SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY
(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY
(CLOSED JOINT STOCK COMPANY)

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

BAKER TILLY MKM & CO.
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

To the Shareholders,

Scientific and Medical Equipment House Company
(Closed Joint Stock Company)

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, 2021, 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, 2021, 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are 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 revenue for the year ended December 31, 2021 amounted to SR 699 million (2020: SR 617 million), and considering the significance of the amount of revenues and its susceptibility to the inherent risk of recognizing revenues higher than its actual amount or inappropriately recognizing revenue before the Group satisfies the performance obligation, it has been considered as a key audit matter. Refer to note (2-26) 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. - Performed analytical procedures by comparing expectation of revenue for a sample of customers with actual revenue. - 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.

Other Information

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. 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.

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

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.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional 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
ترخيص ٣٢٣/١١/٤٧٩ License 323/11/479
BAKER TILLY
M K M & CO.

Ayad Obeyan Alseraihi
License No. 405

Riyadh on Sha'ban 27, 1443 H
Corresponding to March 30, 2022

SCIENTIFIC AND MEDICAL EQUIPMENT HOUSE COMPANY
(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(SAUDI RIYAL)

	Notes	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	4	**33,866,486**	35,175,568
Right-of-use assets	5	**9,948,826**	7,230,659
Investment properties	6	**32,263,943**	32,609,743
Equity investment at fair value through OCI	7	**-**	10,928,226
Other non-current assets		**70,523**	271,982
Total non-current assets		**76,149,778**	86,216,178
Current assets			
Cash and cash equivalents	8	**45,322,900**	88,638,308
Trade receivables	9-A	**500,784,483**	371,456,139
Contract assets	9-B	**208,641,696**	120,285,995
Inventories	10	**97,237,669**	86,308,827
Prepayments and other debit balances	11	**73,307,724**	57,672,417
Deferred expenses	12	**12,141,128**	29,186,411
Due from related parties	13	**4,240,235**	49,620,888
Total current assets		**941,675,835**	803,168,985
TOTAL ASSETS		**1,017,825,613**	889,385,163
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**200,000,000**	200,000,000
Statutory reserve	15	**34,829,506**	27,077,058
Fair value reserve		**-**	936,706
Retained earnings		**238,628,179**	199,987,988
Equity attributable to the shareholders of the Parent		**473,457,685**	428,001,752
Non-controlling interests	30	**218,049**	1,950,118
TOTAL EQUITY		**473,675,734**	429,951,870
LIABILITIES			
Non-current liabilities			
Long-term borrowings	19	**7,225,000**	1,860,000
Employees' defined benefits obligations	17	**56,804,434**	50,801,733
Lease liabilities	18	**5,770,811**	4,184,873
Total non-current liabilities		**69,800,245**	56,846,606
Current liabilities			
Long-term borrowings - current portion	19	**500,000**	-
Lease liabilities – current portion	18	**4,740,868**	2,934,661
Overdrafts	19	**7,920,125**	503,443
Notes payable	19	**7,202,062**	7,430,542
Short-term borrowings	19	**232,884,177**	174,575,194
Trade payables	20	**60,148,074**	53,267,987
Accrued expenses and other credit balances	21	**143,450,242**	145,828,652
Due to related parties	13	**4,963,020**	1,706,753
Contract liabilities		**5,611,383**	6,966,437
Zakat provision	22	**6,929,683**	9,373,018
Total current liabilities		**474,349,634**	402,586,687
TOTAL LIABILITIES		**544,149,879**	459,433,293
TOTAL EQUITY AND LIABILITIES		**1,017,825,613**	889,385,163

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
(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYAL)

	Notes	2021	2020 (Restated)
Revenue	23	**699,453,092**	617,474,882
Cost of revenue	24	**(546,469,519)**	(466,627,071)
Gross profit		**152,983,573**	150,847,811
Selling and marketing expenses	25	**(10,458,938)**	(13,557,207)
General and administrative expenses	26	**(59,101,160)**	(49,233,402)
Operating profit		**83,423,475**	88,057,202
Finance cost	27	**(13,980,454)**	(13,782,255)
Other income, net	28	**15,391,646**	7,278,977
Profit before zakat		**84,834,667**	81,553,924
Zakat	22	**(8,085,491)**	(7,393,361)
Profit for the year		**76,749,176**	74,160,563
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity investments at fair value through OCI	7	**744,694**	(78,058)
Actuarial loss on employees' defined benefits obligations	17	**(2,814,100)**	(2,624,686)
Other comprehensive loss for the year		**(2,069,406)**	(2,702,744)
Total comprehensive income for the year		**74,679,770**	71,457,819
Profit for the year attributable to:			
Shareholders of the parent company		**77,524,475**	74,760,880
Non-controlling interests		**(775,299)**	(600,317)
		76,749,176	74,160,563
Total comprehensive income for the year attributable to:			
Shareholders of the parent company		**75,455,933**	72,111,143
Non-controlling interests	30	**(776,163)**	(653,324)
		74,679,770	71,457,819
Basic and diluted earnings per share	29	**3.88**	3.74

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
(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYAL)

