



**AL HAMMADI HOLDING COMPANY
A SAUDI JOINT STOCK COMPANY**

**THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
AND INDEPENDENT AUDITOR'S REPORT**

**AL HAMMADI HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Al-Hammadi Holding Company
(Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of **Al Hammadi Holding Company** (the “Company”) and its subsidiaries (together “the Group”) which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS Accounting 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 (“ISAs”) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the “Code”), that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code’s 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 of the current period. 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 to the Shareholders of Al Hammadi Holding Company (a Saudi Joint Stock Company) for the Year Ended 31 December 2024 (Continued)

Key audit matters (Continued)

Revenue Recognition

Refer to Note 5.18 for the accounting policy relating to revenue and Note 8 for the related disclosures in the accompanying consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group recognized revenue of SAR 1.15 billion during the year ended 31 December 2024 (31 December 2023: SAR 1.2 billion).</p> <p>The Group recognizes revenue upon satisfaction of performance obligations attached to medical and related services at the fair value of consideration received or receivable, net of variable consideration.</p> <p>Certain contracts with customers include variable considerations in the form of prompt payment discount or any expected discounts for some of the services provided.</p> <p>Significant accounting judgments, estimates and assumptions are made by the management to determine the variable consideration.</p> <p>Revenue recognition is considered as a key audit matter due to the existence of risks associated with the amount of revenues related to the controls and judgments that mainly depend on management's estimates when the amount of revenue is recognized.</p>	<p><i>We performed the following procedures:</i></p> <ul style="list-style-type: none"> - Assessed the appropriateness of the Group's revenue recognition policy and its compliance with International Financial Reporting Standard No. (15) "Revenue from Contracts with Customers". - Assessed the appropriateness of significant accounting judgments, estimates and assumptions made by the management to determine the revenue recognition and the variable consideration based on the contracts' terms. - Assessed the design and implementation of the operating effectiveness of relevant controls in relation to revenue recognition. - Involved our IT experts in testing the applied IT controls and the internal control around them. - Performed analytical procedures on revenues. - Performed tests (on a sample basis) of settlements, claims and collections made with major clients of the Group. - Assessed the adequacy of relevant disclosures in the consolidated financial statements.

Independent Auditor’s Report to the Shareholders of Al Hammadi Holding Company (a Saudi Joint Stock Company) for the Year Ended 31 December 2024 (Continued)

Key audit matters (Continued)

Allowance for expected credit loss of trade receivable

Refer to Note 5.14 for the accounting policy relating to financial instruments and Note 21 for the related disclosures in the accompanying consolidated financial statements.

The key audit matter

As at 31 December 2024, the Group trade receivable balance amounted to SAR 521 million (31 December 2023: SAR 639 million), and the allowance for expected credit loss balance amounted to SAR 87 million (31 December 2023: SAR 78 million).

The Group assesses at each reporting date whether the trade receivables is impaired. Management has applied an expected credit loss (“ECL”) model to determine the appropriate allowance for impairment loss. Further, the Group performs an assessment based on a defined policy for certain categories of trade receivable.

The determination of allowance for expected credit losses of trade receivables is based on certain assumptions that relate mainly to risk of default and expected loss rates. The management applies judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, market conditions, as well as forward looking estimates.

We considered this as a key audit matter due to the level of judgment applied and estimates made in the application of the ECL model.

How the matter was addressed in our audit

We performed the following procedures:

- Obtained an understanding of the process used by management in determining the allowance for expected credit losses of accounts receivable.
- Assessed significant assumptions used in the ECL model’s calculation such as; future events and macro- economic variables that are used to determine the allowance for expected credit losses.
- Tested the completeness and mathematical accuracy of the ECL model.
- Assessed the assumptions used by management in connection to the determination of allowance for expected credit losses for certain categories of trade receivable.
- Tested, on a sample basis, the calculation performed by management on allowance for expected credit losses for these categories of trade receivable.
- Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.

Independent Auditor's Report to the Shareholders of Al Hammadi Holding Company (a Saudi Joint Stock Company) for the Year Ended 31 December 2024 (Continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor report thereon. The annual report is expected to be made available to us after the date of this auditor report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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 By-laws, 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 Company's Board of Directors, are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report to the Shareholders of Al Hammadi Holding Company (a Saudi Joint Stock Company) for the Year Ended 31 December 2024 (Continued)

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 ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report to the Shareholders of Al Hammadi Holding Company (a Saudi Joint Stock Company) for the Year Ended 31 December 2024 (Continued)

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

For Dr. Mohamed Al-Amri & Co.



Ahmed Al Jumah
Registration No. 621



Riyadh, on 09 Ramadan 1446 (H)
Corresponding to: 09 March 2025 (G)

AL HAMMADI HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2024
(All Amounts in Saudi Riyals Unless Otherwise Stated)

	Notes	For the year ended 31 December	
		2024	2023
Revenue	(8)	1,153,880,931	1,176,763,617
Cost of revenue	(9)	(771,426,534)	(743,619,194)
Gross Profit		382,454,397	433,144,423
Selling and marketing expenses	(10)	(4,187,725)	(9,263,509)
Administrative and general expenses	(11)	(88,821,189)	(88,614,361)
Allowance for expected credit loss	(35)	(9,066,246)	(19,038,082)
Impairment losses in knowledge rights	(16-2)	-	(3,067,084)
Gain (loss) from disposal of property and equipment	(15-1)	55,305,519	(1,481,702)
Other operating income	(12)	29,950,166	30,895,170
Operating Profit		365,634,922	342,574,855
Group share of profit from associate	(17)	6,724,221	4,184,741
Finance income	(22-1)	6,137,549	
Finance costs	(13)	(23,816,906)	(25,804,311)
Profit before Zakat		354,679,786	320,955,285
Zakat expense	(30-2)	(15,878,972)	(17,624,413)
Net Profit for the year		338,800,814	303,330,872
Earnings per share:			
Basic and diluted profit for the year attributable to ordinary equity holders	(14)	2.12	1.90

(The accompanying notes form an integral part of these Consolidated Financial Statements)


 Mohammed Said Al Saafeen
 Finance Manager


 Mohammed Saleh Al Hammadi
 Managing Director & CEO

AL HAMMADI HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024
(All Amounts in Saudi Riyals Unless Otherwise Stated)

	Notes	For the year ended 31 December	
		2024	2023
NET PROFIT FOR THE YEAR		338,800,814	303,330,872
Items that will not be subsequently reclassified into profit or loss			
Re-measurement gain (loss) on defined benefit plans	(29-3)	1,648,129	(922,117)
The Company's share in other comprehensive loss of an associate	(17)	(119,000)	(47,607)
Other comprehensive income for the year		1,529,129	(969,724)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		340,329,943	302,361,148

(The accompanying notes form an integral part of these Consolidated Financial Statements)



Mohammed Said Al Saafeen
Finance Manager



Mohammed Saleh Al Hammadi
Managing Director & CEO

AL HAMMADI HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024
(All Amounts in Saudi Riyals Unless Otherwise Stated)

