,349,634
TOTAL LIABILITIES		462,404,941	544,149,879
TOTAL EQUITY AND LIABILITIES		931,033,344	1,017,825,613

Charmain of Board of Director	**Chief Executives' Officer**	**Chief Financial Officer**
Mr. Basil Bin Saud Al-Arifi	Mr. Barakat Bin Saud Al-Arifi	Mr. Yasser Ahmed El-Safadi

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

SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYAL)

	Notes	2022	2021
Revenues	**23**	**713,821,099**	699,453,092
Cost of revenues	**24**	**(558,974,197)**	(546,469,519)
Gross profit		**154,846,902**	152,983,573
Selling and marketing expenses	**25**	**(10,264,703)**	(10,458,938)
General and administrative expenses	**26**	**(67,643,538)**	(54,634,283)
Expected credit losses provision	**9**	**(39,429,271)**	(4,466,877)
Operating profit		**37,509,390**	83,423,475
Finance cost	**27**	**(20,986,801)**	(13,980,454)
Other income, net	**28**	**11,216,539**	15,391,646
Profit before zakat		**27,739,128**	84,834,667
Zakat	**22**	**(12,123,195)**	(8,085,491)
Profit for the year		**15,615,933**	76,749,176
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments at fair value through OCI		-	744,694
Actuarial loss on employees' defined benefits obligations	**17**	**(663,264)**	(2,814,100)
Other comprehensive loss for the year		**(663,264)**	(2,069,406)
Total comprehensive income for the year		**14,952,669**	74,679,770
Profit for the year attributable to:			
Shareholders of the parent company		**17,566,594**	77,524,475
Non-controlling interests		**(1,950,661)**	(775,299)
		15,615,933	76,749,176
Total comprehensive income for the year attributable to:			
Shareholders of the parent company		**16,915,079**	75,455,933
Non-controlling interests	**30**	**(1,962,410)**	(776,163)
		14,952,669	74,679,770
Basic and diluted earnings per share	**29**	**0.88**	3.88

Charmain of Board of Director	**Chief Executives' Officer**	**Chief Financial Officer**
Mr. Basil Bin Saud Al-Arifi	Mr. Barakat Bin Saud Al-Arifi	Mr. Yasser Ahmed El-Safadi

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

SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYAL)

		Attributable to the shareholders of the Parent Company					Non-	
	Notes	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total	controlling interests	Total equity
As at January 1, 2021		200,000,000	27,077,058	936,706	199,987,988	428,001,752	1,950,118	429,951,870
Profit for the year		-	-	-	77,524,475	77,524,475	(775,299)	76,749,176
Other comprehensive loss		-	-	744,694	(2,813,236)	(2,068,542)	(864)	(2,069,406)
Total comprehensive income for the year		-	-	744,694	74,711,239	75,455,933	(776,163)	74,679,770
Dividends	16	-	-	-	(30,000,000)	(30,000,000)	-	(30,000,000)
Changes in non-controlling interests		-	-	-	-	-	(955,906)	(955,906)
Transfer on disposal of equity investment at fair value through OCI		-	-	(1,681,400)	1,681,400	-	-	-
As at December 31, 2021		200,000,000	34,829,506	-	238,628,179	473,457,685	218,049	473,675,734
As at January 1, 2022		**200,000,000**	**34,829,506**	-	**238,628,179**	**473,457,685**	**218,049**	**473,675,734**
Profit for the year		-	-	-	**17,566,594**	**17,566,594**	**(1,950,661)**	**15,615,933**
Other comprehensive loss		-	-	-	**(651,515)**	**(651,515)**	**(11,749)**	**(663,264)**
Total comprehensive income for the year		-	-	-	**16,915,079**	**16,915,079**	**(1,962,410)**	**14,952,669**
Dividends	16	-	-	-	**(20,000,000)**	**(20,000,000)**	-	**(20,000,000)**
Transfer to statutory reserve	15	-	**1,756,659**	-	**(1,756,659)**	-	-	-
As at December 31, 2022		**200,000,000**	**36,586,165**	-	**233,786,599**	**470,372,764**	**(1,744,361)**	**468,628,403**

Charmain of Board of Director
Mr. Basil Bin Saud Al-Arifi

Chief Executives' Officer
Mr. Barakat Bin Saud Al-Arifi

Chief Financial Officer
Mr. Yasser Ahmed El-Safadi

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

SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYAL)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat	**27,739,128**	84,834,667
Adjustments for non-cash items:		
Depreciation of property and equipment	**10,376,169**	8,734,771
Depreciation of investment properties	**345,799**	345,800
Depreciation of right-of-use assets	**6,295,527**	4,075,550
Expected credit losses provision	**39,429,271**	4,466,877
Provision of slow-moving inventories	**4,138,536**	1,220,714
Amortization of intangible assets	**833,271**	-
Gain on disposal of property and equipment	**(89,077)**	(217,775)
Finance cost	**20,986,801**	13,980,454
Employees' defined benefits cost	**11,003,714**	9,382,627
	121,059,139	126,823,685
Working capital changes:		
Trade receivables and contract assets	**75,148,571**	(222,150,922)
Inventories	**(4,580,097)**	(12,149,556)
Prepayments and other debit balances	**13,223,072**	(15,635,307)
Capitalized contracts costs	**(100,504)**	17,045,283
Trade payables	**8,342,656**	6,880,087
Accrued expenses and other credit balances	**(35,655,676)**	(2,378,410)
Contract liabilities	**(1,822,710)**	(1,355,054)
Due from / to related parties	**(19,489,012)**	46,486,389
	156,125,439	(56,433,805)
Employees' defined benefits obligations paid	**(6,199,010)**	(5,076,410)
Financing costs paid	**(19,023,835)**	(12,683,541)
Zakat paid	**(6,889,887)**	(10,528,826)
Net cash generated from / (used in) operating activities	**124,012,707**	(84,722,582)

Charmain of Board of Director	**Chief Executives' Officer**	**Chief Financial Officer**
Mr. Basil Bin Saud Al-Arifi	Mr. Barakat Bin Saud Al-Arifi	Mr. Yasser Ahmed El-Safadi

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

SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYAL)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(13,285,031)**	(7,447,424)
Purchase of intangible assets	**(4,526,705)**	-
Proceeds from disposal of property and equipment	**165,961**	239,510
Other non-current assets	**70,523**	201,459
Proceeds from disposal of equity investment at fair value through OCI	-	11,672,920
Net cash (used in) / generated from investing activities	**(17,575,252)**	4,666,465
CASH FLOWS FROM FINANCING ACTIVITIES		
Overdrafts	**(7,920,125)**	7,416,682
Notes Payable	**639,294**	(228,480)
Lease liabilities paid	**(9,188,149)**	(3,665,570)
Proceeds from short-term borrowings	**1,006,447,936**	790,628,022
Proceeds from long-term borrowing	**2,112,500**	5,865,000
Short-term borrowings paid	**(1,069,293,641)**	(732,319,039)
Dividends paid	**(20,000,000)**	(30,000,000)
Changes in non-controlling interests	-	(955,906)
Net cash (used in) / generated from financing activities	**(97,202,185)**	24,057,168
Net change in cash and cash equivalents	**9,235,270**	(43,315,408)
Cash and cash equivalents at the beginning of the year	**45,322,900**	88,638,308
Cash and cash equivalents at the end of the year	**54,558,170**	45,322,900
Non-cash transactions:		
Additions to Right-of-use assets against lease liabilities	**16,891,755**	6,793,717
Actuarial loss on employees' defined benefits obligations	**663,264**	2,814,100
Employees' defined benefits transferred to related parties	-	2,150,531

Charmain of Board of Director	**Chief Executives' Officer**	**Chief Financial Officer**
Mr. Basil Bin Saud Al-Arifi	Mr. Barakat Bin Saud Al-Arifi	Mr. Yasser Ahmed El-Safadi

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

1. ORGANIZATION AND ACTIVITY

Scientific and Medical Equipment House Company (the "Company" or "Parent Company") is a Saudi closed joint stock company, under Commercial Registration No. 1010166664, issued in Riyadh dated Rabi` Al-Awwal 3, 1422 H (corresponding to May 26, 2001).

On February 28, 2022, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul") and that was after obtaining the approval from the Capital Market Authority on November 3, 2021 on the Company's request to offer 6 million ordinary shares representing 30% of the Company's share capital in Tadawul.

The Company is engaged in general contracting of buildings, roads, bridges, electrical, electronic and mechanical works, dams, roads and bridges, maintaining, cleaning, managing and operating of medical centers, cities' cleanessness, maintaining and operating of industrial, water and sewage works, maintenance of scientific and medical equipment, wholesale and retail trade in medical, laboratorial and scientific equipment and its accessories, import and export services, and catering services.

The registered Company's address is as follows: P.O. Box 1584, Riyadh 11441, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the assets and liabilities of the Company and its branches listed below, Which operating under the following sub-commercial registrations:

Commercial registration number	Commercial Name	City	Registration date	Activity
1010228685	Scientific and Medical Equipment House Company for Contracting	Riyadh	01/02/1428H	General contracting for buildings, roads and bridges.
1010358380	Scientific and Medical Equipment House Company	Riyadh	06/02/1434H	Operating restaurants, supplying, cooking, serving nutrition services and trading foodstuffs.
1010358386	Scientific and Medical Equipment House Company	Riyadh	06/02/1434H	Sale of safety equipment, installation and maintenance of firefighting and fire alarms equipments, filling and maintenance of fire extinguishers.
1010399879	Scientific and Medical Equipment House Company	Riyadh	27/02/1435H	Importing, selling, installation and maintenance of security surveillance cameras, security detectors, inspection and burglar alarm devices.
1010608122	Scientific and Medical Equipment House Company for Private Civil Security Guards	Riyadh	11/08/1438H	Providing a private civil security guard service.
1010613686	Scientific and Medical Equipment House Company	Riyadh	26/03/1439H	Maintenance and operation contracting.
1010636049	Al-Biruni Medical Industries Co.	Riyadh	26/09/1441H	Manufacture of ordinary radiological equipment, tubes, devices and its accessories for medical, scientific and research purposes, including (X-rays, beta rays, gamma rays).
1010653676	Scientific and Medical Equipment House Company	Riyadh	27/01/1442H	Medical operating of hospitals
1010653677	Scientific and Medical Equipment House Company	Riyadh	27/01/1442H	Repairing and maintenance of radiological, electronic, medical and therapeutic equipment, cleaning services for governmental buildings, building maintenance services activities.