		Attributable to the shareholders of the parent						
	Notes	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
As at January 1, 2020		200,000,000	19,600,970	1,014,764	135,274,875	355,890,609	2,602,942	358,493,551
Profit for the year		-	-	-	74,760,880	74,760,880	(600,317)	74,160,563
Other comprehensive loss		-	-	(78,058)	(2,571,679)	(2,649,737)	(53,007)	(2,702,744)
Total comprehensive income for the year		-	-	(78,058)	72,189,201	72,111,143	(653,324)	71,457,819
Changes in non-controlling interests		-	-	-	-	-	500	500
Transfer to statutory reserve	15	-	7,476,088	-	(7,476,088)	-	-	-
As at December 31, 2020		200,000,000	27,077,058	936,706	199,987,988	428,001,752	1,950,118	429,951,870
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 to statutory reserve	15	-	**7,752,448**	-	**(7,752,448)**	-	-	-
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**

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

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYAL)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat	**84,834,667**	81,553,924
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**8,734,771**	5,968,139
Depreciation of investment properties	**345,800**	345,768
Depreciation of right-of-use assets	**4,075,550**	3,444,051
Provision of impairment in trade receivables	**4,466,877**	426,823
Provision of slow-moving inventories	**1,220,714**	738,780
Provision of advances to suppliers	**-**	765,586
Gain on disposal of property, plant and equipment	**(217,775)**	(234,811)
Finance cost	**13,980,454**	13,782,255
Employees' defined benefits cost	**9,382,627**	9,303,787
	126,823,685	116,094,302
Working capital changes:		
Trade receivables	**(133,795,221)**	94,455,114
Contract assets	**(88,355,701)**	(23,841,562)
Inventories	**(12,149,556)**	(58,154,599)
Prepayments and other debit balances	**(15,635,307)**	(23,993,975)
Deferred expenses	**17,045,283**	7,895,284
Trade payables	**6,880,087**	(788,947)
Accrued expenses and other credit balances	**(2,378,410)**	4,521,783
Contract liabilities	**(1,355,054)**	6,966,437
Due from / to related parties	**46,486,389**	5,877,578
	(56,433,805)	129,031,415
Employees' defined benefits obligations paid	**(5,076,410)**	(6,731,830)
Zakat paid	**(10,528,826)**	(4,989,513)
Net cash (used in) / generated from operating activities	**(72,039,041)**	117,310,072

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

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021
(SAUDI RIYAL)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(7,447,424)**	(22,969,076)
Proceeds from disposal of property, plant and equipment	**239,510**	237,761
Other non-current assets	**201,459**	201,460
Proceeds from disposal of equity investment at fair value through OCI	**11,672,920**	-
Net cash generated from /(used in) investing activities	**4,666,465**	(22,529,855)
CASH FLOWS FROM FINANCING ACTIVITIES		
Overdrafts	**7,416,682**	(2,953,360)
Notes Payable	**(228,480)**	3,181,545
Lease liabilities paid	**(3,665,570)**	(3,508,516)
Proceeds from short-term borrowings	**790,628,022**	506,532,217
Proceeds from long-term borrowing	**5,865,000**	1,860,000
Repayments of short-term borrowings	**(732,319,039)**	(554,661,938)
Due to shareholders	**-**	(18,509,512)
Dividends paid	**(30,000,000)**	-
Financing costs paid	**(12,683,541)**	(12,333,465)
Changes in non-controlling interests	**(955,906)**	500
Net cash generated from / (used in) financing activities	**24,057,168**	(80,392,529)
Net change in cash and cash equivalents	**(43,315,408)**	14,387,688
Cash and cash equivalents at the beginning of the year	**88,638,308**	74,250,620
Cash and cash equivalents at the end of the year	**45,322,900**	88,638,308
Non-cash transactions:		
Additions to Right-of-use assets against lease liabilities	**6,793,717**	4,408,527
Actuarial loss on employees' defined benefits obligations	**2,814,100**	2,624,686
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, AD).

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, the Company is also 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.
1010358382	The House of Food Supplies Company	Riyadh	06/02/1434H	Wholesale of meat products.
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 2021	Ownership % as at December 31 2020	Activity
Girgas Trading Co .Drug Store Co. (A)	**100**	100	A warehouse for wholesale and retail trade in medical supplies.
Protecta Visions Co. (B)	**100**	85	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. (C)	**100**	-	Cooling and air conditioning systems installation, maintenance, and repair.
New Testament Co., Ltd. (C)	**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. (C)	**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.

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

Company's name	Ownership % as at December 31 2021	Ownership % as at December 31 2020	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 company acquired the share capital of Protecta Visions Company by purchasing the 15% share of Rawabi Marketing International Company on January 1, 2021.

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

1. ORGANIZATION AND ACTIVITY(Continued)

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

Company's name	Legal structure	Non-controlling interests (%) 2021	2020
Protecta Visions Co.	Limited liability company	-	15
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) Historical cost basis

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 or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2-4 APPLICATION OF NEW AND REVISED IFRS

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Impact of the initial application of Interest Rate Benchmark Reform "Phase 2" – Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021- Amendment to IFRS 16.

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

The Group 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 IFRS 3 Business Combination updating a reference to the Conceptual Framework	1 January 2022
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	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous	1 January 2022
Annual Improvements to IFRS (2018 – 2020 Cycle) amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	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
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 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 Group's consolidated financial statements for the period of initial application. Adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group 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, PLANT AND EQUIPMENT

Property, plant 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, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant 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, plant 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, plant 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-6 PROPERTY, PLANT AND EQUIPMENT (Continued)

The residual value, useful lives and depreciation methods of property, plant 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. 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 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.

2-8 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)

2-9 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.