	Notes	As at 31 December	
		2024	2023
<u>ASSETS</u>			
<u>Non-current assets</u>			
Property and equipment	(15)	1,709,582,028	1,658,600,189
Intangible assets	(16)	27,065,424	23,679,139
Investment in associate	(17)	134,986,779	128,381,558
Total Non-Current Assets		1,871,634,231	1,810,660,886
<u>Current assets</u>			
Inventories	(18)	61,155,649	56,591,511
Other receivables	(19)	7,204,889	9,787,564
Prepayments	(20)	21,929,968	21,828,766
Contract assets	(8-3)	9,145,543	9,520,320
Trade receivables	(21)	434,433,975	560,821,399
Cash and cash equivalents	(22)	245,261,942	125,237,441
Total current assets		779,131,966	783,787,001
TOTAL ASSETS		2,650,766,197	2,594,447,887
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	(23)	1,600,000,000	1,600,000,000
Statutory reserve			67,355,941
General reserve	(24)	101,236,022	
Retained earnings		260,017,758	177,567,896
TOTAL SHAREHOLDERS' EQUITY		1,961,253,780	1,844,923,837
<u>LIABILITIES</u>			
<u>Non-current liabilities</u>			
Long-term loans	(26)	165,146,289	173,847,770
Government grants	(27)	97,988,955	105,835,003
Lease liabilities	(28)	104,068,911	107,407,182
Employees' terminal benefits	(29-1)	97,394,254	88,235,446
Total non-current liabilities		464,598,409	475,325,401
<u>Current liabilities</u>			
Current portion of long-term loans	(26)	18,714,240	18,714,240
Government grants	(27)	7,846,052	9,102,925
Lease liabilities	(28)	16,179,839	14,178,490
Accrued zakat	(30)	15,475,483	17,839,642
Trade payables	(31)	66,437,751	74,928,105
Accrued expenses	(32)	53,665,942	52,612,715
Other payables	(33)	15,990,506	28,348,921
Contract liabilities	(8-3)	30,604,195	58,473,611
Total current liabilities		224,914,008	274,198,649
TOTAL LIABILITIES		689,512,417	749,524,050
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,650,766,197	2,594,447,887

(The accompanying notes form an integral part of these Consolidated Financial Statements)



Mohammed Said Al Saafeen
Finance Manager



Mohammed Saleh Al Hammadi
Managing Director & CEO

AL HAMMADI HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024
(All Amounts in Saudi Riyals Unless Otherwise Stated)

	Note	Share Capital	Statutory Reserve	General Reserve	Retained Earnings	Total Equity
Balance at 31 January 2023		1,600,000,000	37,022,854	-	73,539,835	1,710,562,689
Net profit for the year		-	-	-	303,330,872	303,330,872
Other comprehensive loss		-	-	-	(969,724)	(969,724)
Total comprehensive income		-	-	-	302,361,148	302,361,148
Transfer to statutory reserve		-	30,333,087	-	(30,333,087)	-
Dividends	(25)	-	-	-	(168,000,000)	(168,000,000)
Balance at 31 December 2023		<u>1,600,000,000</u>	<u>67,355,941</u>	<u>-</u>	<u>177,567,896</u>	<u>1,844,923,837</u>
Balance at 31 January 2024		1,600,000,000	67,355,941	-	177,567,896	1,844,923,837
Net profit for the year		-	-	-	338,800,814	338,800,814
Other comprehensive loss		-	-	-	1,529,129	1,529,129
Total comprehensive income		-	-	-	340,329,943	340,329,943
Transferred from statutory reserve	(24)	-	(67,355,941)	67,355,941	-	-
Transferred to general reserve		-	-	33,880,081	(33,880,081)	-
Dividends	(25)	-	-	-	(224,000,000)	(224,000,000)
Balance at 31 December 2024		<u>1,600,000,000</u>	<u>-</u>	<u>101,236,022</u>	<u>260,017,758</u>	<u>1,961,253,780</u>

(The accompanying notes form an integral part of these Consolidated Financial Statements)



Mohammed Said Al Saafeen
Finance Manager



Mohammed Saleh Al Hammadi
Managing Director & CEO

AL HAMMADI HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024
(All Amounts in Saudi Riyals Unless Otherwise Stated)

	Notes	For the year ended 31 December	
		2024	2023
OPERATING ACTIVITIES			
Net profit		338,800,814	303,330,872
Adjustments to reconcile net profit to net cash flow:			
Depreciation of property and equipment and right of use assets	(15-4)	96,409,127	96,982,963
Amortization of intangible assets	(16-3)	586,020	3,117,506
Losses on disposals of property and equipment		(55,305,519)	1,481,702
(Gain) loss on disposals of the right of use assets		-	(489,462)
Impairment losses in know how	(16-2)	-	3,067,084
Group share of profits from associate	(17)	(6,724,221)	(4,184,741)
Provision for slow-moving inventory	(18)	-	136,548
Allowance for expected credit loss	(35)	9,066,246	19,038,082
Government grants released	(12)	(9,102,921)	(9,102,921)
Current services cost of employees' terminal benefits	(29-3)	14,153,997	11,849,852
Retention from others against written off debts	(12)	(315,215)	(6,458,984)
Contract liability generated during the year	(8-3)	39,891,392	47,373,945
Finance expenses	(13)	23,816,906	25,804,311
Finance income	(22-1)	(6,137,549)	-
Zakat charge during the year	(30-2)	15,878,972	17,624,413
		<u>461,018,049</u>	<u>509,571,170</u>
Working capital adjustments:			
Inventories		(4,564,138)	(495,341)
Other receivables		833,006	(2,604,319)
Prepayments		(256,012)	(8,256,216)
Contract assets		374,777	6,415,833
Net changes in related parties		(4,003,421)	(8,638,086)
Trade receivables		117,579,906	(107,267,988)
Trade payables		(4,755,888)	(7,570,396)
Accrued expenses		773,941	17,108,928
Other payables		(11,268,220)	8,862,887
Contract liability		(67,760,808)	(31,729,240)
Cash from operations		<u>487,971,192</u>	<u>375,397,232</u>
Employees' terminal benefits paid	(29-3)	(5,655,739)	(7,759,928)
Zakat paid	(30-2)	(18,243,131)	(16,683,306)
NET CASH GENERATED FROM OPERATING ACTIVITIES		<u>464,072,322</u>	<u>350,953,998</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(209,968,983)	(53,457,129)
Proceeds from disposal of property and equipment		124,636,522	-
Purchase of intangible assets	(16)	(3,704,695)	(1,325,000)
Finance income received		6,025,049	-
NET CASH USED IN INVESTING ACTIVITIES		<u>(83,012,107)</u>	<u>(54,782,129)</u>
FINANCING ACTIVITIES			
Proceeds from bank borrowings		-	54,118,000
Repayment of bank and government borrowings		(18,714,240)	(102,830,000)
Lease liabilities paid	(28)	(16,098,261)	(11,680,574)
Finance cost paid		(1,448,233)	(4,047,894)
Dividends paid		(224,774,980)	(167,096,445)
NET CASH USED IN FINANCING ACTIVITIES		<u>(261,035,714)</u>	<u>(231,536,913)</u>
Net changes in cash and cash equivalents		120,024,501	64,634,956
Cash and cash equivalents at the beginning of the year		125,237,441	60,602,485
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(22)	<u>245,261,942</u>	<u>125,237,441</u>