1. ORGANIZATION AND ACTIVITY(Continued)

The consolidated financial statements for the year ended December 31 include the accounts of the Company and its subsidiaries (collectively referred to as the "Group"), The subsidiaries listed below are limited liability companies registered in the Kingdom of Saudi Arabia:

Company's Name	Ownership % as at December 31 2022	2021	Activity
Girgas Trading Co Drug Store Co. (A)	**100**	100	A warehouse for wholesale and retail trade in medical supplies.
Protecta Visions Co.	**100**	100	Import, export, wholesale and retail trade in medical, electronical, electrical and mechanical equipment and devices, laundries, incinerator equipment and pumps.
Nabd Medical Industries Co.	**51**	51	Manufacture of pacemakers, manufacture of ECG devices, manufacture of tubes for catheterization, nutrition and liposuction, etc.
Alwateen A/C & Refrigeration Co. (B)	**100**	100	Cooling and air conditioning systems installation, maintenance, and repair.
New Testament Co., Ltd. (B)	**100**	100	Installation and extension of television, satellite, computer and telecommunications networks. Installation and maintenance of fire alarm, security and lighting systems and equipment. Extension of electrical and communication wires.
Future Doors Contracting Co. (B)	**100**	100	Installation and maintenance of cooling, air conditioning, electric, gas and oil heating systems. Extension and maintenance of gas, steam and fire pipes. Installation, extension and maintenance of air conditioning and irrigation pipes.
The House of Food Supplies Company (C)	**100**	-	Refrigerated food warehouses, wholesale of food and drinks

(A) Girgas Trading Co. Drug Store owns the following subsidiaries:

Company's name	Ownership % as at December 31 2022	2021	Activity
United Purity Pharmaceutical Company	**99**	99	Sales agent for drugs, wholesale of medical devices, equipment and supplies and scientific devices, pharmacies', pharmaceutical warehouse, retail of medical devices, equipment and supplies.
First Purity Pharmaceutical Company *	**99**	99	Retail sale of pharmaceutical, medical, cosmetic and toiletry products in specialized stores.

* First Purity Pharmaceutical Company has not practiced in any activity since the date of its establishment, and the commercial registration is under cancellation.

(B) The companies have not practiced in any activity since the date of its establishment.

(C) During the period, The House of Food Supplies Co. was converted from a branch of the Company to a limited liability company.

Non-controlling interests in the subsidiaries in the consolidated financial statements are as follows (note 30):

Company's name	Legal structure	Non-controlling interests (%) 2022	2021
Nabd Medical Industries Co.	Limited liability company	**49**	49
United Purity Pharmaceutical Company	Limited liability company	**1**	1
First Purity Pharmaceutical Company	Limited liability company	**1**	1

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

A) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the 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 (collectively referred to as "International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia").

B) The basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following:

- Equity investment at fair value through OCI, which is measured at fair value.
- Employees' defined benefits obligations, which are measured using the Projected Unit Credit Method as described in the accounting policies.

2-2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and companies controlled by the Group (its subsidiaries) which listed in Note (1). Specifically, the Group controls an investee if, and only if, the Group has:

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

The Group re-assesses whether or not it controls the investee, if facts and circumstances indicate that there is a change to one or more of the control's elements mentioned above.

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated in full on consolidation.

When needed, adjustments are made to the financial statements of the subsidiaries to align the accounting policies with those of the Group.

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Saudi riyals, which is the Group's functional currency, all amounts are rounded to the nearest Saudi Riyal, unless otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-4 APPLICATION OF NEW AND REVISED IFRS

2-4-1 NEW AND REVISED IFRSS APPLIED WITH NO MATERIAL EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS

During the year, the Company has applied some amendments to the International Financial Reporting Standards issued by the International Accounting Standards Board, which are mandatorily and effective for an accounting period beginning on or after January 1, 2022. Their application did not have any significant impact on the disclosures or on the amounts contained in these Financial Statements.

- Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous.
- Annual Improvements to IFRS (2018 – 2020 Cycle) amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.

2-4-2 New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2024
Amendments to IFRS 16 Leases relating to the treatment of sale and leaseback transactions.	1 January 2024
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*—Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 *Income Taxes*—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements for the period of initial application. Adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-5 CURRENT VERSE NON-CURRENT ASSETS AND LIABILITIES CLASSIFICATION

The Group presents assets and liabilities in the consolidated statement of financial position based on their classification into current or non-current.

- An asset is current when it is:
  - Expected to be realized or intended to be sold or consumed in the normal operating cycle
  - Held primarily for the purpose of trading
  - Expected to be realized within 12 months after the consolidated statement of financial position date, or
  - Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the date of the consolidated financial position.
- All other assets are classified as non-current.
- A liability is current when it is:
  - Expected to be settled in the normal operating cycle
  - Held primarily for the purpose of trading
  - The liability is expected to be settled within 12 months after the consolidated statement of financial position date
  - There is no an unconditional right to defer the settlement of the liability for at least 12 months after the date of the consolidated financial position.
- All other liabilities are classified as non-current

2-6 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. This cost includes the cost of replacing parts of property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with definite useful lives and depreciates them accordingly. Similarly, when a major inspection is performed, its cost is recognized in the carrying amount of property and equipment as a replacement if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost of decommissioning the asset after its use is included in the cost of the relevant asset if the provision recognition criteria are met.

Depreciation is calculated using the straight-line basis over the estimated useful life of the assets as follows:

Asset	Years
Tools and surveying devices	5
Vehicles	4-10
Furniture	3-5
Computers	3
Heavy equipment	10
Prefab homes	4
Woods	4
Metal wrenches and clamps	2-5
Leasehold improvement	5-10

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of assets is calculated based on the difference between the net disposal proceeds and the net book value of the asset and is included in the profit or loss when the asset is derecognized.

The residual value, useful lives and depreciation methods of property and equipment are reviewed at the end of each financial reporting period, with the effect of any changes in estimates prospectively.

Projects in progress are stated at cost less accumulated impairment losses, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-6 PROPERTY AND EQUIPMENT (Continued)

Projects in progress are not depreciated until the asset under construction or development is ready for use for the purpose which it was created for or developed by management where the cost of the asset is transferred to its line item.

2-7 INTAGIBLE ASSETS

Intangible assets are stated at cost at initial recognition and, after initial recognition, are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets that have a definite life are amortized over their estimated useful lives and are reviewed to ensure that there is a decrease in their value, when there is evidence indicating the occurrence of this decline. The amortization expenses of intangible assets are included in profit or loss over the estimated useful life of the asset by five years.

2-8 INVESTMENT PROPERTIES

Investment properties comprise of property held for capital appreciation, long-term rental yields or both, and are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties also include property that is being constructed or developed for future use as investment properties. In addition, land, if any held for undetermined use is classified as investment properties and is not depreciated. When the development of investment properties commences, it is classified as "Assets under construction" until development is complete, at which time it is transferred to the respective category, and depreciated using straight-line method at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives of 33.3 years.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated statement of profit or loss as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized and presented separately within other income (expenses) - net in the consolidated statement of profit or loss.

2-9 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group 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 Group 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 or 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-generation unit 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 from continuing operations are recognized in the profit or loss under the expense categories in line with the function of the assets whose value is impaired.

For assets other than goodwill, at each reporting date, an assessment is made whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased in value. If such indication exists, the Group estimates the recoverable amount of the asset or the cash-generating unit. A previously recognized impairment loss is not reversed unless there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited so that the asset's book value does not exceed its recoverable value or book value that would have been determined, after deducting depreciation, had no loss been computed for the decline in the asset's value during the previous years. This reversal is included in the profit or loss. Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-10 FOREIGN CURRENCIES

Transactions in foreign currency are initially recorded at the functional currency prevailing rate at the date on which the transaction is qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rate prevailing at the date of preparation of the consolidated financial statements. All differences arising from settlement or translation of monetary items are recognized in the profit or loss.

2-11 FINANCIAL INSTRUMENTS

Financial instruments are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that results in a financial asset for one entity and a financial liability or debt instrument for another entity.

A) Financial assets

The Group classifies its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Classification

Financial assets are classified into the following measurement categories:

a) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), or
b) Those to be measured subsequently at amortized cost.

(ii) Measurement

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transaction's costs of financial assets carried at fair value through profit or loss are expensed in profit or loss when incurred.

Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flows' characteristics of the asset. The group classifies debt instruments at amortized cost based on the following:

(a) The asset is held within a business model in order to collect contractual cash flows, and
(b) The contractual terms give rise to specified cash flow dates that are only principal payments and commission on the outstanding principal amount.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Equity instrument

If the Group elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the profit or loss. Dividends on these investments are recognized in the profit or loss as other income when the Group is entitled to receive the payments. There are no impairment requirements for investments in equity instruments carried at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss are recognized as other gain/(losses) in the profit or loss as applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-11 FINANCIAL INSTRUMENTS (Continued)

A) Financial assets (Continued)

(iii) Derecognition of financial assets

The Group derecognizes financial assets when the contractual cash flows from the asset expire or when they transfer the assets and the significant risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the associated assets and liabilities for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognize the financial assets and records secured financing against the proceeds received.