2-10 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)

2-10 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 applies the expected credit loss model to measure and recognize the loss of exposure to credit risk and impairment in the value of financial assets that are debt instruments and are measured at amortized cost such as loans and trade receivables.
The expected credit loss is the weighted estimate of credit losses (ie, the present value of all cash shortfalls) over the expected life of the financial asset. The cash shortfall is the difference between the cash flows due in accordance with the contract and the cash flows that the Group expects to receive. The expected credit loss model considers the amount and timing of payments and therefore credit losses arise even if the Group expects to receive payments in full but later than the contract due date. The expected credit loss method requires an assessment of the credit risk and default and the timing of collection since initial recognition. This requires recognition of ECL in the consolidated statement of profit or loss even for newly created or acquired receivables.

Impairment of financial assets is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risks since initial recognition. 12-month expected credit losses represent the expected credit losses resulting from default events that may be possible within 12 months after the financial reporting date. Expected credit losses represent the lifetime expected credit losses that result from all possible default events over the expected life of the financial asset.

Trade receivables have a short term, usually less than 12 months, so the allowance for impairment losses measured as lifetime ECLs are not different from 12 months ECLs. The Group uses the practical means of IFRS 9 to measure the expected credit losses of trade receivables using a provision matrix based on the aging of the receivables.

The Group uses credit loss rates that are derived from historical credit loss experiences and adjusts them to reflect information about current conditions and reasonable and verifiable expectations of future economic conditions. Credit loss rates vary according to the ages of the amounts that are past due, and they are usually higher for those amounts with the oldest ages.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-10 Financial instruments (Continued)
B) Financial liabilities (Continued)

(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.

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.

2-11 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.

2-12 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.

2-13 Contract assets and liabilities
The group has the right to bill customers for executed construction activities based on the completion of a series of performance points. Upon reaching a specific performance point, a completion certificate and an invoice are sent to the payment related to the performance point, and the group has previously recognized the contract assets for any completed work. Any amounts previously recognized in contract assets are reclassified to trade receivables at the point at which they are invoiced and approved by the customer. If the performance point payment exceeds the revenue recognized to date under the cost-to-cost method, then the group must recognize the contract obligations to the difference. There is no substantial financing component in construction contracts with clients as the period between recognition of revenue by cost method to cost and performance point payments is always less than one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-14 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.

2-15 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.

2-16 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group 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.

2-17 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 Project 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)

2-18 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 an unconditional 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.

2-19 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.

2-20 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.

2-21 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-21 Leases (Continued)

Lease liabilities (Continued)
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.

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.

2-22 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.

2-23 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.

2-24 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.

2-25 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)

2-26 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)

2-26 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.

Rental income

Income from investment properties is generally recognized in the financial period in which the services are rendered, using straight-line method over the term of the lease contract.

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.

2-27 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.

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.

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.

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

Significant judgments used on applying accounting standards

In the process of applying of the Group's accounting policies, management has made the following judgments, that may have a material impact on the amounts reognized in the consolidated financial statements:

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.

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.

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

Estimates and assumptions (Continued)

C. Provisions

Provisions, based on its, 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.

D. 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.

E. 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.

4. Property, plant 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, 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	4,498,580	829,496	414,123	728,931	28,393	137,799	2,880	685,720	-	8,734,771
Disposal during the year	(52,916)	(1,219,300)	(60,338)	(1,098)	(474,099)	(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, plant and equipment as of December 31, 2021, amounted to SAR 32.1 million (2020: SAR 28.7 million).

4. Property, plant 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, 2020	5,499,871	23,188,877	3,385,046	1,689,310	7,539,726	711,758	1,032,236	5,485,378	4,666,602	7,132,528	60,331,332
Additions during the year	3,070,803	14,246,658	1,567,857	474,454	165,667	-	252,000	-	655,056	2,536,581	22,969,076
Disposals during the year	-	(2,382,645)	(20,920)	(31,115)	(124,300)	(19,000)	(307,705)	-	(3,650)	-	(2,889,335)
Transfers during the year	-	-	-	-	-	-	-	-	614,927	(614,927)	-
December 31, 2020	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
Accumulated depreciation											
January 1, 2020	4,889,874	19,955,891	1,928,292	1,096,213	5,047,503	636,851	820,508	5,281,227	2,497,392	-	42,153,751
Depreciation charged for the year	523,596	2,953,975	606,889	436,220	738,019	46,378	139,471	3,977	519,614	-	5,968,139
Disposal during the year	-	(2,382,623)	(20,901)	(31,097)	(124,299)	(18,999)	(305,316)	(3,150)	-	-	(2,886,385)
December 31, 2020	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
Net book value											
December 31, 2020	3,157,204	14,525,647	2,417,703	631,313	1,919,870	28,528	321,868	203,324	2,915,929	9,054,182	35,175,568

Projects in progress as of December 31, 2020, represents the amounts paid for equipment and devices that are under supplying.