(The accompanying notes form an integral part of these Consolidated Financial Statements)



Mohammed Said Al Saafeen
Finance Manager



Mohammed Saleh Al Hammadi
Managing Director & CEO

AL HAMMADI HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024(CONTINUED)
(All Amounts in Saudi Riyals Unless Otherwise Stated)

	Notes	For the year ended 31 December 2024	2023
Supplementary information for non-cash transactions			
Right-of-use assets additions	(15)	7,020,596	2,927,089
Transfer from advance payments for acquisition of property & equipment to property & equipment		-	96,786,111
Transfer from lease liabilities to trade payables	(28)	7,500	36,425
Transfer from lease liabilities to related parties' payables	(28)	231,650	4,062,500
Employees advances deducted from employees' terminal benefits		1,788,055	-

(The accompanying notes form an integral part of these Consolidated Financial Statements)



Mohammed Said Al Saafeen
Finance Manager



Mohammed Saleh Al Hammadi
Managing Director & CEO

AL HAMMADI HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

(All Amounts in Saudi Riyals Unless Otherwise Stated)

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

Al Hammadi Holding Company (previously Hammadi Company for Development and Investment) (the “Company”) is a Saudi joint stock company registered under Commercial Registration No. 1010196714 issued on 23 Safar 1425H (corresponding to 13 April 2004) in Riyadh. The Company’s shares are listed on Saudi Stock Exchange (Tadawul) since 17 Ramadan 1435H (corresponding to 15 July 2014).

The Company’s registered address is P.O. Box 10112, Riyadh 11433, Saudi Arabia.

The main activities of the Company are represented in managing its subsidiaries or participating in the management of other companies in which it contributes and providing the necessary support to them, investing its money in shares and other securities in accordance with legal and regulatory controls, owning real estate and movables necessary to conduct its activities, and providing loans, guarantees and financing to its subsidiaries, Owning property rights including patents, trademarks, industrial rights, franchises and other intangible rights, exploiting and leasing them to its subsidiaries or others, and owning, developing and investing real estate by selling, buying, renting, leasing, managing, operating and maintaining it. The company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent agencies, if any.

The company’s financial year starts on January 1st of each year and ends on December 31st of the same calendar year.

Details of subsidiary companies are as follows:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Commercial Registration No.</u>	<u>Business Activity</u>	<u>Functional Currency</u>	<u>Ownership Interest</u>	
					<u>2024</u>	<u>2023</u>
Medical Support Services Company Limited	Saudi Arabia	1010203580	Service Company	Saudi Riyals	100%	100%
Pharmaceutical Services Company Limited	Saudi Arabia	1010170194	Trading Company	Saudi Riyals	100%	100%
Medical Industries Company Limited	Saudi Arabia	1010899779	Industrial Company	Saudi Riyals	100%	100%

These consolidated financial statements include the accounts of the Group and subsidiary companies, and the following branches (collectively, a “Group”) described below which operate under separate commercial registrations:

<u>Branch Name</u>	<u>Commercial Registration No.</u>	<u>City</u>
Al Hammadi Hospital, Olaya - branch	1010263026	Riyadh
Al Hammadi Hospital, Al-Suwaidi- branch	1010934227	Riyadh
Al Hammadi Hospital, Al-Nuzha - branch	1010374270	Riyadh
Al Hammadi Hospitals Group	1010740187	Riyadh
Maintenance & Constructions	1010374273	Riyadh
Arabian Hospitality	1010610529	Riyadh
Higher Institute for Continuing Professional Development for Training	1010500366	Riyadh
Higher Institute for Continuing Professional Development for Women's Training	1010651084	Riyadh
Home Medical Care	1010610897	Riyadh
Continuing Professional Development Center for Training	1010503393	Riyadh
Medical Diagnostic Center for Medical Services	1010610524	Riyadh
Telemedicine Limited	1010610532	Riyadh
Unified Procurement Limited	1010610555	Riyadh
Pharmaceutical Services Company Limited	1010173099	Riyadh
Bio and Pharmaceutical Industries Complex	1126105966	Sudair

AL HAMMADI HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

(All Amounts in Saudi Riyals Unless Otherwise Stated)

2. BASIS OF PREPARATION

2.1 Statement of compliance:

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA). (Hereinafter referred to as the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia).

2.2 Preparing of financial statements:

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

3. BASIS OF CONSOLIDATION

These consolidated financial statements comprising the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and notes to the consolidated financial statements of the Group including assets, liabilities and the results of operations of the Company and its subsidiaries, as set out in note (1). Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value for the identified net assets acquired. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill in consolidated statement of financial position. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group. Unless otherwise stated all figures are rounded to the nearest Riyal (Saudi Riyal).

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below; these policies have been consistently applied to all years presented, unless otherwise noted.

5. MATERIAL ACCOUNTING POLICIES

5.1 New and amended standards and interpretations:

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated).

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5.1.1 Amendments to IFRS (16)- Leases on sale and leaseback:

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.1.2 Amendments IAS (1)- Non-current liabilities with covenants and Classification of Liabilities as Current or Noncurrent Amendments:

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

5.1.3 Amendments to IAS (7) and IFRS (7)- Supplier finance arrangements:

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The adoption of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

5.2 Standards issued but not yet effective:

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2025 and earlier application is permitted for certain new standards and amendments; however, the Group has not early adopted them in preparing these Consolidated Financial Statements. The Group is currently evaluating the impact of the adoption of these standards on the Consolidated Financial Statements.

5.2.1 Amendments to IFRS(9) and IFRS (7)- Classification and Measurement of Financial Instruments:

These amendments:

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

5.2.2 IFRS (18)- Presentation and Disclosure in Financial Statements:

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

5.2.3 Amendments to IAS (27)- Lack of exchangeability:

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.3 Current versus Non-current classification:

The Group presents its assets and liabilities in the consolidated statement of financial position based on a current/non-current classification.

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 reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current assets.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within 12 months after the reporting period; or
- When there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

5.4 Fair value measurement:

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

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

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

For the purpose of fair value disclosures, The Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.5 Cash and cash equivalents:

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

For the purpose of preparing the consolidated financial statements, cash flows, cash and cash equivalents consist of cash in hand and at banks and other short-term liquid investments, if any, with original maturities of 3 months or less from purchase date.

5.6 Inventories:

Inventories are measured at the lower of cost and net realizable value. Costs determine on weighted average basis. Net realizable value is based on estimated selling price less any further costs expected to be incurred to disposal. An allowance is made, where necessary, for any slow moving inventory. The cost of inventory is recognized as an expense and included in cost of revenue.

5.7 Discounts from Suppliers:

The Pharmacy segment receives rebates in the ordinary course of business from a number of its suppliers of pharmaceutical products, in accordance with contractual arrangements in place with specific suppliers. Rebates are accounted for once approval has been received from the supplier following the negotiations which have taken place with them. Rebates receivable are accounted for as a deduction from the cost of purchasing pharmaceutical products, once the rebate has been approved by the supplier. When rebates have been agreed in advance, for example when it has been agreed that a certain rebate will be applied to the purchase of specific goods for a set period of time rather than just to a specific one off purchase, then the rebate is recognized as a reduction in the purchase price as soon as the goods are purchased. When rebates are offered based upon the volume purchased and it is probable that the rebate will be earned and the amount can be estimated reliably, then the discount is recognized as a reduction in the purchase price when the goods are purchased and the assessment is reviewed on an ongoing basis. Rebates receivable are accounted for on a net basis, being set off against the accounts payables to which they relate, as they are a reduction in the amount owed to suppliers in respect of pharmaceutical products purchased.