(iv) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for its financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

B) Financial liabilities

The Group classifies its financial liabilities at initial recognition.

(i) Classification

Financial liabilities are classified into the following measurement categories:
(a) Those that are subsequently measured at fair value through profit or loss, and
(b) Those that are subsequently measured at amortized cost.

(ii) Measurement

At initial recognition, the Group measures financial liabilities at its fair value less transaction's costs that are directly attributable to the issuance of the financial liability. Subsequent to initial recognition, financial liabilities not measured at fair value through profit or loss (like borrowings and accounts payable) are measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of the debt instrument and of allocating the commission provision over the relevant effective interest period. The effective interest rate is the discounts rate of the estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction's costs and other premiums or discounts) through the expected life of the debt instrument or a shorter period where appropriate, to net book value on initial recognition.

(ii) Derecognition of financial liabilities

A financial liability is derecognized 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, the difference in respective carrying amounts is recognised in the profit and loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-11 Financial instruments (Continued)

C) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2-12 Business combination and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

After initial recognition, goodwill is measured at cost less than any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cashgenerating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

2-13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and time deposits, highly liquid with original maturities of three months or less from their purchase date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-14 Trade receivables

Trade receivables are measured at fair value on initial recognition and subsequently measured at amortized cost using the effective interest rate method, less allowance for expected credit losses. Changes in the allowance for expected credit losses are recognized in profit or loss. When the receivable is uncollectible, it is written off. When any amounts later recovered from the previously written off amounts, they are included in the profit or loss.

2-15 Inventories

Inventory is valued at cost price or net realizable value, whichever is the lower. The cost of inventory is determined on the basis of the weighted average price method and includes the expenses incurred in acquiring inventory of finished stock and raw materials, costs of production or transfer and other costs incurred in bringing the inventory to the site in its current condition.

The net realizable value is the estimated selling price in the normal activity of the Group after deducting the estimated costs to complete the sale. The inventory movement is reviewed at the end of the year and a provision for slow or expired inventories is made if necessary.

2-16 Share capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of an asset or a liability. The Company's ordinary shares are classified as equity instruments.

2-17 Statutory reserve

In accordance with the Company's Bylaws, the Company transfers 10% of its net profit for the year to the statutory reserve and until it reaches 30% of the share capital. This reserve is not available for distribution as dividends.

2-18 Employees' Defined Benefits Obligations

Defined Benefit Programs:

Commitments in the statement of financial position relating to the employees' defined benefits program are measured at the present value of the expected future payments at the reporting date, using the Projected Unit Credit Method, and are recorded as non-current liabilities. The defined benefits obligation is calculated at the end of each annual reporting period by an independent actuary using the Project Unit Credit Method. The actuarial valuation process takes into account the provisions of the Saudi Labor Law and the Company's policy. The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using the commission rates of high-quality corporates' bonds that are denominated in the currency in which the benefits will be paid, and that have terms that approximate to the related obligations (or, if not available, market rates on government bonds are used). The commission cost is calculated by applying the discount rate to the net balance of the defined benefits obligation and this cost is recognized in the profit or loss.

The cost of the defined benefit obligation is calculated using the actuarially determined retirement costs at the end of the previous financial year, after adjusting for significant market fluctuations and any significant one-time events such as program modification, workforce reduction and repayment. In the absence of significant market fluctuations and one-time events, the actuarial liability is extended based on the assumptions at the beginning of the year. If there are significant changes in assumptions or arrangements during the year, they must be considered to re-measure these obligations and the costs associated with them.

Remeasurement gains and losses arising from adjustments and changes in actuarial assumptions in the year in which they occurred are recognized in other comprehensive income. Changes in the present value of the defined benefit obligation arising from plan modifications or workforce reductions are recognized directly in the profit or loss as past service costs.

short-term employee obligations

Liabilities related to benefits payable to employees, such as wages, salaries, annual and sick leave, and tickets, and which are expected to be paid during the twelve months after the end of the financial year in which the employees provide the related services, are recognized and measured in the financial statements at the undiscounted amounts expected to be paid when the obligations are settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-19 Borrowings

Borrowings are initially recognized at fair value less transactions' costs directly attributable to the borrowings. Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the consolidated statement of financial position date, accordingly, liability is recognized at amortized cost using the effective interest rate method.

2-20 Trade payables and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2-21 Provisions

Provisions are recognized when the Group has present obligations (legal or constructive) as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. In cases where the Group expects to recover some or all of the provision, for example under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense related to the provision is presented in the profit and loss after deducting any recoveries.

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

2-22 Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term and leases of low value assets as follows:

Right-of-use assets

The Group recognizes the right to use the assets on the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated impairment and depreciation losses and adjusted for any remeasurement of the lease liabilities. The cost of right-of-use assets includes the amount of lease commitments recognized, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right to use the recognized assets is depreciated on a straight-line basis over the estimated useful life and the lease term, whichever is shorter. Right-of-use assets is subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the term of the lease. Lease payments consist of fixed payments (including embedded fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of the purchase option that the company is certain to exercise and the payment of lease termination penalties, if the lease term reflects that the company is exercising the option to terminate. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

When calculating the present value of lease payments, the Group uses the incremental borrowing rate at the inception date of the lease if the interest rate implicit in the lease is not readily identifiable. After the inception date, the amount of the lease liabilities is increased; to reflect the interest accumulation and a reduction in the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in guaranteed fixed lease payments or a change in the assessment to purchase the underlying asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-22 Leases (Continued)

Short term leases contracts

The Group applies the short-term leases recognition exemption to short-term leases of land and buildings (i.e. leases that have a term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expenses on a straight-line basis over the term of the lease.

The Group as a lessor

The Group has entered into lease contracts in relation to its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the risks and benefits of ownership of these properties, and therefore the Group records these contracts as operating leases. Contract revenue is recognized in the profit or loss using the straight-line method over the term of the leases contracts.

2-23 Expenses

Expenses consist of the cost of revenues, which consist of the cost of purchased materials and direct expenses that are related to the cost of revenue, while selling and marketing expenses consist of those expenses resulting from the efforts of the Group carried out by the marketing, selling and distribution departments. All other expenses are classified as general and administrative expenses. An allocation of common expenses between cost of revenues, selling and marketing expenses and general and administrative expenses is made, when necessary, on a reasonable basis in accordance with the nature and function of those expenses.

2-24 Financing costs

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset and which requires a substantial period of time to be ready for its intended use or sale, are capitalized as part of the cost of that underlying asset. All other finance costs are charged to expenses in the period in which they are incurred. Finance costs include commission and other costs that the Group incurs in connection with the borrowing.

2-25 Zakat

The Group provides a provision for zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). The provision is charged to the profit and loss.

2-26 Value Added Tax ("VAT")

Revenues, expenses and assets are recognized net of the value added tax except in the following cases:
- If the value added tax on a purchase of assets or services is not recoverable from the relevant tax authority, in this case, the value added tax is recognized as part of the cost of acquisition of the relevant assets or part of the expense item, as applicable.
- Trade receivables and payables are stated with the amount of value added tax.

The net amount of value added tax that can be recovered from or paid to the relevant tax authority is included as part of other debit or credit balances in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-27 Revenue

Revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on a five steps model as described in IFRS 15:

Step 1: Identify the contract(s) with a customer: A contract is an agreement between two or more parties that creates enforceable rights and obligations and specifies the criteria that must be fulfilled.

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

Step 3: Determine the transaction's price: The transaction price is the amount of consideration that the group expects to be entitled in exchange for transferring the promised goods or services to a customer, except for the amounts collected on behalf of third parties.

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

Step 5: Recognize revenue when the Group satisfies a performance obligation.

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

a. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

b. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

c. The Group's performance of the obligation does not create an asset with an alternate use to the Group, and the Group has an enforceable right to payment for performance completed to date

For performance obligations where none of the above conditions are met, revenue is recognized at the time the performance obligation is satisfied.

The Group recognizes revenue at the time the customer obtains control of the goods and this is when the goods are accepted and delivered to the customer and when the Group satisfies the performance obligation. The Group takes into account the following indicators to assess the transfer of control of an asset pledged to be provided to the customer:

- The Group has the right to receive consideration for the asset;
- The customer has the legal right of the asset,
- The asset has been virtually transferred by the Group;
- The customer has all the risks and rewards related to ownership of the asset;
- The customer's acceptance of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-27 Revenue (Continued)

Sales of Goods

Revenue is recognized when the significant risks and rewards are transferred to the customer, and it is highly probable to recover the consideration, the related costs and the likelihood of returning the goods can be estimated reliably, and there is no longer any continuous interference from management in the matter of the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, rebates and other discounts.

Sales are recognized when the goods are delivered to customers, it is stated net of any rebates or other discounts.

Revenue from long-term contracts is recognized when it is possible to arrive at reliable estimates of results using the percentage of completion method, with reference to the completed stage of the contract work. The percentage of completion is measured by calculating the costs incurred to date to the total estimated costs of the contract. Revenue is recognized to the extent of contract costs incurred when there is no reliable estimate of the results that are likely to be recoverable. When the financial estimates of the total contract costs and revenue indicate a loss, a provision is made for the total contract loss, regardless of the percentage of work performed.

Finance income

Finance income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through expected life of the financial asset or, as appropriate, a shorter period, to the net carrying amount of the financial assets.