5. RIGHT -OF -USE ASSETS

The following table shows the movement of the balance of the right of use assets in addition to the accumulated depreciation during the year:

	(SAUDI RIYAL)	
	2021	2020
Cost		
January 1	**13,945,162**	9,536,635
Additions during the year	**6,793,717**	4,408,527
December 31	**20,738,879**	13,945,162
Accumulated depreciation		
January 1	**6,714,503**	3,270,452
Depreciation charged for the year	**4,075,550**	3,444,051
December 31	**10,790,053**	6,714,503
Net book value		
December 31	**9,948,826**	7,230,659

6. INVESTMENT PROPERTIES

	(SAUDI RIYAL)		
	Land	**Buildings**	**Total**
Cost			
January 1, 2020	27,855,000	11,525,605	39,380,605
December 31, 2020	27,855,000	11,525,605	39,380,605
December 31, 2021	**27,855,000**	**11,525,605**	**39,380,605**
Accumulated depreciation			
January 1, 2020	-	6,425,094	6,425,094
Depreciation charged for the year	-	345,768	345,768
December 31, 2020	-	6,770,862	6,770,862
Depreciation charged for the year	-	345,800	**345,800**
December 31, 2021	-	**7,116,662**	**7,116,662**
Net book value			
December 31, 2021	**27,855,000**	**4,408,943**	**32,263,943**
December 31, 2020	27,855,000	4,754,743	32,609,743

The fair value of investment properties as of December 31, 2021 is amounted to SR 34.8 million (2020: SR 32.9 million). The fair value of the Group's investment properties was reached on the basis of an evaluation carried out by independent external valuators who have no relation with the Group, have appropriate qualifications and recent experience in evaluating investment properties, namely Olaat & Partner for Real Estate Valuation Company (license No. 1210000397) and Hemmah Real Estate Valuation Company (license No. 1210000259). The real estate was evaluated through evaluation methods approved in accordance with International Valuation Standards and taking into account the local market data. The valuators evaluated the investment properties based on the real estate market.

7. EQUITY INVESTMENT AT FAIR VALUE THROUGH OCI

The balance of equity investment at fair value through other comprehensive income amounted to SR10,928,226 as of December 31, 2020, represents the Group's investment in a company listed in the primary Saudi Market, which was sold during the current year, the movement on the investment is as follows:

	(SAUDI RIYAL)	
	2021	2020
January 1	**10,928,226**	11,006,284
Changes in fair value	**744,694**	(78,058)
Disposals	**(11,672,920)**	-
December 31	**-**	10,928,226

8. CASH AND CASH EQUIVALENTS

	(SAUDI RIYAL)	
	2021	2020
Time deposits	**7,500,000**	50,000,000
Cash at bank	**37,716,112**	38,602,206
Cash on hand	**106,788**	36,102
	45,322,900	88,638,308

9. TRADE RECEIVABLES AND CONTRACT ASSETS

		(SAUDI RIYAL)	
		2021	2020
Trade receivables	**9-A**	**510,020,151**	376,224,930
Provision of impairment in trade receivables	**9-C**	**(9,235,668)**	(4,768,791)
		500,784,483	371,456,139
Contract assets	**9-B**	**208,641,696**	120,285,995

9-A Trade receivables

	(SAUDI RIYAL)	
	2021	2020
Trade receivables - governmental sector	**488,786,289**	331,269,943
Trade receivables – private sector	**19,934,085**	35,632,140
Retentions	**1,299,777**	9,322,847
	510,020,151	376,224,930

9-B Contract assets

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

	(SAUDI RIYAL)	
	2021	2020
Operation and maintenance contracts	**207,626,104**	103,372,214
Construction projects	**1,015,592**	16,913,781
	208,641,696	120,285,995

9. TRADE RECEIVABLES AND CONTRACT ASSETS (Continued)

9-C Provision of impairment in trade receivables

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

	(SAUDI RIYAL)	
	2021	2020
January 1	**4,768,791**	4,609,954
Additions during the year (Note 26)	**4,466,877**	426,823
Written off during the year	-	(267,986)
December 31	**9,235,668**	4,768,791

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

	(SAUDI RIYAL)	
	2021	2020
Not due	**78,099,083**	236,220,530
90 – 180 days	**73,581,002**	102,092,378
181 – 270 days	**86,675,000**	42,904,355
271 – 360 days	**114,925,016**	28,837,590
More than 360 days	**365,381,746**	86,456,072
Total	**718,661,847**	496,510,925

10. INVENTORIES

	(SAUDI RIYAL)	
	2021	2020
Commercial inventory	**94,523,710**	85,825,569
Operation inventory	**7,169,957**	3,907,257
Construction inventory	**5,364,597**	2,604,869
Goods in transit	**4,631**	2,575,644
	107,062,895	94,913,339
Provision of slow-moving inventories	**(9,825,226)**	(8,604,512)
Total	**97,237,669**	86,308,827

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

	(SAUDI RIYAL)	
	2021	2020
January 1	8,604,512	8,144,288
Additions during the year (Note 24)	1,220,714	738,780
Written off during the year	-	(278,556)
December 31	9,825,226	8,604,512

11. PERPAYMENTS AND OTHER DEBIT BALANCES

	(SAUDI RIYAL)	
	2021	2020
Prepaid visas	**30,850,454**	31,390,697
Advances to suppliers	**16,399,853**	8,577,136
Expenses of public offering	**6,294,090**	2,995,194
Value added tax	**5,933,619**	-
Prepaid insurance	**4,072,634**	3,566,610
employee receivables and petty cash	**3,148,392**	5,126,163
Prepaid rent	**2,005,699**	1,950,967
Prepaid projects expenses	**1,641,575**	2,944,141
Security deposit	**1,107,335**	448,827
Others	**1,854,073**	672,682
	73,307,724	57,672,417

12. DEFERRED EXPENSES

	(SAUDI RIYAL)	
	2021	2020
Deferred maintenance and operating expenses of subcontractors	**7,298,108**	21,820,371
Deferred spare parts expenses	**3,004,569**	3,087,437
Deferred other operating and maintenance projects expenses	**1,244,350**	3,070,084
Deferred contracting and construction projects expenses	**594,101**	1,208,519
	12,141,128	29,186,411

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.