5.8 Investment in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates is incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the group's interest in that an associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. An investment in an associate or is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statement of profit or loss in the period in which the investment is acquired.

When a group entity transacts with an associate of the group, profits or losses resulting from the transactions with the associate are recognised in the group's consolidated financial statements after excluding the group's share in those profits and losses by its ownership percentage in the associate.

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.9 Property and equipment:

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Cost comprises of expenditure that is directly attributable to the acquisition of the asset

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

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

- Building 33 years.
- Equipment and tools 10 to 20 years.
- Furniture, fixtures and office equipment 4 to 10 years.
- Vehicles 4 years.

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

Capital work in progress is stated at cost and is not depreciated. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

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

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

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

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

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.10 Rent Contracts:

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

Right-of-use of Assets:

The Group recognizes right-of-use assets at 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 depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at 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 recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liability:

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance 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 a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets:

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Material judgment in determining the lease term of contracts with renewal options:

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it 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 applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.11 Intangible Assets:

Intangible assets acquired separately are recognized at cost. After initial recognition, intangible assets are stated at cost less the accumulated amortization and impairment losses, if any. Internally produced intangible assets, with the exception of development costs, are not capitalized, and are recognized as an expense in the consolidated statement of profit or loss when incurred. The useful lives of intangible assets are estimated to be either finite or indefinite.

Intangible assets with finite useful lives:

The amortization period and the amortization method for intangible assets with finite lives are reviewed at the end of each financial year. Changes in the expected useful life or the method for consuming future economic benefits embodied in intangible assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense for intangible assets with finite lives is recognized in the consolidated statement of profit or loss. Knowledge right and licenses intangible assets are amortized over 5 years.

Intangible assets with indefinite useful lives:

Intangible assets with indefinite useful lives are not amortized, but are tested annually to ensure that there is no impairment in their value, either individually or at the CGU level. The assessment of indefinite useful lives is reviewed annually to determine whether indefinite useful lives are still a possibility. If it is not, the useful life is changed from indefinite to definite on a prospective basis. Profit or loss resulting from cessation of recognition of intangible assets is measured by the difference between the net proceeds of disposal and the carrying value of intangible assets, and is recognized in the consolidated statement of profit or loss upon disposal of the assets.

Goodwill:

Goodwill resulting from the acquisition of operations is recorded at cost as it originated on the date of acquisition of operations, less accumulated impairment losses, if any. For the purposes of reviewing impairment in goodwill, goodwill is allocated to each of the cash-generating units (or group of cash-generating units) that is expected to benefit from the business combination.

The cash-generating unit to which the goodwill has been allocated is reviewed for impairment on an annual basis or more when there is an indication of impairment of the unit. If the recoverable value of the cash-generating unit is less than its book value, the impairment loss is allocated first to reduce the book value of any goodwill that has been allocated to the unit and then to other assets in the unit proportionately on the basis of the book value of each asset of the unit. Any impairment loss on goodwill is recognized directly in the consolidated statement of profit or loss. The impairment loss for goodwill is not reversed in subsequent periods.

When the related cash-generating unit is disposed of, the amount attributable to goodwill is included in determining the gain or loss resulting from disposal.

5.12 Provisions:

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

5.13 Zakat:

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“Authority”). Zakat provision is estimated and charged to the consolidated statement of profit or loss. Any difference in the estimations is recorded when the final assessment is approved at each period that the provision is adjusted. On the finalization of Zakat assessment, additional Zakat due will be accounted for in the year in which the assessment is finalized.

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.14 Financial instruments accounting policy:

The Group recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial assets:

IFRS 9 introduces new classification and measurement requirements for financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income, (with reclassified to consolidated profit or losses statement);
- Equity instruments at fair value through other comprehensive income, (with reclassified to consolidated profit or losses statement);
- At fair value through profit and loss.

Financial assets classified as amortized cost:

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

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

The Group makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the consolidated profit or loss statement.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.14 Financial instruments accounting policy (Continued)

Financial assets FVOCI with reclassification to consolidated profit or loss statement:

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in the consolidated profit or loss statement and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in the consolidated statement of comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss.

Financial assets classified as FVPL:

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

Debt instruments that do not meet the criteria of amortized cost of FVOCI are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through profit or loss. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instrument as FVPL since the date of initial application of IFRS 9 (i.e. 1 January 2018).

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in the consolidated statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the consolidated statement of profit or loss.

Dividend income on investments in equity instruments at FVPL is recognized in consolidated statement of profit or loss when the Group's right to receive the dividends.

Investment in equity instruments designated as FVOCI:

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.14 Financial instruments accounting policy (Continued)

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to consolidated statement of profit or loss and no impairment is recognized in consolidated statement of profit or loss. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to consolidated statement of profit or loss on disposal of the investments.

Dividends on these investments are recognized in consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

Impairment of financial assets:

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI such as lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts.

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

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

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

Measurement and recognition of expected credit losses:

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

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

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

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.14 Financial instruments accounting policy (Continued)

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Disposal of financial assets:

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

Financial liabilities:

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

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in consolidated statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to consolidated statement of profit or loss.

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in consolidated statement of profit or loss. Amounts presented in liability credit reserve are not subsequently transferred to consolidated statement of profit or loss. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings. Since the date of initial application of IFRS 9 (i.e. 1 January 2018), the Group has also not designated any financial liability as at FVPL. The Group derecognized financial liability is when the obligation under the liability is satisfied, discharged, cancelled or expired.

Measuring financial instruments:

Financial assets and financial liabilities are measured at the net amount included in the consolidated statement of financial position, only if there is a currently enforceable legal right to measure the recognized amounts, an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.15 Impairment of non-financial assets:

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

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

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

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

5.16 Employees' terminal benefits:

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

Re-measurements for actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a corresponding credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under cost of revenues and general and administrative expenses)
- Net special commission expense or income (under finance costs).

5.17 Foreign currencies:

Transactions in foreign currencies are initially recorded by the Group at their market exchange rate against the functional currency at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.18 Revenue accounting policy:

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Group accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Group identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- The customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Group determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Group transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

(a) Medical services:

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

Under IFRS 15, the Group assessed that there is only one performance obligation in a contract for bundled medical services, because the transferred services are not capable of being distinct.

Under IFRS 15, the Group concluded that revenue from bundled services will be recognized over time, using the input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy.

(b) Pharmaceutical products:

Revenue is recognized when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs at point of sale, and the risks of obsolescence and loss have been transferred to the customer.