2-28 Contract Balances

Contract assets

The contract assets represented in the right to consideration for the goods or services provided to the customer. Where the Group provided goods or services to a customer before the customer pays the consideration or before the amount becomes due, the contract asset is recognized for the conditionally realized consideration.

Capitalized contract costs

These represented in cost incurred in fulfilling a contract with customers that relate directly to a contract or contract expected to be awarded and which are expected to achieve those costs or improve the Company's resources and will be used to fulfill (or continue to fulfill) performance obligations in the future and are expected to be covered. These costs are amortized on a regular basis and consistent with the transfer of goods or services to the customer.

Accounts receivable

Accounts receivable represent the Group's entitlement to the amount of consideration that is contingent (only time must elapse before payment of consideration becomes due). Please refer to the accounting policies for financial assets.

Contract liabilities

Contract liabilities represent the liability to transfer goods or services to a customer in exchange for the Group receiving consideration (or is entitled to an amount of consideration) from the customer. If the customer pays the consideration before the group transfers the goods or services to him, he recognizes the contract obligations as revenue when the group performs under the contract.

2-29 Dividends

Annual dividends are recorded in the consolidated financial statements in the period in which they are approved by the General Assembly of the shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-30 Fair value measurement

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

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

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

A fair value measurement of non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant that uses the same asset at its highest and best use.

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly observable (eg prices) or indirectly (eg derived from prices).
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (the unobservable input).

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

At each reporting date, the Group analyzes changes in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing with the information in the valuation computation to contracts and other relevant documents.

The Group also compares the change in the fair value of each asset or liability with relevant external sources to determine whether the change is reasonable, for fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2-31 Contingent liabilities

Obligations that are likely to arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, and within the Group's full non-control, or a present obligation that is not recognized because it is unlikely that an outflow of resources will be required to settle Commitment. In the event of the inability to measure the amount of the obligation with sufficient reliability, it is not included in the contingent liabilities but is disclosed in the consolidated financial statements.

2-32 Segments reports

An operating segment is a component of a Group that engages in business activities from which it can earn revenues and incur expenses and includes revenues and expenses related to transactions with any of the other components of the company. All operating segments' operating results are reviewed by the Group's operating decision-makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions at the date of preparing the consolidated financial statements that may affect the amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amounts of assets or liabilities that will be affected in future periods.

Other disclosures relating to the risks and uncertainties to which the Group is exposed include the following:

- Provision for slow-moving inventories - note (8)
- Provision for expected credit losses - note (9)
- Disclosures about sensitivity analysis - Note (17)
- Financial risk management objectives and policies - Note (34)

These estimates and assumptions are based on experience and other various factors that are believed to be reasonable in the circumstances and are used to measure the carrying amounts of assets and liabilities that are difficult to obtain from other sources. The underlying estimates and assumptions are reviewed on an ongoing basis. Revision on accounting estimates is recognized during the period in which the estimates are revised.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The Group based its assumptions and estimates on the data available when the consolidated financial statements were prepared. However, current conditions and assumptions about future developments may change due to market changes or circumstances arising beyond the Group's control. These changes are reflected in the assumptions when they occur.

A. Uncertain zakat positions

The Group's current zakat payable relates to the management's assessment of the amount of zakat payable on the open zakat positions, as the Group still has to wait for the review by the ZATCA for those zakat returns submitted and the agreement and acceptance of the final obligation amounts. Due to the uncertainty associated with these zakat items, it is possible that the final result will differ significantly when the final assessment is issued by the ZATCA in future periods. The status of the zakat assessments is disclosed in note 22.

B. Long-term assumptions of employees' defined benefits obligations

Employee' termination benefits represent obligations which will be paid in the future upon the termination of employment contracts. Management has to make assumptions about the variables like discount factor, salary increase rate, mortality rates and employees' turnover. The Company's management periodically takes advice from external actuarial experts on these assumptions. Changes in key assumptions could materially affect the provision for employees' termination benefits.

C. Determine the leases' term that include renewal and termination options

The Group defines the lease term as the non-cancellable lease term plus any periods covered by an option to extend the lease if that option is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has a number of lease contracts that contain extension or termination clauses. The Group applies judgments when assessing whether it is reasonably certain to exercise the option to renew or terminate a lease as it considers all relevant factors that would create an economic benefits to exercise the renewal or termination option. The Group reassesses the lease term if a significant event occurs that may affect its ability to exercise or not to exercise the option to renew or terminate the lease.

3. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

D. Provisions

Provisions, based on its nature, depend on estimates and evaluations as to whether the recognition criteria are met, including an estimate of the amounts likely to be settled. Provisions for notes are based on an estimate of likely costs to be incurred based on management's estimates and other available information. Provisions for uncertain obligations include management's best estimate of whether the cash outflows are probable.

E. The cost to complete and the percentage of completion of ongoing contracts

The process of estimating the cost to complete and percentage of completion of ongoing contracts requires significant estimates by management. These estimates are necessarily based on assumptions about several factors involving varying degrees of judgments and uncertainty, and actual results may differ from management's estimates which might result in future changes in revenue from contracts with customers.

F. Provision for impairment of financial assets

Loss allowances for financial assets are based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions and determining the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward looking estimates at the end of each reporting period.

G. Leases - Estimate the assumption borrowing rate

The Group cannot easily determine the interest rate implicit in the lease agreement, so it uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the rate of interest that a Group would have to pay to borrow, over a similar period and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate is what the Group "has to pay", which requires an estimate when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available.

H. Useful lives of property and equipment

Management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering the expected use of the asset. Management annually reviews the residual value and useful lives of these assets and future depreciation is considered when management believes that there is a difference between the useful lives and previous estimates.

4. Property and equipment

(SAUDI RIYAL)

	Tools And surveying devices	Vehicles	Furniture	Computers	Heavy Equipment	Prefab homes	Woods	Metal wrenches and clamps	Leasehold Improvement	Projects in progress	Total
Cost											
January 1, 2022	17,334,531	36,421,069	7,456,497	2,546,379	7,108,919	675,958	976,531	5,484,075	8,006,960	-	86,010,919
Additions during the year	2,744,957	5,611,946	2,253,120	442,515	657,000	-	-	-	1,575,493	-	13,285,031
Disposals during the year	-	(460,304)	(2,095)	(4,630)	-	-	-	-	(20,088)	-	(487,117)
December 31, 2022	20,079,488	41,572,711	9,707,522	2,984,264	7,765,919	675,958	976,531	5,484,075	9,562,365	-	98,808,833
Accumulated depreciation											
January 1, 2022	6,769,403	23,806,523	3,283,438	1,914,361	5,916,055	675,825	792,462	5,283,640	3,702,726	-	52,144,433
Depreciation charged for the year	1,785,718	4,838,640	1,659,016	467,360	531,952	82	77,841	2,680	1,012,880	-	10,376,169
Disposal during the year	-	(401,335)	(733)	(4,147)	-	-	-	-	(4,018)	-	(410,233)
December 31, 2022	8,555,121	28,243,828	4,941,721	2,377,574	6,448,007	675,907	870,303	5,286,320	4,711,588	-	62,110,369
Net book value											
December 31, 2022	11,524,367	13,328,883	4,765,801	606,690	1,317,912	51	106,228	197,755	4,850,777	-	36,698,464

4. Property and equipment (Continued)

(SAUDI RIYAL)

	Tools And surveying devices	Vehicles	Furniture	Computers	Heavy Equipment	Prefab homes	Woods	Metal wrenches and clamps	Leasehold Improvement	Projects in progress	Total
Cost											
January 1, 2021	8,570,674	35,052,890	4,931,983	2,132,649	7,581,093	692,758	976,531	5,485,378	5,932,935	9,054,182	80,411,073
Additions during the year	659,124	2,591,459	2,374,256	410,861	23,722	-	-	-	1,261,551	126,451	7,447,424
Disposals during the year	(52,930)	(1,218,780)	(60,769)	(1,100)	(495,896)	(16,800)	-	(1,303)	-	-	(1,847,578)
Transfers during the year	8,157,663	(4,500)	211,027	3,969	-	-	-	-	812,474	(9,180,633)	-
December 31, 2021	17,334,531	36,421,069	7,456,497	2,546,379	7,108,919	675,958	976,531	5,484,075	8,006,960	-	86,010,919
Accumulated depreciation											
January 1, 2021	5,413,470	20,527,243	2,514,280	1,501,336	5,661,223	664,230	654,663	5,282,054	3,017,006	-	45,235,505
Depreciation charged for the year	1,408,849	4,498,060	829,496	414,123	729,451	28,393	137,799	2,880	685,720	-	8,734,771
Disposal during the year	(52,916)	(1,218,780)	(60,338)	(1,098)	(474,619)	(16,798)	-	(1,294)	-	-	(1,825,843)
December 31, 2021	6,769,403	23,806,523	3,283,438	1,914,361	5,916,055	675,825	792,462	5,283,640	3,702,726	-	52,144,433
Net book value											
December 31, 2021	10,565,128	12,614,546	4,173,059	632,018	1,192,864	133	184,069	200,435	4,304,234	-	33,866,486

The value of fully depreciated property and equipment as of December 31, 2022, amounted to SAR 35,9 million (2021: SAR 32.1 million).