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	2021	2020
Rawabi Marketing International Co.	Affiliate	Payments on behalf of related parties	**1,824,183**	2,717,630
		Employee defined benefit obligations (Note 17)	**1,824,292**	-
		Rental income (Note 28)	**864,000**	864,000
		Revenue from maintenance and operating contracts	**9,817,038**	14,033,355
		Purchases	**5,550,272**	5,142,847
		Financing	**-**	11,900,000
Rawabi for Smart Services & Devices Co.	Affiliate	Purchases	**2,940,000**	845,250
		Revenue from maintenance and operating contracts	**858,817**	-
The National of Sulfur Products Co.	Affiliate	Payments on behalf of related parties	**421,015**	446,051
		Employee defined benefit obligations (Note 17)	**207,834**	-
		Revenue from Construction contract	**6,904,666**	-
		Rental income (Note 28)	**384,000**	384,000
		Revenue from maintenance and operating contracts	**359,879**	6,702,915
German Metal Surface Treatment Chemicals Co.	Affiliate	Payments on behalf of related parties	**144,871**	204,075
		Revenue from Construction contract	**506,926**	499,989
		Revenue from maintenance and operating contracts	**2,163,665**	1,700,190
		Rental income (Note 28)	**264,000**	264,000
		Purchase	**347,887**	1,089,997
		Employee defined benefit obligations (Note 17)	**118,405**	-
Dirat Al Amar Real Estate Co.	Affiliate	Payments on behalf of related parties	**4,939,116**	45,775
		Revenue from Construction contract	**18,629,883**	15,834,445
		Purchases	**-**	720,013
		Rent expenses	**1,564,275**	-
Uni Land for Trading Est.	Affiliate	Payments on behalf of related parties	**8,896,502**	6,346,067
		Purchases	**6,955,513**	6,089,914
Barakat Al Khair for Trading Est.	Affiliate	Payments on behalf of related parties	**7,238,268**	4,752,877
		Purchases	**4,591,887**	5,698,137

13. RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

DUE FROM RELATED PARTIES

	(SAUDI RIYAL)	
	2021	2020
Dirat Al Amar Real Estate Co.	**2,686,754**	22,511,116
Barakat Al Khair for Trading Est.	**926,584**	-
Uni Land for Trading Est.	**626,897**	-
Rawabi Marketing International Co.	-	27,109,772
	4,240,235	49,620,888

DUE TO RELATED PARTIES

	(SAUDI RIYAL)	
	2021	2020
Rawabi Marketing International Co.	**4,963,020**	-
Uni Land for Trading Est.	-	1,314,090
Barakat Al Khair for Trading Est	-	392,663
	4,963,020	1,706,753

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)	
	2021	2020
Salaries, compensation, and allowances	**2,664,000**	2,664,000
Total	**2,664,000**	2,664,000

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 requirements of the Regulations for Companies in the Kingdom of Saudi Arabia, 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 Shawwal 15, 1442 H corresponding to May 27, 2021 G, to distribute dividends of 15% of the capital from the balance of retained earnings, amounting to SR 30 million. (2020: SR Nil)

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)	
	2021	2020
January 1	**50,801,733**	44,374,431
Service costs	**9,382,627**	9,303,787
Finance Costs (Note 27)	**1,032,915**	1,230,659
Total recognized in profit and loss	**10,415,542**	10,534,446
Actuarial re-measurement losses	**2,814,100**	2,624,686
Total recognized in other comprehensive income	**2,814,100**	2,624,686
Transfer to related parties	**(2,150,531)**	-
Paid during the year	**(5,076,410)**	(6,731,830)
December 31	**56,804,434**	50,801,733

17-2 Key actuarial assumptions

	2021	2020
Discount rate	**2.35%**	2%
Future salary growth rate	**1%**	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)	
		2021	2020
Discount rate	+1%	**53,967,917**	49,063,216
	-1%	**59,829,252**	52,532,560
Future salary growth rate	+1%	**59,837,205**	52,529,551
	-1%	**53,908,950**	49,033,716

- 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, 2021.
- 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.

18. LEASE LIABILITIES

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

	(SAUDI RIYAL)	
	2021	2020
January 1	**7,119,534**	6,001,392
Additions during the year	**6,793,717**	4,408,527
Finance cost (Note 27)	**263,998**	218,131
Paid during the year	**(3,665,570)**	(3,508,516)
December 31	**10,511,679**	7,119,534
Non-current lease liabilities	**5,770,811**	4,184,873
Current lease liabilities	**4,740,868**	2,934,661
	10,511,679	7,119,534

The following is an analysis of the lease liabilites maturities:

Within one year	**5,641,690**	3,047,419
More than one year and less than five years	**5,196,695**	4,326,516
	10,838,385	7,373,935
Deferred finance costs	**(326,706)**	(254,401)
	10,511,679	7,119,534

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)	
	2021	2020
Cost of revenue (Note 24)	**5,388,760**	4,462,378
Selling and marketing expenses (Note 25)	**551,482**	524,715
General and administrative expenses (Note 26)	**1,345,211**	1,555,453
	7,285,453	6,542,546

19. BANK FACILITIES

The Group has obtained bank facilities from local banks in the form of overdraft, letters of credit, term loans (Murabaha and Tawarruq), and notes payable amounting to SR 255.7 million (2020: SR 184.4 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)	
	2021	2020
Short-term borrowings (A)	**232,884,177**	174,575,194
Long-term borrowings (B)	**7,725,000**	1,860,000
Notes payable	**7,202,062**	7,430,542
Overdrafts	**7,920,125**	503,443
	255,731,364	184,369,179