In these contracts, the Group is primarily responsible for fulfilling the promise to provide the specified pharmaceutical and other products. The Group bears inventory risk before the pharmaceutical and other products have been transferred to the customer. In addition, the Group has discretionary authority in establishing the price for the pharmaceutical products. The Group bears credit risk on these transactions as it is obliged to pay the supplier even if the customer defaults on a payment.

(c) Volume discounts:

Revenue is often recognized with volume discounts based on aggregate sales over a 12 months' period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.19 Government grants:

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

5.20 Cost of Revenue:

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

5.21 Selling, marketing, administrative, and general expenses:

Selling, marketing, administrative, and general expenses include indirect costs not specifically part of cost of revenue. Allocations between selling, marketing, administrative, and general expenses and cost of revenue, when required, are made on a consistent basis.

5.22 Finance cost:

Finance cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalized during idle periods.

To the extent that variable rate financing is used to finance a qualifying asset and is hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in consolidated statement of other comprehensive income and reclassified to consolidated statement of profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized finance costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other finance costs are recognized in consolidated statement of profit or loss in the period in which they are incurred.

5.23 Business combination:

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in consolidated statement of income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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

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5. MATERIAL ACCOUNTING POLICIES (Continued)

5.23 Business combination (Continued)

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

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

6. USE OF JUDGEMENTS AND ESTIMATES AND ASSUMPTIONS

6.1 Judgement

The following material judgements have the most material effect on the amounts recognized in the consolidated financial statements:

6.1.1 Component parts of property and equipment:

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

6.1.2 Determination of control and significant influence:

Management's judgement in assessing control over consolidated:

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

6.1.3 Determining the lease term of contracts with renewal options:

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it 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 the option, under some of its leases to lease the assets for additional terms of 3 to 15 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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6. USE OF JUDGEMENTS AND ESTIMATES AND ASSUMPTIONS (Continued)

6.2 Estimates and assumptions:

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions are continually evaluated and they are based on past experience and other factors, including expectations of future events that are relevant to the circumstances. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

6.2.1 Revenue Recognition:

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

- **Satisfaction of performance obligations**
The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.
- **Determination of transaction prices**
The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to insurance claims discount or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.
- **Transfer of control in contracts with customers**
In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

6.2.2 Allowance for expected credit loss:

The allowance for expected credit loss is determined by reference to a combination of factors to ensure that financial assets are not overpriced due to the probability that they will not be collected, including their quality, age, credit rating and collateral. Economic data and indicators are also taken into account.

6.2.3 Defined benefit plans:

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. (Review Note 30 for the sensitivity related to employees' end-of-service benefits liabilities.)

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries.

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6. USE OF JUDGEMENTS AND ESTIMATES AND ASSUMPTIONS (Continued)

6.2 Estimates and assumptions (Continued)

6.2.4 Impairment of non-financial assets:

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the coming five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

6.2.5 Useful lives of property and equipment:

The useful life of each of the group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

6.2.6 Goodwill - annual impairment testing of goodwill:

Goodwill impairment tests are performed for the group of cash generating units ("CGU") to which goodwill is allocated. The group of CGU is defined based on certain acquisitions and CGU's arising from those acquisitions. The structure and groups of CGU are assessed on an annual basis. The impairment test of goodwill is performed at least annually for each group of cash generating units to which goodwill is allocated. To determine the value in use, the discounted cash flow models are used.

The most important parameters in the impairment test include assumptions related to sales growth rate, pre-tax discount rates and expected future free cash flows.

Expected future free cash flows: The projected free cash flows are based on current forecasts and targets set for five years' period. These are determined at CGU level in the forecast and target planning process as well as based on external sources of information and industry-relevant observations such as macroeconomic indicators and market conditions. All applied assumptions are challenged through the forecast and target planning process based on management's best estimates and expectations, which are judgmental by nature. They include expectations regarding revenue growth, EBIT margins and capital expenditure.

6.2.7 Provision of slow moving inventory:

Inventories are stated at the lower of cost and net realizable value. Adjustments are made to reduce the cost of inventories to net recoverable amount, if necessary.

Influencing factors includes changes in inventory demand, technological changes, deterioration of quality and other quality matters. Accordingly, the Group considers these factors and takes them into account to calculate the provision of idle stock and slow movement. Any adjustments that may result from the difference in these factors are periodically reviewed.

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7. Segment information

Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker

The Group's operations consist mainly of the medical services and pharmaceuticals products segment.

The following are selected financial information as at 31 December 2024 and 2023 by business segment:

- Medical Services segment: Fees for inpatient and outpatient services.
- Pharmaceutical products segment.

For the year ended 31 December	Medical Services		Pharmaceutical Products		Total	
	2024	2023	2024	2023	2024	2023
Revenue	951,105,370	950,874,881	202,775,561	225,888,736	1,153,880,931	1,176,763,617
Gross Profit	333,145,390	376,546,125	49,309,007	56,598,298	382,454,397	433,144,423
Depreciation and amortization	95,394,672	97,325,486	1,600,475	2,774,983	96,995,147	100,100,469
Net profit	299,073,840	263,171,590	39,726,974	40,159,282	338,800,814	303,330,872
Total Assets	2,343,338,684	2,289,384,649	307,427,513	305,063,238	2,650,766,197	2,594,447,887
Total Liabilities	612,740,338	678,334,903	76,772,079	71,189,147	689,512,417	749,524,050

8. Revenue

(8.1) Revenue sources:

	For the year ended 31 December	
	2024	2023
Medical services revenue	951,105,370	950,874,881
Pharmaceutical sale revenue	202,775,561	225,888,736
	1,153,880,931	1,176,763,617

(8.2) Timing of revenue recognition:

	For the year ended 31 December	
	2024	2023
Products and services transferred at a point in time	599,547,359	596,304,699
Products and services transferred over time	554,333,572	580,458,918
	1,153,880,931	1,176,763,617

(8.3) Contract balances

Contracts assets

	As at 31 December	
	2024	2023
Ending balance	9,145,543	9,520,320
Less: Allowance for expected credit loss	-	-
	9,145,543	9,520,320

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8. Revenue (continued)

The movement in the allowance for credit loss is as follows:

	For the year ended 31 December	
	2024	2023
Opening balance	-	8,681,667
Charge during the year	-	1,128,329
Reversal during the year	-	(9,809,996)
Ending balance	-	-

Contract liabilities

	As at 31 December	
	2024	2023
Opening balance	58,473,611	42,828,906
Contracts liabilities generated during the year	39,891,392	47,373,945
Used from contracts liabilities	(67,760,808)	(31,729,240)
Ending balance	30,604,195	58,473,611

9. Cost of revenue

		For the year ended 31 December	
	Note	2024	2023
Employee costs		336,973,282	286,661,407
Medical and pharma costs and consumables		272,009,013	295,362,639
Depreciation of property, equipment and right of use assets	(15.3)	85,117,227	85,662,084
Repairs and maintenance		29,840,092	28,781,650
Utilities		24,272,792	22,741,709
Non-medical consumables		17,599,845	15,122,986
Rent		546,742	452,281
Amortization of intangible assets	(16.3)	233,280	1,302,828
Others		4,834,261	7,531,610
		771,426,534	743,619,194