The following is the distribution of depreciation expenses based on the nature of the expense:

	(SAUDI RIYAL)	
	2022	2021
Cost of revenue	**6,114,009**	6,525,828
Selling and marketing expenses	**262,945**	247,752
General and administrative expenses	**3,999,215**	1,961,191
	10,376,169	8,734,771

5. RIGHT -OF -USE ASSETS

The right-of-use assets are buildings leased for periods ranging between 3-5 years, and the following is the movement during the year:

	(SAUDI RIYAL)	
	2022	2021
Cost		
January 1	**20,738,879**	13,945,162
Additions during the year	**16,891,755**	6,793,717
December 31	**37,630,634**	20,738,879
Accumulated depreciation		
January 1	**10,790,053**	6,714,503
Depreciation charged for the year	**6,295,527**	4,075,550
December 31	**17,085,580**	10,790,053
Net book value		
December 31	**20,545,054**	9,948,826

6. INVESTMENT PROPERTIES

	(SAUDI RIYAL)		
	Land	**Buildings**	**Total**
Cost			
January 1, 2021	27,855,000	11,525,605	39,380,605
December 31, 2021	27,855,000	11,525,605	39,380,605
December 31, 2022	**27,855,000**	**11,525,605**	**39,380,605**
Accumulated depreciation			
January 1, 2021	-	6,770,862	6,770,862
Depreciation charged for the year	-	345,800	345,800
December 31, 2021	-	7,116,662	7,116,662
Depreciation charged for the year	-	**345,799**	**345,799**
December 31, 2022	-	**7,462,461**	**7,462,461**
Net book value			
December 31, 2022	**27,855,000**	**4,063,144**	**31,918,144**
December 31, 2021	27,855,000	4,408,943	32,263,943

Fair value disclosures

The following compares the book value and fair value of the Group's investment properties:

	31 December 2022		31 December 2021	
	The book value	**The fair value**	**The book value**	**The fair value**
Investment properties	**31,918,144**	**34,722,467**	32,263,943	34,823,400

These are investment properties that are either held to increase in their value or prepared for rent as follows:

	31 December 2022		31 December 2021	
	The book value	**The fair value**	**The book value**	**The fair value**
Investment properties held to increase the value	**18,855,000**	**20,349,364**	18,855,000	19,755,000
Investment properties prepared for rent	**13,063,144**	**14,373,103**	13,408,943	15,068,400
Total	**31,918,144**	**34,722,467**	32,263,943	34,823,400

6. INVESTMENT PROPERTIES (Continued)

The fair value of the investment properties has been determined by accredited and independent external real estate valuers with appropriate and recognized professional qualifications and with recent experience in the location and category of the property being valued according to the geographical location. They are Olat and Partner Real Estate Company (License No. 1210000397), Himma Real Estate Company (License No. 1210000259), and Value Assets Company for Real Estate (License No. 1210000223).

Evaluation method	Observable inputs and valuation assumptions	The relationship between observable inputs and the fair value measurement
Market approach Comparisons method - Income method (Discounted cash flow method)	It was assumed that the real estate is within an open competitive market and the assumption of operation. For rented real estate, information was used regarding the annual income, tenant contracts and occupancy rate. It was also assumed that all documents provided by the company are correct, taking into account the services in the areas and their proximity to the evaluation areas. The deed and building permit were obtained. All documents and information were thoroughly investigated and studied.	The estimated fair value may increase / decrease in the event of: a change in the sale prices of land in the neighborhood, a difference in the level of services (infrastructure services and superstructure services, such as schools, hospitals, gardens, etc.), the completion of urbanization in the surrounding area, the building system in the area.

Rental revenues for the year ended at December31, 2022 amounted to 1.5 million Saudi riyals (2021: 1.5 million Saudi riyals), as disclosed in note no. (28) Other income.

7. INTANGIBLE ASSETS

Intangible assets represented in medicine licenses in a subsidiary company, which are amortized over 5 years as follows:

	(SAUDI RIYAL) 2022	2021
Cost		
Additions during the year	**4,526,705**	-
	4,526,705	-
Accumulated amortization		
Amortization charged for the year	**833,271**	-
	833,271	-
Net book value		
December 31	**3,693,434**	-

8. INVENTORIES

	(SAUDI RIYAL) 2022	2021
Medical and non-medical equipment inventory	**100,406,437**	94,523,710
Construction inventory	**6,126,655**	5,364,597
Operation inventory	**4,999,705**	7,169,957
Goods in transit	**-**	4,631
	111,532,797	107,062,895
Provision of slow-moving inventories	**(13,853,567)**	(9,825,226)
	97,679,230	97,237,669

8. INVENTORIES (Continued)

The movement in the provision of slow-moving inventories is as follows:

	(SAUDI RIYAL)	
	2022	2021
January 1	**9,825,226**	8,604,512
Additions during the year (Note 24)	**4,138,536**	1,220,714
Written off during the year	**(110,195)**	-
December 31	**13,853,567**	9,825,226

9. TRADE RECEIVABLES AND CONTRACT ASSETS

		(SAUDI RIYAL)	
		2022	2021
Trade receivables	**9-A**	**480,189,453**	510,020,151
Contract assets	**9-B**	**163,323,823**	208,641,696
		643,513,276	718,661,847
Provision for expected credit losses	**9-C**	**(48,664,939)**	(9,235,668)
		594,848,337	709,426,179

9-A Trade receivables

	(SAUDI RIYAL)	
	2022	2021
Trade receivables - governmental sector	**453,496,391**	488,786,289
Trade receivables – private sector	**26,693,062**	19,934,085
Retentions	**-**	1,299,777
	480,189,453	510,020,151

9-B Contract assets

Represents balances relates to the performance completed against operation and maintenance contracts and constructions projects that were not billed as at December 31.

	(SAUDI RIYAL)	
	2022	2021
Operation and maintenance contracts	**163,089,885**	207,626,104
Construction projects	**233,938**	1,015,592
	163,323,823	208,641,696

9-C Provision for expected credit losses

The movement in the provision of impairment in trade receivables is as follows:

	(SAUDI RIYAL)			(SAUDI RIYAL)		
	2022			2021		
	Governmental	**Private**	**Total**	Governmental	Private	Total
January 1	**3,961,339**	**5,274,329**	**9,235,668**	2,106,838	2,661,953	4,768,791
Additions during the year (Note 26)	**37,029,271**	**2,400,000**	**39,429,271**	1,854,500	2,612,377	4,466,877
December 31	**40,990,610**	**7,674,329**	**48,664,939**	3,961,338	5,274,330	9,235,668

The aging analysis of trade receivables as at December 31 is as follows:

	Saudi Riyal			Saudi Riyal		
	2022			2021		
	Governmental	**Private**	**Total**	Governmental	Private	Total
Not due	**201,875,956**	**1,428,261**	**203,304,217**	74,701,489	550,757	75,252,246
0 – 90 days	**108,305,157**	**8,281,954**	**116,587,111**	64,432,724	5,162,207	69,594,931
91 – 180 days	**56,786,616**	**7,272,288**	**64,058,904**	82,207,020	5,033,420	87,240,440
181 – 270 days	**50,884,991**	**2,427,436**	**53,312,427**	115,813,501	2,642,586	118,456,087
271 – 360 days	**46,462,060**	**1,818,664**	**48,280,724**	172,382,169	2,461,099	174,843,268
361 – 720 days	**113,463,815**	**9,066,227**	**122,530,042**	171,623,170	6,399,385	178,022,555
More than 720 days	**35,439,851**	**-**	**35,439,851**	15,252,320	-	15,252,320
	613,218,446	**30,294,830**	**643,513,276**	696,412,393	22,249,454	718,661,847

9-D Contract liabilities

Contract liabilities are advance payments received for the value of contracts signed with customers, and their value as of 31 December 2022, amounted to SAR 3,788,673 (31 December 312021: SAR 5,611,383).

10. PERPAYMENTS AND OTHER DEBIT BALANCES

	(SAUDI RIYAL)	
	2022	2021
Prepaid visas	**32,083,749**	30,850,454
Advances to suppliers	**16,910,095**	16,399,853
Employee receivables and petty cash	**4,243,941**	3,148,392
Prepaid insurance	**3,950,828**	4,072,634
Prepaid projects expenses	**1,059,266**	1,641,575
Prepaid rent	**756,667**	2,005,699
Security deposit	**528,130**	1,107,335
Expenses of public offering	-	6,294,090
Value added tax	-	5,933,619
Others	**551,976**	1,854,073
	60,084,652	73,307,724

11. CAPITALIZED CONTRACTS COSTS

	(SAUDI RIYAL)	
	2022	2021
Capitalized maintenance and operating costs of subcontractors	**8,232,776**	7,298,108
Other capitalized operating and maintenance projects costs	**4,008,856**	1,244,350
Capitalized spare parts costs	-	3,004,569
Capitalized contracting and construction projects costs	-	594,101
	12,241,632	12,141,128

The movement on the capitalized contracts costs is as follows:

	(SAUDI RIYAL)	
	2022	2021
Beginning balance	**12,141,128**	29,186,411
Additions during the year	**7,625,792**	15,355,687
Amortized during the year	**(7,525,288)**	(32,400,970)
Ending balance	**12,241,632**	12,141,128

12. CASH AND CASH EQUIVALENTS

	(SAUDI RIYAL)	
	2022	2021
Cash at bank	**53,437,994**	37,716,112
Time deposits*	**1,000,000**	7,500,000
Cash on hand	**120,176**	106,788
	54,558,170	45,322,900

*The deposit was placed at a local bank for 60 days according to the prevailing interest rate.

13. RELATED PARTIES BALANCES AND TRANSACTIONS

The related parties represent the Group's shareholders, key management personnel and the entities owned or managed by these parties, as well as the entities that have control or joint control or has significant influence over these parties, and the transactions with related parties are carried out on the basis of terms agreed upon between the two parties and approved by management during the normal course of business.