19. BANK FACILITIES (Continued)

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

	(SAUDI RIYAL)	
	2021	2020
January 1	**174,575,194**	222,704,915
Additions during the year	**790,628,022**	506,532,217
Paid during the year	**(732,319,039)**	(554,661,938)
December 31	**232,884,177**	174,575,194

(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 1,525,000 obtained from Saudi Aramco Entrepreneurship "Waed" in order finance projects in progress. The movement of the long-term borrowings is as follows:

	(SAUDI RIYAL)	
	2021	2020
January 1	**1,860,000**	-
Additions During the year	**5,865,000**	1,860,000
December 31	**7,725,000**	1,860,000
Current portion	**500,000**	-
Non-current portion	**7,225,000**	1,860,000

20. TRADE PAYABLES

	(SAUDI RIYAL)	
	2021	2020
Suppliers of maintenance contracts, medical equipment, spare parts, and others	**34,589,449**	44,828,475
Project services suppliers	**14,358,458**	4,066,470
Suppliers of drugs and medical supplies	**7,372,416**	399,446
Contracting suppliers	**3,827,751**	3,973,596
	60,148,074	53,267,987

21. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	(SAUDI RIYAL)	
	2021	2020
Accrued projects expenses	**82,020,373**	74,418,150
Accrued tickets and vacations	**28,786,311**	22,691,423
Advances from customers	**12,419,093**	24,654,984
Accrued maintenance expenses	**9,110,772**	12,871,002
Accrued salaries	**4,496,133**	1,713,786
Value Added Tax payable	-	1,936,264
Others	**6,617,560**	7,543,043
	143,450,242	145,828,652

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 following are the significant components of the Zakat base of Scientific and Medical Equipment House Company in accordance with the zakat regulations:

	(SAUDI RIYAL)	
	2021	2020
Equity	**398,001,752**	355,890,609
Non-current assets	**(328,633,148)**	(160,208,017)
Provisions at the start of the period and other reconciliations	**60,096,265**	62,675,852
Adjusted net profit	**101,631,350**	97,970,141
Zakat base	**231,096,219**	356,328,585

The movement in zakat provision is as follows:

	(SAUDI RIYAL)	
	2021	2020
January 1	**9,373,018**	6,969,170
Zakat charged for current year	**7,018,017**	7,393,361
Zakat charged for a previous year	**1,067,474**	-
Paid during the year	**(10,528,826)**	(4,989,513)
December 31	**6,929,683**	9,373,018

Zakat status

The Company and its subsidiaries submitted their zakat declarations until 2020 and obtained zakat certificates accordingly.

Scientific and Medical Equipment House Company

The Company received during 2021 final assessments for the year 2015 which showed additional zakat differences amounted to SR 1,067,474, which was paid during the year.

Protecta Visions Company

Protecta Visions Company received final assessments from Zakat, Tax and Customs Authority till the year 2015. During the year 2020 and 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 by the company during the statutory period.

23. REVENUE

	(SAUDI RIYAL)	
	2021	2020 (Restated)
Revenue from maintenance and operating contracts	**572,021,843**	455,533,250
Construction contract revenue	**50,083,090**	76,159,516
Medical equipment sales	**43,834,061**	71,530,721
Drugs and medical supplies sales	**15,814,331**	4,033,022
Meet and food sales	**10,542,988**	5,711,058
Post-sale maintenance services revenue	**7,156,779**	4,507,315
	699,453,092	617,474,882

24. COST OF REVENUE

	(SAUDI RIYAL)	
	2021	2020 (Restated)
Salaries, wages and other benefits	**224,410,730**	185,554,532
Cost of materials, spare parts for projects and receipt notes	**138,825,563**	141,226,193
Sub-contractors cost	**72,684,452**	53,719,302
Visas	**55,549,565**	44,901,809
Social insurance	**11,703,561**	8,129,263
Insurance	**8,719,320**	6,867,460
Depreciation of property, plant and equipment	**6,018,765**	4,176,324
Rent expenses (Note 18)	**5,388,760**	4,462,378
Maintenance expenses	**3,896,434**	2,993,370
Depreciation of right-of-use assets (Note 5)	**1,721,287**	1,593,430
Provision of slow-moving inventories (Note 10)	**1,220,714**	738,780
Others	**16,330,368**	12,264,230
	546,469,519	466,627,071

25. SELLING AND MARKETING EXPENSES

	(SAUDI RIYAL)	
	2021	2020 (Restated)
Salaries, wages and other benefits	**4,884,793**	5,563,114
Cost of tenders and assignments	**2,062,235**	3,859,204
Sales commission	**1,000,811**	1,086,183
Rent expenses (Note 18)	**551,482**	524,715
Visas	**515,650**	574,237
Depreciation of property, plant and equipment	**247,752**	189,623
Insurance	**236,673**	327,493
Advertising expenses	**220,383**	74,565
Social insurance	**70,070**	160,761
Telecommunication expenses	**12,071**	102,643
Others	**657,018**	1,094,669
	10,458,938	13,557,207