10. Selling and marketing expenses

	For the year ended 31 December	
	2024	2023
Collection service expenses	1,844,493	6,094,669
Employee cost	725,787	1,837,096
Training and business development	350,930	185,000
Others	1,266,515	1,146,744
	4,187,725	9,263,509

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11. Administrative and general expenses

	<u>Note</u>	<u>For the year ended 31 December</u>	
		<u>2024</u>	<u>2023</u>
Employee costs		56,016,660	53,493,566
Depreciation of property, equipment and right of use assets	(15.3)	11,291,900	11,320,879
Professional fees		5,391,356	5,088,897
Utilities		3,716,691	3,573,247
Fees, licenses and accreditation		3,454,945	2,731,425
Remuneration		2,161,664	2,649,668
Insurance		655,324	724,274
Amortization of intangible assets	(16.3)	352,740	1,814,678
Repairs and maintenance		312,292	539,947
Donations		-	186,000
Others		5,467,617	6,491,780
		88,821,189	88,614,361

12. Other operating income

	<u>For the year ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Government grants amortized	9,102,921	9,102,921
Human Resources Support Fund	9,393,260	7,260,640
Rental income	2,351,111	2,220,701
Retention from others against written off debts	315,215	6,458,984
Others	8,787,659	5,851,924
	29,950,166	30,895,170

13. Finance costs

	<u>Note</u>	<u>For the year ended 31 December</u>	
		<u>2024</u>	<u>2023</u>
Finance costs on government's loans	(26)	10,012,758	10,442,870
Finance costs on lease contract liabilities	(28)	7,979,893	8,207,540
Finance costs on defined benefit plan	(29.3)	4,376,023	4,397,369
Finance charges		1,448,232	2,756,532
		23,816,906	25,804,311

14. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	<u>As at 31 December</u>	
	<u>2024</u>	<u>2023</u>
Net profit for the year	338,800,814	303,330,872
Weighted average number of ordinary shares	160,000,000	160,000,000
Basic and diluted earnings per share	2.12	1.90

Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

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15. Property plant and equipment

Notes	Land (15.1)	Buildings	Equipment and tools	Furniture, fixtures & office equipment	Vehicles	Work in progress	Right of use of assets	Total
Cost								
At 1 January 2023	287,931,841	1,148,525,351	493,712,029	81,512,818	7,990,113	10,262,098	137,626,003	2,167,560,253
Additions	124,270,143	2,296,161	13,916,346	1,355,562	-	8,405,028	2,927,089	153,170,329
Disposals	-	-	(6,067,293)	(224,793)	-	-	(4,738,654)	(11,030,740)
At 31 December 2023	412,201,984	1,150,821,512	501,561,082	82,643,587	7,990,113	18,667,126	135,814,438	2,309,699,842
Additions	184,245,851	3,319,847	4,568,597	2,181,846	-	15,652,842	7,020,596	216,989,579
Transferred from work in progress	-	-	4,887,858	-	-	(4,887,858)	-	-
Transferred to intangible assets	-	-	-	-	-	(267,610)	-	(267,610)
Disposals	(69,331,000)	-	-	-	(382,757)	-	(2,491,635)	(72,205,392)
At 31 December 2024	527,116,835	1,154,141,359	511,017,537	84,825,433	7,607,356	29,164,500	140,343,399	2,454,216,419
Accumulated Depreciation								
At 1 January 2023	-	227,631,162	268,417,628	56,177,046	7,568,404	-	1,586,816	561,381,056
Charge for the year (15.4)	-	34,865,485	42,780,282	7,830,699	242,846	-	11,263,651	96,982,963
Disposals	-	-	(4,625,367)	(185,017)	-	-	(2,453,982)	(7,264,366)
At 31 December 2023	-	262,496,647	306,572,543	63,822,728	7,811,250	-	10,396,485	651,099,653
Charge for the year (15.4)	-	34,890,606	42,749,930	7,324,425	145,447	-	11,298,719	96,409,127
Disposals	-	-	-	-	(382,754)	-	(2,491,635)	(2,874,389)
At 31 December 2024	-	297,387,253	349,322,473	71,147,153	7,573,943	-	19,203,569	744,634,391
Net book value								
At 31 December 2024	527,116,835	856,754,106	161,695,064	13,678,280	33,413	29,164,500	121,139,830	1,709,582,028
At 31 December 2023	412,201,984	888,324,865	194,988,539	18,820,859	178,863	18,667,126	125,417,953	1,658,600,189

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15. Property and equipment (Continued)

(15.1) Lands

a.) A land plot located in Al Rayyan district in Riyadh with an area of 35,600 square meters has been sold and its price was received in the amount of 124,600,000 Saudi Riyals (excluding real estate transaction tax and brokerage fees) to Emmar Ocean Company, where the book value of the land is 69,331,000 Saudi Riyals. accordingly, the gains on the disposal of property and equipment include an amount of SAR 55,269,000 from the sale of land. Additionally, other assets were sold, resulting in a disposal gain of SAR 36,519, which has been recorded in the consolidated statement of profit or loss.

b.) On November 5, 2024, Al Hammadi Holding Company purchased a plot of land located in the northeast of Riyadh in the Al-Munsiyah district, at the intersection of Sheikh Jaber Al-Sabah Street and Al-Thumama Road (Takhassusi). The land covers a total area of 24,482.13 square meters, at a price of 7,000 SAR per square meter, totaling 171,374,910 Saudi Riyals, excluding brokerage fees and real estate transaction tax, with the purpose of building a hospital.

c.) On 28 March 2022, the Company (“the buyer”) signed with Al-Narjes Community Real Estate Developer (the “Developer”) a land purchase agreement (“the Block”) with a total area of 19,202.68 sqm in Al Narjis District, for the purpose of establishing a hospital on it, with a total amount of 115,600,133 Saudi Riyals, excluding real estate tax and commission fees; so that the first payment in the amount of 92,480,106 Saudi Riyals (80% of the price of the land) is due upon signing the contract in addition to commission fees of 3,323,505 Saudi Riyals (Including refundable value added tax of 433,501 Saudi Riyals) with a total of 95,803,611 Saudi Riyals, and the second payment with the amount of 23,120,026 Saudi Riyals (20% of the price of the land) is to be paid upon title transfer.

On 12 February 2023, the Company paid the remaining amount of 23,120,026 Saudi Riyals from the price of the Narjis land in addition to real estate tax of 5,780,007 Saudi Riyals accordingly, the land title deeds ownership has been transferred to the Company, and the balance has been transferred to the property and equipment during the period.

(15.2) Mortgages

Land and buildings illustrated above basically include a part of lands with a value of 152.5 million Saudi Riyals and a part of buildings with a net book value as 847.8 million Saudi Riyals as at 31 December 2024 (31 December 2023: 881.03 million Saudi Riyals) pledged as a collateral for a long-term loan from the Ministry of Finance to fund part of the construction of the new hospital in Al-Suwaidi area and its housing compound in addition to the construction of the new hospital in Al-Nuzha area. (Note 26.2).