The following is a summary of the significant transactions took place between the Group and the related parties during the year:

Related party name	Relationship	Nature of transactions	(SAUDI RIYAL) 2022	2021
Rawabi Marketing International Co.	Affiliate	Payments on behalf of related parties	**2,251,650**	1,824,183
		Employee defined benefit obligations (Note 17)	**-**	1,824,292
		Rental income (Note 28)	**864,000**	864,000
		Revenue from maintenance and operating contracts	**6,656,625**	9,817,038
		Purchases	**2,260,005**	5,550,272
Rawabi for Smart Services & Devices Co.	Affiliate	Purchases	**3,088,478**	2,940,000
		Revenue from maintenance and operating contracts	**-**	858,817
The National of Sulfur Products Co.	Affiliate	Payments on behalf of related parties	**3,474,085**	421,015
		Employee defined benefit obligations (Note 17)	**-**	207,834
		Revenue from Construction contract	**5,499,076**	6,904,666
		Rental income (Note 28)	**384,000**	384,000
		Revenue from maintenance and operating contracts	**5,985,269**	359,879
German Metal Surface Treatment Chemicals Co.	Affiliate	Payments on behalf of related parties	**299,200**	144,871
		Revenue from Construction contract	**-**	506,926
		Revenue from maintenance and operating contracts	**845,484**	2,163,665
		Rental income (Note 28)	**264,000**	264,000
		Purchase	**287,191**	347,887
		Employee defined benefit obligations (Note 17)	**-**	118,405
Dirat Al Amar Real Estate Co.	Affiliate	Payments on behalf of related parties	**2,696,494**	4,939,116
		Revenue from Construction contract	**7,216,396**	18,629,883
		Purchases	**887,675**	-
		Rent expenses	**2,108,544**	1,564,275
Uni Land for Trading Est.	Affiliate	Payments on behalf of related parties	**3,054,557**	8,896,502
		Purchases	**3,596,924**	6,955,513
Barakat Al Khair for Trading Est.	Affiliate	Payments on behalf of related parties	**5,453,679**	7,238,268
		Purchases	**4,915,470**	4,591,887

13. RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

A- DUE FROM RELATED PARTIES

	(SAUDI RIYAL)	
	2022	2021
Dirat Al Amar Real Estate Co.	**8,902,813**	2,686,754
Rawabi Marketing International Co.	**7,388,152**	-
Barakat Al Khair for Trading Est.	**1,464,793**	926,584
Uni Land for Trading Est.	**1,010,469**	626,897
	18,766,227	4,240,235

B- DUE TO RELATED PARTIES

	(SAUDI RIYAL)	
	2022	2021
Rawabi Marketing International Co.	-	4,963,020
	-	4,963,020

KEY MANAGEMENT PERSONNEL REMUNERATIONS:

Key management personnel are those members having authority and responsibility for planning, directing, and controlling the Group's activities.

	(SAUDI RIYAL)	
	2022	2021
Salaries, compensation, and allowances - short term	**3,390,000**	2,664,000
Salaries, compensation, and allowances - long term	**176,250**	146,000
Total	**3,566,250**	2,810,000

14. SHARE CAPITAL

The Company share capital consists of SR 20 million shares stated at SR 10 per share, the share capital is fully paid.

15. STATUTORY RESERVE

In accordance with the Company's Bylaws, the Company transfers 10% of its profit for the year to the statutory reserve until this reserve reaches 30% of the capital. This reserve is not available for distribution.

16. DIVIDENDS

The General Assembly decided in its meeting held on Dhu al-Qi'dah 30, 1443H corresponding to June 29, 2022, to distribute dividends of 10% of the capital from the balance of retained earnings, amounting to SR 20 million. (2021: SR 30 million)

17. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

The Group is required to pay post-employment benefits to all employees in accordance with Saudi Labor and Employment Regulations upon termination of their services. The cost of employees' defined benefits obligations is measured using the actuarial valuation and the Projected Unit Credit method.

17-1 Reconciliation of the present value of employees' defined benefits obligations

	(SAUDI RIYAL)	
	2022	2021
January 1	**56,804,434**	50,801,733
Service costs	**11,003,714**	9,382,627
Finance Costs (Note 27)	**1,338,507**	1,032,915
Total recognized in profit and loss	**12,342,221**	10,415,542
Actuarial re-measurement losses	**663,264**	2,814,100
Total recognized in other comprehensive income	**663,264**	2,814,100
Transfer to related parties (Note 13)	**-**	(2,150,531)
Paid during the year	**(6,199,010)**	(5,076,410)
December 31	**63,610,909**	56,804,434

17-2 Key actuarial assumptions

	2022	2021
Discount rate	**4,25%**	2.35%
Future salary growth rate	**3%**	1%

17-3 Sensitivity analysis of key actuarial assumptions

The effect of changes in key actuarial assumptions on the present value of the employees' defined benefits obligations is as follows:

		(SAUDI RIYAL)	
		2022	2021
Discount rate	+1%	**60,303,986**	53,967,917
	-1%	**66,608,085**	59,829,252
Future salary growth rate	+1%	**66,616,190**	59,837,205
	-1%	**60,241,833**	53,908,950

- The sensitivity analysis described above has been determined based on a method that infers the impact on employees' final benefit obligations as a result of reasonable changes in key assumptions that occurred as at December 31, 2022.
- Sensitivity analysis is based on a change in significant assumptions, while keeping all other assumptions constant.
- The sensitivity analysis may not be representative of any actual change in the defined benefits obligation because it is unlikely that changes in the assumptions will occur in isolation from one another.

The following payments are expected to be made against the defined benefit obligation to future years:

	(SAUDI RIYAL)	
	2022	2021
Within the next twelve months	**13,697,508**	12,251,592
Between 2 to 5 years	**27,557,660**	23,059,603
More than 5 years but less than 10 years	**39,535,625**	29,369,448

18. LEASE LIABILITIES

The following table shows the movement of the lease liabilities at year end:

	(SAUDI RIYAL)	
	2022	2021
January 1	**10,511,679**	7,119,534
Additions during the year	**16,891,755**	6,793,717
Finance cost (Note 27)	**624,459**	263,998
Paid during the year	**(9,188,149)**	(3,665,570)
December 31	**18,839,744**	10,511,679
Non-current lease liabilities	**10,606,791**	5,770,811
Current lease liabilities	**8,232,953**	4,740,868
	18,839,744	10,511,679

The following is an analysis of the lease liabilities maturities:

Within one year	**7,568,733**	5,641,690
More than one year and less than five years	**12,064,676**	5,196,695
	19,633,409	10,838,385
Deferred finance costs	**(793,665)**	(326,706)
	18,839,744	10,511,679

Operating leases

Operating leases represent expenses for short-term leases (the lease term is 12 months or less) for which the Group has elected to recognize the lease expenses in profit or loss on a straight-line basis.

The breakdown of the operating leases charged for the year is as follows:

	(SAUDI RIYAL)	
	2022	2021
Cost of revenue (Note 24)	**6,665,707**	5,388,760
Selling and marketing expenses (Note 25)	**782,546**	551,482
General and administrative expenses (Note 26)	**1,577,815**	1,345,211
	9,028,090	7,285,453

19. BANK FACILITIES

The Group has obtained Islamic bank facilities from local banks in the form of overdraft, letters of credit, term loans (Murabaha and Tawarruq), and notes payable amounting to SR 187,7 million (2021: SR 255.7 million). These facilities were obtained in accordance with the conditions stated in the bank facilities' agreements, the following is the facilities' details as of December 31:

	(SAUDI RIYAL)	
	2022	2021
Short-term borrowings (A)	**170,038,472**	232,884,177
Long-term borrowings (B)	**9,837,500**	7,725,000
Notes payable	**7,841,356**	7,202,062
Overdrafts	**-**	7,920,125
	187,717,328	255,731,364

19. BANK FACILITIES (Continued)

(A) The movement of short-term borrowings is as follows:

	(SAUDI RIYAL)	
	2022	2021
January 1	**232,884,177**	174,575,194
Additions during the year	**1,006,447,936**	790,628,022
Paid during the year	**(1,069,293,641)**	(732,319,039)
December 31	**170,038,472**	232,884,177

(B) This item represents the amount withdrawn from a long-term loan which has been obtained by a subsidiary from the Saudi Industrial Development Fund with a total value of SR 6,200,000 as well as long-term loan amounting to SR 3,637,500 obtained from Saudi Aramco Entrepreneurship "Waed" in order finance projects in progress. The movement of the long-term borrowings is as follows:

	(SAUDI RIYAL)	
	2022	2021
January 1	**7,725,000**	1,860,000
Additions during the year	**2,112,500**	5,865,000
December 31	**9,837,500**	7,725,000
Current portion	**163,750**	500,000
Non-current portion	**9,673,750**	7,225,000

20. TRADE PAYABLES

	(SAUDI RIYAL)	
	2022	2021
Suppliers of maintenance contracts, medical equipment, spare parts, and others	**40,562,861**	34,589,449
Project services suppliers	**14,284,571**	14,358,458
Contracting suppliers	**4,826,437**	3,827,751
Suppliers of medicine and medical supplies	**8,816,861**	7,372,416
	68,490,730	60,148,074

21. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	(SAUDI RIYAL)	
	2022	2021
Accrued projects expenses	**59,216,868**	82,020,373
Accrued tickets and vacations	**27,066,449**	28,786,311
Advances from customers	**6,176,946**	12,419,093
Accrued maintenance expenses	**3,215,435**	9,110,772
Accrued salaries	**3,012,349**	4,496,133
Value Added Tax payable	**2,251,004**	-
Others	**6,855,515**	6,617,560
	107,794,566	143,450,242

22. ZAKAT PROVISION

The Company and its subsidiaries submit their financial statements and zakat declarations to the Zakat, Tax and Customs Authority through separate declarations. Zakat is payable at 2.5% of the approximate zakat base or adjusted net profit, whichever is greater.