26. GENERAL AND ADMINISTRATIVE EXPENSES

	(SAUDI RIYAL)	
	2021	2020 (Restated)
Salaries, wages and other benefits	**32,650,954**	26,047,530
Visas	**4,556,222**	2,812,089
Provision of impairment in trade receivables (note 9)	**4,466,877**	426,823
Depreciation of right-of-use assets (Note 5)	**2,354,263**	1,850,621
Depreciation of property, plant and equipment	**1,961,191**	1,602,192
Insurance	**1,448,508**	1,792,170
Rent expenses (Note 18)	**1,345,211**	1,555,453
Hospitality expenses	**1,251,091**	891,568
Cost of tenders and assignments	**1,236,785**	992,405
Social insurance	**1,175,987**	874,238
Telecommunication expenses	**1,079,112**	592,843
Stationery expenses	**571,969**	439,345
Professional and consultancy fees	**516,490**	1,174,735
Electricity and water	**354,772**	363,627
Depreciation of investment properties (note 6)	**345,800**	345,768
Maintenance and repair expenses	**234,183**	398,206
Subscriptions and service expenses	**222,404**	1,306,474
Bank charges	**170,835**	1,024,042
Provision of advances to suppliers	-	765,586
Others	**3,158,506**	3,977,687
	59,101,160	49,233,402

27. FINANCE COST

	(SAUDI RIYAL)	
	2021	2020
Finance cost on short-term borrowings	**6,568,819**	9,849,043
Finance cost on bank facilities	**6,114,722**	2,484,422
Finance cost on employees' defined benefits obligation (Note 17)	**1,032,915**	1,230,659
Finance cost on lease liabilities (Note 18)	**263,998**	218,131
	13,980,454	13,782,255

28. OTHER INCOME, NET

	(SAUDI RIYAL)	
	2021	2020
Compensation from Human Resources Development Fund	**8,935,103**	4,040,296
Write off of trade payables	**3,736,880**	-
Rental income (Note 13)	**1,512,000**	1,512,000
Dividend income	**329,533**	352,576
Gain on disposal property, plant and equipment	**217,775**	234,811
Others	**660,355**	1,139,294
	15,391,646	7,278,977

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.

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, 2021	**Protecta Vision Company**	**Nabd Medical Industries Company**	**United Purity Pharmaceutical Company**
Current assets	**87,276,040**	**7,254,379**	**19,017,284**
Current liabilities	**(1,959,328)**	**(749,354)**	**(28,981,149)**
Non-current assets	**1,294,203**	**8,506,569**	**6,588,349**
Non-current liabilities	**(82,964,473)**	**(14,432,617)**	**(3,189,501)**
Net assets (liabilities)	**3,646,442**	**578,977**	**(6,565,017)**
Non - controlling interests	**-**	**283,699**	**(65,650)**

	(SAUDI RIYAL)		
December 31, 2020	**Protecta Vision Company**	**Nabd Medical Industries Company**	**United Purity Pharmaceutical Company**
Current assets	97,367,258	1,548,891	2,590,590
Current liabilities	(4,115,355)	(1,674,554)	(6,165,222)
Non-current assets	692,116	9,175,815	1,308,145
Non-current liabilities	(87,571,314)	(6,973,980)	(44,838)
Net assets (liabilities)	6,372,705	2,076,172	(2,311,325)
Non - controlling interests	955,906	1,017,325	(23,113)

30. NON-CONTROLLING INTEREST (Continued)

SUMMARIZED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

December 31, 2021	(SAUDI RIYAL)		
	Protecta Vision Company	**Nabd Medical Industries Company**	**United Purity Pharmaceutical Company**
Revenue	**22,608,130**	**53,892**	**9,423,278**
Loss for the year	**(2,706,358)**	**(1,497,195)**	**(4,167,300)**
Other comprehensive loss	**(6,142)**	**-**	**(86,391)**
Total comprehensive loss	**(2,712,500)**	**(1,497,195)**	**(4,253,691)**
Net comprehensive loss attributable to non-controlling interests	**-**	**(733,626)**	**(42,537)**

December 31, 2020	(SAUDI RIYAL)		
	Protecta Vision Company	Nabd Medical Industries Company	United Purity Pharmaceutical Company
Revenue	37,754,789	21,200	-
Profit (loss) for the year	515,025	(1,334,608)	(2,361,325)
Other comprehensive loss	(353,380)	-	-
Total comprehensive income (loss)	161,645	(1,334,608)	(2,361,325)
Net comprehensive income (loss) attributable to non-controlling interests	24,247	(653,958)	(23,613)

31. CONTINGENT LIABILITIES

The Group has contingent liabilities in the form of letters of credit amounting to SR 25.5 million (2020: SR 19.9 million), covered by cash deposited in banks amounted to SR 669,508 (2020: SR Nill) and letters of guarantee amounting to SR 224.3 million (2020: SR 220.8 million) which are covered by cash deposited in banks amount to SR 78,387 (2020: SR 98,386).

The Group has no capital commitments as of December 31, 2021, associated with projects in progress (2020: SR 3,556,738).