(15.3) Depreciation

The allocation of depreciation expense of property and equipment and the right-of-use assets between cost of revenue, general and administrative expenses is as follows:

	<u>Note</u>	For the year ended 31 December	
		<u>2024</u>	<u>2023</u>
Cost of revenue	(9)	85,117,227	85,662,084
General and administrative expenses	(11)	11,291,900	11,320,879
31 December		<u>96,409,127</u>	<u>96,982,963</u>

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16. Intangible assets

	Goodwill (16.1)	Licenses and software	Projects under construction	Knowledge rights	Total
Cost					
Balance at 1 January 2023	31,450,120	12,371,214	-	7,510,800	51,332,134
Additions	-	25,000	1,300,000	-	1,325,000
Balance at 31 December 2023	31,450,120	12,396,214	1,300,000	7,510,800	52,657,134
Additions	-	364,695	3,340,000	-	3,704,695
Transferred from work in progress (Property and equipment)	-	267,610	-	-	267,610
Balance at 31 December 2024	31,450,120	13,028,519	4,640,000	7,510,800	56,629,439
Accumulated Amortization and Impairment					
Balance at 1 January 2023	9,688,990	9,941,093	-	3,163,322	22,793,405
Charge during the year	-	1,837,112	-	1,280,394	3,117,506
Balance at 31 December 2023	9,688,990	11,778,205	-	3,067,084	3,067,084
Charge during the year	-	-	-	7,510,800	28,977,995
Impairment	-	586,020	-	-	586,020
Balance at 31 December 2024	9,688,990	12,364,225	-	7,510,800	29,564,015
Net book value					
31 December 2024	21,761,130	664,294	4,640,000	-	27,065,424
31 December 2023	21,761,130	618,009	1,300,000	-	23,679,139

(16.1) Goodwill:

A) The goodwill resulted from the acquisition of Medical Support Services Company limited and its subsidiary Pharmaceutical Service Company Limited.

B) Impairment test:

The recoverable amount of the Medical Support Services Company Limited was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant healthcare activity and have additionally been based on historical data from both external and internal sources.

	For the year ended 31 December	
	2024	2023
Discount rate	11,8%	12.4%
Terminal value growth rate	2,5%	2.5%

The discount rate was estimated based on the capital assets pricing model. The cash flow projections included specific estimates for five years and a terminal growth rate of 2.5% for the final value. The terminal growth rate was determined based on the actual Kingdom of Saudi Arabia's GDP growth rate for the last 30 years.

The estimated recoverable amount of the Medical Support Services Company Limited 75.1 million Saudi Riyals, therefore there is no impairment in the carrying amount of the goodwill as at 31 December 2024 (31 December 2023: Nil).

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16. Intangible assets (Continued)

(16.2) Knowledge rights:

During 2020, the Group signed an industrial agreement with one of the world's leading companies in the field of producing pharmaceutical and biological preparations, to contribute to the localization of important industries in the Kingdom, according to which the rights of technological knowledge are transferred to the Group.

Due to regulatory and technical hurdles, the value of knowledge rights impairment by 3,067,084 Saudi riyals at the close of year ended as at 31 December 2023, hindering the completion of the agreement.

16.3 Amortization:

The allocation of amortization expense of intangible assets between cost of revenue, general and administrative expenses and discontinued operation is as follows:

	Note	For the year ended 31 December	
		2024	2023
Cost of revenue	(9)	233,280	1,302,828
General and administrative expenses	(11)	352,740	1,814,678
		586,020	3,117,506

17. Investment in associate

The Group's investments in an associate company represent a 35% ownership stake in Sudair Pharmaceuticals Company, a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia with Commercial Register No. 1010364799 dated 9 Rabi' al-Thani 1434H (corresponding to: 19 February 2013). The associate company's activity is establishing and operating factories and producing medicines to treat cancer diseases.

An investment in an associate or is accounted for using the equity method from the date on which the investee becomes an associate. On the purchase of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statement of profit or loss in the period in which the investment is purchased.

The table below shows summary of the financial position and Statement of comprehensive income of the associate company (Sudair Pharmaceutical Company - a limited liability company):

A. Financial position	As at 31 December	
	2024	2023
Total assets		
Current	199,162,575	196,069,013
Non-Current	296,691,722	287,074,209
Total liabilities		
Current	(151,853,484)	(172,660,530)
Non-Current	(106,546,683)	(96,852,881)
Net Assets	(237,454,130)	(213,629,811)

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17. Investment in associate (Continued)

<u>B. Statement of comprehensive income</u>	For the year ended 31 December	
	2024	2023
Revenue	226,019,332	200,010,535
Depreciation and amortization	(15,221,704)	(13,191,300)
Finance cost	(11,637,790)	(11,403,406)
Zakat expense	(3,000,000)	(3,159,435)
Total comprehensive income	23,824,319	20,187,084

The table below showing the movement on investment in associate:

	For the year ended 31 December	
	2024	2023
Opening balance	128,381,558	124,244,424
Company's share of profit	6,724,221	4,184,741
Company's share of other comprehensive loss	(119,000)	(47,607)
Ending balance	134,986,779	128,381,558

18. Inventories

	As at 31 December	
	2024	2023
Pharmaceuticals and cosmetics	32,900,413	28,156,978
Medical tools and consumables	22,471,734	23,914,381
Non-medical tools and supplies	3,412,853	2,961,658
Spare parts and consumables not for sale	2,886,002	2,073,847
	61,671,002	57,106,864
Provision of slow-moving inventory	(515,353)	(515,353)
	61,155,649	56,591,511

The summary for the movement on slow-moving inventory provision:

	For the year ended 31 December	
	2024	2023
Opening balance	515,353	851,437
Charge during the year	-	136,548
Written off during the year	-	(472,632)
Ending balance	515,353	515,353

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19. Other receivables

	As at 31 December	
	2024	2023
Employees advances	4,287,391	6,935,085
Refundable insurance deposits	2,841,880	2,621,880
Margin of bank guarantees	943,337	1,020,508
Other	204,935	208,631
	8,277,543	10,786,104
Less: Allowance for expected credit loss	(1,072,654)	(998,540)
	7,204,889	9,787,564

The summary for the movement of allowance for expected credit loss is as follows:

	For the year ended 31 December	
	2024	2023
Opening balance	998,540	999,476
Charge (Reversal) during the year (Note 35)	74,114	(936)
Ending balance	1,072,654	998,540

20. Prepayments

	As at 31 December	
	2024	2023
Other prepayments	16,821,808	16,218,819
Advances to suppliers	5,942,178	6,289,155
	22,763,986	22,507,974
Less: Allowance for expected credit loss	(834,018)	(679,208)
	21,929,968	21,828,766

The summary for the movement of allowance for expected credit loss is as follows:

	For the year ended 31 December	
	2024	2023
Opening balance	679,208	478,984
Charge during the year (Note 35)	154,810	200,224
Ending balance	834,018	679,208

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21. Trade receivables

	Note	As at 31 December	
		2024	2023
Trade receivables – billed		521,057,666	638,637,573
Less: Allowance for expected credit loss		(86,672,536)	(77,835,214)
		434,385,130	560,802,359
Amounts due from related parties	(34)	48,845	19,040
Trade receivables, Net		434,433,975	560,821,399

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and they are therefore unsecured.

A majority of the receivables that are past due but not impaired are from government-linked entities which are inherently slow payers due to their long invoice acceptance and approval of payment procedures. Payments continue to be received from these customers and accordingly the risk of non-recoverability is considered to be low.