The movement in zakat provision is as follows:

	(SAUDI RIYAL)	
	2022	2021
January 1	**6,929,683**	9,373,018
Zakat charged for current year	**12,123,195**	7,018,017
Zakat charged for a previous year	-	1,067,474
Paid during the year	**(6,889,887)**	(10,528,826)
December 31	**12,162,991**	6,929,683

Zakat status

The Company and its subsidiaries submitted their zakat declarations until 2021 and obtained zakat certificates accordingly.

Scientific and Medical Equipment House Company

The Company received during 2021 final assessments for the year 2016 which showed additional zakat differences amounted to SR 323,628, which was paid during the year.

Protecta Visions Company

Protecta Visions Company received final assessments from Zakat, Tax, and Customs Authority till the year 2018. During the year 2021, the company received final assessments for the years 2016, 2017 and 2018 from the Authority, which showed additional zakat differences amounted to SR 382,222 which has been objected to by the company during the statutory period. During the year 2022, the company obtained a zakat assessment for the year 2020, which showed zakat differences amounted to SR12,457 Saudi riyals, and it was settled with the ZATCA during the year.

Other subsidiaries

The other subsidiaries have submitted their zakat declarations for the year 2021, and there are no zakat assessments during the year.

23. REVENUES

		(SAUDI RIYAL)	
		2022	2021
Revenues from maintenance and operating contracts	recognized over a period of time	**560,831,354**	572,021,843
Construction contract revenues	recognized over a period of time	**65,120,106**	50,083,090
Medical equipment sales	recognized at a point in time	**44,908,945**	43,834,061
Medicine and medical supplies sales	recognized at a point in time	**33,757,554**	15,814,331
Meet and food sales	recognized at a point in time	**7,595,640**	10,542,988
Post-sale maintenance services revenues	recognized at a point in time	**1,607,500**	7,156,779
		713,821,099	699,453,092

23. REVENUES (Continued)

Contract balances

	(SAUDI RIYAL)	
	2022	2021
Trade receivables (Note 9-A)	**480,189,453**	500,784,483
Contract assets (Note 9- B)	**163,323,823**	208,641,696
Capitalized contract costs (Note 11)	**12,241,632**	12,141,128
Contract liabilities (Note 9-D)	**3,788,673**	5,611,383

Contract assets are initially recognized for the revenues generated from contracts with customers, provided that the obligations mentioned in the contracts are successfully fulfilled and accepted by the customer in the form of approval of the works and services provided. When the contract obligation is fulfilled and accepted by the customer, the amounts recognized as contract assets are reclassified to a trade receivable account.

The contract liabilities include the payments submitted by the customer and excess invoices for the value of the work executed for long-term contracts.

24. COST OF REVENUES

	(SAUDI RIYAL)	
	2022	2021
Salaries, wages and other benefits	**233,678,014**	224,410,730
Cost of materials, spare parts for projects and receipt notes	**167,907,599**	138,825,563
Visas	**61,301,497**	55,549,565
Sub-contractors' cost	**41,352,036**	72,684,452
Social insurance	**11,365,445**	11,703,561
Insurance	**8,010,440**	8,719,320
Rent expenses (Note 18)	**6,665,707**	5,388,760
Depreciation of property and equipment (Note 4)	**6,114,009**	6,018,765
Provision of slow-moving inventories (Note 8)	**4,138,536**	1,220,714
Maintenance expenses	**3,912,162**	3,896,434
Depreciation of right-of-use assets (Note 5)	**2,554,055**	1,721,287
Amortization intangible assets (Note 7)	**228,295**	-
Others	**11,746,402**	16,330,368
	558,974,197	546,469,519

25. SELLING AND MARKETING EXPENSES

	(SAUDI RIYAL)	
	2022	2021
Salaries, wages, and other benefits	**5,043,270**	5,885,604
Cost of tenders and assignments	**2,160,148**	2,062,235
Rent expenses (Note 18)	**782,546**	551,482
Visas	**639,203**	515,650
Advertising expenses	**274,886**	220,383
Depreciation of property and equipment (Note 4)	**262,945**	247,752
Insurance	**220,177**	236,673
Social insurance	**193,599**	70,070
Telecommunication expenses	**124,157**	12,071
Others	**563,772**	657,018
	10,264,703	10,458,938

26. GENERAL AND ADMINISTRATIVE EXPENSES

	(SAUDI RIYAL)	
	2022	2021
Salaries, wages, and other benefits	**37,630,538**	32,650,954
Provision of expected credit losses (note 9)	**3,999,215**	1,961,191
Visas	**3,881,949**	4,556,222
Depreciation of right-of-use assets (Note 5)	**3,741,472**	2,354,263
Insurance	**2,203,249**	1,448,508
Rent expenses (Note 18)	**1,577,815**	1,345,211
Professional and consultancy fees	**1,563,522**	516,490
Cost of tenders and assignments	**1,550,655**	1,236,785
Social insurance	**1,405,252**	1,175,987
Maintenance and repair expenses	**1,067,651**	234,183
Telecommunication expenses	**837,775**	1,079,112
Subscriptions and service expenses	**795,000**	222,404
Stationery expenses	**655,334**	571,969
Amortization intangible assets (Note 7)	**604,976**	-
Electricity and water	**569,738**	354,772
Hospitality expenses	**531,239**	1,251,091
Depreciation of investment properties (note 6)	**345,799**	345,800
Bank charges	**87,897**	170,835
Others	**4,594,462**	3,158,506
	67,643,538	54,634,283

27. FINANCE COST

	(SAUDI RIYAL)	
	2022	2021
Finance cost on short-term borrowings	**15,530,379**	6,568,819
Finance cost on bank facilities	**3,493,456**	6,114,722
Finance cost on employees' defined benefits obligation (Note 17)	**1,338,507**	1,032,915
Finance cost on lease liabilities (Note 18)	**624,459**	263,998
	20,986,801	13,980,454

28. OTHER INCOME, NET

	(SAUDI RIYAL)	
	2022	2021
Compensation from Human Resources Development Fund	**9,564,067**	8,935,103
Rental income (Note 13)	**1,512,000**	1,512,000
Dividend income	**51,395**	329,533
Gain on disposal property and equipment	**89,077**	217,775
Write off of trade payables	-	3,736,880
Others	-	660,355
	11,216,539	15,391,646

29. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per share is calculated based on the net profit for the year attributable to the Company's shareholders on the basis of the weighted average number of outstanding shares during that year, which is amounted to 20 million shares. The diluted earnings per share is the same as the basic earnings per share as the Group does not have any issued dilutive instruments.

	2022	2021
Net profit for the year (Saudi Riyal)	**17,566,594**	77,524,475
The weighted average number of shares (Shares)	**20,000,000**	20,000,000
Basic and diluted earnings per share (Saudi Riyal)	**0.88**	3,88

30. NON-CONTROLLING INTERESTS

These items represent the non-controlling interests in the subsidiaries.

The following is the summarized financial information of the significant subsidiaries with non-controlling interest. Amounts were disclosed for each subsidiary before eliminating of intercompany transactions and balances:

SUMMARIZED STATEMENT OF FINANCIAL POSITION

	(SAUDI RIYAL)		
December 31, 2022	**Nabd Medical Industries Company**	**United Purity Pharmaceutical Company**	**Total**
Current assets	**5,220,808**	**13,167,261**	**18,388,069**
Current liabilities	**(469,027)**	**(37,426,560)**	**(37,895,587)**
Non-current assets	**9,210,140**	**15,472,465**	**24,682,605**
Non-current liabilities	**(17,234,789)**	**(5,278,737)**	**(22,513,526)**
Net assets (liabilities)	**(3,272,868)**	**(14,065,571)**	**(17,338,439)**
Non - controlling interests	**(1,603,705)**	**(140,656)**	**(1,744,361)**

	(SAUDI RIYAL)		
December 31, 2021	**Nabd Medical Industries Company**	**United Purity Pharmaceutical Company**	**Total**
Current assets	7,254,379	19,017,284	26,271,663
Current liabilities	(749,354)	(28,981,149)	(29,730,503)
Non-current assets	8,506,569	6,588,349	15,094,918
Non-current liabilities	(14,432,617)	(3,189,501)	(17,622,118)
Net assets (liabilities)	578,977	(6,565,017)	(5,986,040)
Non - controlling interests	283,699	(65,650)	218,049

30. NON-CONTROLLING INTEREST (Continued)

SUMMARIZED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(SAUDI RIYAL)		
December 31, 2022	**Nabd Medical Industries Company**	**United Purity Pharmaceutical Company**	**Total**
Revenues	**164,767**	**26,757,995**	**26,922,762**
Loss for the year	**(3,828,859)**	**(7,452,022)**	**(11,280,881)**
Other comprehensive loss	**(22,986)**	**(48,532)**	**(71,518)**
Total comprehensive loss	**(3,851,845)**	**(7,500,554)**	**(11,352,399)**
Net comprehensive loss attributable to non-controlling interests	**(1,887,404)**	**(75,006)**	**(1,962,410)**

	(SAUDI RIYAL)		
December 31, 2021	**Nabd Medical Industries Company**	**United Purity Pharmaceutical Company**	**Total**
Revenues	53,892	9,423,278	9,477,170
Loss for the year	(1,497,195)	(4,167,300)	(5,664,495)
Other comprehensive loss	-	(86,391)	(86,391)
Total comprehensive loss	(1,497,195)	(4,253,691)	(5,750,886)
Net comprehensive loss attributable to non-controlling interests	(733,626)	(42,537)	(776,163)