32. SEGMENT INFORMATION

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

December 31, 2021	(SAUDI RIYAL)						
	Operation and maintenance	**Trading**	**Construction**	**Food supplies**	**Subsidiaries Companies**	**Eliminations**	**Total**
Revenue	**573,285,446**	**38,022,716**	**50,083,090**	**10,511,940**	**39,254,205**	**(11,704,305)**	**699,453,092**
Cost of revenue	**(456,694,931)**	**(30,629,296)**	**(34,512,143)**	**(11,539,876)**	**(24,797,578)**	**11,704,305**	**(546,469,519)**
Gross profit (loss)	**116,590,515**	**7,393,420**	**15,570,947**	**(1,027,936)**	**14,456,627**	**-**	**152,983,573**
Profit (loss) of the year	**68,777,270**	**(513,828)**	**8,376,405**	**(3,352,502)**	**(13,497,206)**	**16,959,037**	**76,749,176**

December 31, 2020	(SAUDI RIYAL)						
	Operation and maintenance	**Trading**	**Construction**	**Food supplies**	**Subsidiaries Companies**	**Eliminations**	**Total**
Revenue	455,533,250	43,449,013	76,159,516	5,711,058	41,787,811	(5,165,766)	617,474,882
Cost of revenue	(361,452,274)	(24,762,950)	(49,575,178)	(4,515,112)	(31,487,323)	5,165,766	(466,627,071)
Gross profit	94,080,976	18,686,063	26,584,338	1,195,946	10,300,488	-	150,847,811
Profit (loss) of the year	48,317,154	7,880,038	18,386,057	177,630	(7,652,734)	7,052,418	74,160,563

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The group's financial instruments included in the consolidated statement of financial position include cash and cash equivalents, trade receivables, contract assets, equity investment at fair value through OCI, other debit balances, due from / to related parties, overdrafts, notes payable, short and long-term loans, trade payables, and other credit balances.

Currency risks

Currency risks are the risk arising from the fluctuation in the value of financial instruments due to changes in foreign exchange rates. The risks are managed by periodic monitoring of the relevant exchange rates.

Credit risks

Credit risks are the risk that a party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's credit risks arise primarily from its dealings with government agencies. The government parties are part of the government of the Kingdom of Saudi Arabia which has a strong credit rating in the Saudi market.

The Group's management monitors the unpaid balances, and, when appropriate, trade receivables, is stated at net, after deducting the provision for impairment. Cash is placed in banks with a high credit rating.

	(SAUDI RIYAL)	
	2021	2020
Equity investment at fair value through OCI	-	10,928,226
Cash and cash equivalents	**45,322,900**	88,638,308
Trade receivables	**500,784,483**	371,456,139
Contract assets	**208,641,696**	120,285,995
Due from related parties	**4,240,235**	49,620,888
	758,989,314	640,929,556

Commission rate risks

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 has no significant long-term interest-bearing financial assets and liabilities as of December 31, 2021.

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:

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity risks (Continued)

December 31, 2021	**(SAUDI RIYAL)** less than one year	1 – 5 years	More than 5 years	Total
Lease liabilities	**5,641,690**	**5,196,695**	-	**10,838,385**
Overdrafts	**7,920,125**	-	-	**7,920,125**
Notes Payable	**7,202,062**	-	-	**7,202,062**
Short-term borrowings	**232,884,177**	-	-	**232,884,177**
Long-term borrowings	**500,000**	**5,403,570**	**1,821,430**	**7,725,000**
Trade payables	**60,148,074**	-	-	**60,148,074**
Other credit balances	**12,419,093**	-	-	**12,419,093**
Due to related parties	**4,963,020**	-	-	**4,963,020**
Total	**331,678,241**	**10,600,265**	**1,821,430**	**344,099,936**

December 31, 2020	(SAUDI RIYAL) less than one year	1 – 5 years	More than 5 years	Total
Lease liabilities	3,047,419	4,326,516	-	7,373,935
Overdrafts	503,443	-	-	503,443
Notes Payable	7,430,542	-	-	7,430,542
Short-term borrowings	174,575,194	-	-	174,575,194
Long-terms borrowings	-	1,860,000	-	1,860,000
Trade payables	53,267,987	-	-	53,267,987
Other credit balances	24,654,984	-	-	24,654,984
Due to related parties	1,706,753	-	-	1,706,753
Total	265,186,322	6,186,516	-	271,372,838

34. FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount with which an asset is exchanged or a liability is settled between parties who have knowledge and desire to do so with fair transaction conditions, and since the Group's financial instruments are listed in accordance with the historical cost principle, differences may appear between the book values and fair value estimates, and the management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values. As of December 31, 2020, the Group has financial instruments at fair value represented in equity investments at fair value through other comprehensive income, which are evaluated periodically according to the market prices prevailing on the reporting date.

35. PRIOR YEAR'S ADJUSTMENTS

The company restated its financial information, and the effect is explained as follows:

	Note	For year ended December 31, 2020 Before Adjustments	Adjustments	After Adjustments
Revenue	**A**	652,357,659	(34,882,777)	617,474,882
Cost of revenue	**A, B**	(505,930,747)	39,303,676	(466,627,071)
Gross profit		146,426,912	4,420,899	150,847,811
Selling and marketing expenses	**B**	(10,582,879)	(2,974,328)	(13,557,207)
General and administrative expenses	**B**	(47,786,831)	(1,446,571)	(49,233,402)
Profit for the year		74,160,563	-	74,160,563

35. PRIOR YEAR'S ADJUSTMENTS (Continued)

A. The adjustment represents the reduction in revenue from the discounts and deductions on contracts with customers in accordance with the International Financial Reporting Standard No. 16
B. Certain comparative figures have been reclassified to conform with the presentation for the current year consolidated financial statements.

36. SUBSEQUENT EVENTS

The approval of the Capital Market Authority was issued on November 3, 2021, based on the Company's request, to offer 6,000,000 ordinary shares, which represent 30% of the Company's shares in the primary Saudi market "Tadawul". The shares were offered on February 28, 2022.

37. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's Board of Directors on Sha'ban 27, 1443 H, corresponding to March 30, 2022.