31. CONTINGENT LIABILITIES

	(SAUDI RIYAL)	
	2022	2021
Letters of credit	**38,471,098**	25,454,295
Letters of guarantee	**270,627,221**	224,290,729
	309,100,341	249,747,045

32. SEGMENT INFORMATION

The operating segments are recorded in a manner consistent with the internal reporting structure. All segments of the group are concentrated in the Kingdom of Saudi Arabia. The Management monitors the operating results of its segments independently for the purpose of performance evaluation:

December 31, 2022	(SAUDI RIYAL)						
	Operation and maintenance	Trading	Construction	Food supplies	Medicines and medical supplies	Eliminations	Total
Revenues	560,831,354	52,893,537	65,120,106	7,595,640	33,757,554	(6,377,092)	713,821,099
Cost of revenues	(448,598,932)	(33,750,762)	(49,731,230)	(8,300,493)	(25,132,155)	6,377,092	(558,974,197)
Gross profit (loss)	112,232,422	19,142,775	15,388,876	(704,853)	8,625,399	-	154,846,902
Profit (loss) of the year	1,886,755	1,350,094	7,910,088	(4,368,563)	(21,005,667)	29,680,943	15,615,933

December 31, 2021	(SAUDI RIYAL)						
	Operation and maintenance	Trading	Construction	Food supplies	Medicines and medical supplies	Eliminations	Total
Revenues	570,900,406	63,015,901	50,083,090	10,511,925	16,646,075	(11,704,305)	699,453,092
Cost of revenues	(456,694,931)	(44,870,193)	(34,512,143)	(11,539,876)	(10,556,681)	11,704,305	(546,469,519)
Gross profit (loss)	114,205,475	18,145,708	15,570,947	(1,027,951)	6,089,394	-	152,983,573
Profit (loss) of the year	70,254,128	(835,131)	8,376,405	(3,352,502)	(10,441,607)	12,747,883	76,749,176

33. FINANCIAL INSTRUMENTS - THE FAIR VALUES AND RISK MANAGEMENT

	The book value		The fair value			
December 31, 2022	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Trade receivables and contract assets	594,848,337	594,848,337	-	-	-	-
Cash and cash equivalents	54,558,170	54,558,170	-	-	-	-
Due from related parties	18,766,227	18,766,227	-	-	-	-
	668,172,734	668,172,734	-	-	-	-
Accrued expenses and other credit balances	107,794,566	107,794,566	-	-	-	-
Trade payables	68,490,730	68,490,730	-	-	-	-
Loans and overdrafts	179,875,972	179,875,972	-	-	-	-
Notes payable	7,841,356	7,841,356	-	-	-	-
Lease liabilities	18,839,744	18,839,744	-	-	-	-
	382,842,368	382,842,368	-	-	-	-

33. FINANCIAL INSTRUMENTS - THE FAIR VALUES AND RISK MANAGEMENT (Continued)

	The book value		The fair value			
	Amortized cost	Total	Level 1	Level 2	Level 3	Total
December 31, 2021						
Trade receivables and contract assets	709,426,179	709,426,179	-	-	-	-
Cash and cash equivalents	45,322,900	45,322,900	-	-	-	-
Due from related parties	4,240,235	4,240,235	-	-	-	-
	758,989,314	758,989,314	-	-	-	-
Accrued expenses and other credit balances	143,450,242	143,450,242	-	-	-	-
Trade payables	60,148,074	60,148,074	-	-	-	-
Loans and overdrafts	248,529,302	248,529,302	-	-	-	-
Notes payable	7,202,062	7,202,062	-	-	-	-
Lease liabilities	10,511,679	10,511,679	-	-	-	-
Due to related parties	4,963,020	4,963,020				
	474,804,379	474,804,379	-	-	-	-

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's financial assets included trade receivables, cash equivalents, and due from related parties. financial liabilities included short and long-term loans, notes payable, trade payables, accrued expenses, and due to related parties.

The Group is exposed to market risk, credit risk, and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures, and financial risks are identified, measured, and managed in accordance with the Group's policies and risk appetite. It is the Group's policy not to conduct any trading in derivatives for speculative purposes.
Management reviews and agrees on policies for managing each of these risks, which are summarized below.

A) Market risk

Currency risks
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The management monitors the fluctuations in foreign exchange rates and believes that the Group is not exposed to significant currency risks because it does not conduct any significant transactions in currencies other than the Saudi riyal and the US dollar. The exchange rate of the Saudi riyal is pegged to the US dollar, and therefore balances and transactions denominated in US dollars do not represent significant risks.

B) Credit risks

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to discharge obligations. The company's policy states that all customers who wish to deal on a credit basis are subject to credit checks. The financial instruments that are subject to the concentration of credit risk mainly consist of customer receivables. The Group deposits bank balances with a number of financial institutions with good credit ratings, and has a policy based on setting limits for its balances deposited with each financial institution. The Group does not see significant risks from the inefficiency of these institutions.

The book value of the financial assets represents the maximum value to which the financial assets can be exposed to credit risk as at the date of the statement of financial position on 31 December which is as follows:

	(SAUDI RIYAL)	
	2022	2021
Cash and cash equivalents (Note 12)	**54,558,170**	45,322,900
Trade receivables and Contract assets (Note 9)	**594,848,337**	709,426,179
Due from related parties (Note 13)	**18,766,227**	4,240,235
	668,172,734	758,989,314

Trade receivables and Contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer contract. However, management also takes into account the factors that may have an impact on the credit risk of the customer base, including default risk in the business sector in which customers operate.
The Risk Management Committee has established a credit policy under which the creditworthiness of each new customer contract is analyzed before the Group offers its terms and conditions for payment and supply. The Group limits its exposure to credit risk from trade receivables by setting maximum collection limits and credit limits for its customers. Due to the nature of the sector in which the Group operates, there is a certain concentration of risks. The number of disclosures submitted maintains the competitive position of the group in this sector.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

C) Liquidity risks

This is the risk that the Group will not be able to secure the necessary liquidity to meet commitments related to financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed through periodic monitoring to ensure that sufficient liquidity is available to meet any future commitments.

The table below summarizes the maturity's dates of the Group's financial liabilities based on undiscounted contractual payments:

	(SAUDI RIYAL)			
December 31, 2022	**Book value**	**Contractual cash flows**	**less than one year**	**More than one year**
Long-term borrowings	**9,837,500**	**9,837,500**	**163,750**	**9,673,750**
Short-term borrowings	**170,038,472**	**170,038,472**	**170,038,472**	-
Overdrafts	-	-	-	-
Notes Payable	**7,841,356**	**7,841,356**	**7,841,356**	-
Trade payables	**68,490,730**	**68,490,730**	**68,490,730**	-
Lease liabilities	**18,839,744**	**19,633,409**	**7,568,733**	**12,064,676**
Accrued expenses and other credit balances	**107,794,566**	**107,794,566**	**107,794,566**	-
	382,842,368	**383,636,033**	**361,897,607**	**21,738,426**

	(SAUDI RIYAL)			
December 31, 2021	**Book value**	**Contractual cash flows**	**less than one year**	**More than one year**
Long-term borrowings	7,725,000	7,725,000	500,000	7,225,000
Short-term borrowings	232,884,177	232,884,177	232,884,177	-
Overdrafts	7,920,125	7,920,125	7,920,125	-
Notes Payable	7,202,062	7,202,062	7,202,062	-
Trade payables	60,148,074	60,148,074	60,148,074	-
Due to related parties	4,963,020	4,963,020	4,963,020	-
Lease liabilities	10,511,679	10,838,385	5,641,690	5,196,695
Accrued expenses and other credit balances	143,450,242	143,450,242	143,450,242	-
	474,804,379	475,131,085	462,709,390	12,421,695

D) Commission rate risks (interest)

Commission rate risks are the risk that the value of financial instruments will fluctuate due to changes in commission rates prevailing in the market. The Group is exposed to changes in market interest rates mainly due to borrowings. Loans issued at variable rates expose the Group to variability in cash flows due to changes in interest rates.

The Company's exposure to changes in interest rates is as follows:

	(SAUDI RIYAL)	
	2022	2021
Variable-rate loans	**170,038,472**	240,804,302
Fixed-rate loans	**9,837,500**	7,725,000

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

E) Capital management

The Group's objectives when managing capital are:

i- Ensuring the Group's ability to continue as a going concern.
ii- Provide an adequate return to shareholders by pricing services in a manner that reflects the level of risk involved in providing these services.

The Group's capital objective is to maintain a high capital to the total leverage ratio.

Management estimates the Group's capital requirements in order to maintain an effective overall funding structure and avoid material impact, taking into account the levels involved in the Group's various classes of indebtedness. The Group manages its capital structure and makes adjustments to it in line with changes in economic conditions and risk characteristics of the underlying assets in order to maintain or adjust the capital structure. The Group may adjust the dividends paid to shareholders, return equity capital, issue new shares, or sell assets to reduce debt.

The following is the net gearing ratio of the Group at the end of the year:

	(SAUDI RIYAL)	
	2022	2021
Loans and borrowings	**179,875,972**	248,529,302
Trade payables	**68,490,730**	60,148,074
	248,366,702	308,677,376
Less:		
Cash and cash equivalents	**(54,558,170)**	(45,322,900)
Net gearing	**193,808,532**	263,354,476
Total Equity	**470,372,764**	473,675,734
Net gearing ratio to Equity	**%41**	56%

35. SUBSEQUENT EVENTS

The management believes that there are no significant subsequent events since the end of the financial year that require disclosure or adjustment to these consolidated financial statements.

36. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's Board of Directors on Ramadan 8, 1444 H, corresponding to March 30, 2023.