As at 31 December 2024, approximately 99% of the Group's trade receivables' balances was due from various governmental and insurance entities (31 December 2023: 98%).

The Group uses a model for estimating expected credit losses that comply with the requirements of IFRS 9 and is based on classifying receivable balances at the individual level into categories according to the economic sector in which each class of clients operates. The estimated value of credit losses for each sector is measured based on a number of historical and current indicators and information and future expectations, whether at the level of the economic sector or the macroeconomic environment of the business environment, affecting the performance of that sector and thus may affect the ability of the customer who works in that sector to fulfill his obligations towards the Group.

The maximum exposure to credit risks at the reporting date is the carrying amount of these receivables. The following table shows the details of receivables risk based on the group allowance schedule:

	(Not Due)	(30-90) days	(91-180) days	(181-360) days	More than 360 days	Total
31 December 2024	134,153,937	156,227,546	72,658,508	14,041,382	57,303,757	434,385,130
31 December 2023	122,870,438	184,221,317	103,197,291	106,327,394	44,185,919	560,802,359

Indicators of impairment in the value of trade receivables are reviewed at the end of the reporting period. The allowance for expected credit loss is adjusted in proportion to the periodic changes that occur in these indicators. In the opinion of management, there was no decrease in the value of trade receivables other than what was recorded as a provision for expected credit losses.

The summary for the movement of allowance for expected credit loss is as follows:

	For the year ended 31 December	
	2024	2023
Opening Balance	77,835,214	158,759,268
Charge during the year (Note 35)	8,837,322	27,520,461
Written off during the year	-	(108,444,515)
Ending Balance	86,672,536	77,835,214

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22. Cash and cash equivalents

	As at 31 December	
	2024	2023
Cash in hand	234,225	332,742
Cash at banks	95,027,717	124,904,699
Time deposits	150,000,000	-
	<u>245,261,942</u>	<u>125,237,441</u>

(22.1) The group maintains short-term deposits with a local commercial bank for periods ranging from one day to three months, depending on its immediate cash needs. These deposits generate income in line with current market rates for short-term deposits. These deposits generated a financial income of 6.1 million Saudi Riyals during 2024 (2023: Nil).

23. Share capital

The Company's capital as at 31 December 2024 is 1,600 million Saudi riyals (31 December 2023: about 1,600 million Saudi riyals) consisting of 160 million ordinary shares (31 December 2023: 160 million ordinary shares), fully paid up with a nominal value of 10 Saudi riyals.

24. Statutory reserve

The Company's General Assembly, in its extraordinary meeting held on 24 Dhu al-Hijjah 1445 H (corresponding to 30 June 2024), approved the update of the Company's articles of association to comply with the new Companies Law. The meeting approved the transfer of the statutory reserve, amounting to 67,355,941 Saudi Riyals as of December 31, 2023, to a general reserve.

25. Dividends

- The Board of Directors of the Company approved, in its meeting held on 30 Rabi' Al Thani 1446H (corresponding to: 02 November 2024), the distribution of interim cash dividends of 56 million Saudi Riyals to the company's shareholders for the third quarter of 2024 at a rate of 0.35 Saudi Riyal (35 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends on a semi-annual or quarterly base for the fiscal year 2024 in accordance with the decision of the Extraordinary General Assembly on 24 Dhu al-Hijjah 1445H (corresponding to: 30 June 2024).
- The Board of Directors of the Company approved, in its meeting held on 28 Muharram 1446H (corresponding to: 03 August 2024), the distribution of interim cash dividends of 56 million Saudi Riyals to the company's shareholders for the second quarter of 2024 at a rate of 0.35 Saudi Riyal (35 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends on a semi-annual or quarterly base for the fiscal year 2024 in accordance with the decision of the Extraordinary General Assembly on 24 Dhu al-Hijjah 1445H (corresponding to: 30 June 2024).
- The Board of Directors of the Company approved, in its meeting held on 10 Dhu al-Qi`dah 1445H (corresponding to: 18 May 2024), the distribution of interim cash dividends of 56 million Saudi Riyals to the company's shareholders for the first quarter of 2024 at a rate of 0.35 Saudi Riyal (35 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends on a semi-annual or quarterly base for the fiscal year 2024 in accordance with the decision of the General Assembly on 21 Dhu al-Qi`dah 1443H (corresponding to: 20 June 2022).
- The Board of Directors of the Company approved, in its meeting held on 8 Ramadan 1445H (corresponding to: 18 March 2024), the distribution of interim cash dividends of 56 million Saudi Riyals to the company's shareholders for the fourth quarter of 2023 at a rate of 0.35 Saudi Riyal (35 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends on a semi-annual or quarterly base for the fiscal year 2023 in accordance with the decision of the General Assembly on 21 Dhu al-Qi`dah 1443H (corresponding to: 20 June 2022).

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25. Dividends (Continued)

- The Board of Directors of the Company approved, in its meeting held on 21 Rabi` Al-Akhir 1445H (corresponding to: 04 November 2023), the distribution of interim cash dividends of 56 million Saudi Riyals to the Company's shareholders for the third quarter of 2023 at a rate of 0.35 Saudi Riyal (35 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends on a semi-annual or quarterly base for the fiscal year 2023 in accordance with the decision of the General Assembly on 21 Dhu al-Qi`dah 1443H (corresponding to: 20 June 2022).
- The Board of Directors of the Company approved, in its meeting held on 29 Dhu Al-Qa`da 1444H (corresponding to: 18 June 2023), the distribution of interim cash dividends of 56 million Saudi Riyals to the Company's shareholders for the second quarter of 2023 at a rate of 0.35 Saudi Riyal (35 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends on a semi-annual or quarterly base for the fiscal year 2023 in accordance with the decision of the General Assembly on 21 Dhu al-Qi`dah 1443H (corresponding to: 20 June 2022).
- The Board of Directors of the Company approved, in its meeting held on 10 Shaban 1444H (corresponding to: 02 March 2023), the distribution of interim cash dividends of 56 million Saudi Riyals to the Company's shareholders for the first quarter of 2023 at a rate of 0.35 Saudi Riyal (35 Halalas) per share. This comes in light of the authorization given by the Company's General Assembly to the Board of Directors to distribute interim dividends on a semi-annual or quarterly base for the fiscal year 2023 in accordance with the decision of the General Assembly on 21 Dhu al-Qi`dah 1443H (corresponding to: 20 June 2022).

26. Long-term loans

	As at 31 December	
	2024	2023
Current portion		
Loans from Ministry of Finance	18,714,240	18,714,240
	18,714,240	18,714,240
Non-current portion		
Loans from Ministry of Finance		
Loans from commercial banks	165,146,289	173,847,770
	165,146,289	173,847,770
	183,860,529	192,562,010

Aggregate maturities of loans are as follows:

	As at 31 December	
	2024	2023
Within one year	18,714,240	18,714,240
From one year but to five years	93,571,200	93,571,200
More than five years	152,147,617	170,861,856
	264,433,057	283,147,296

	As at 31 December	
	2024	2023
Future loans payment	264,433,057	283,147,296
Less: un-amortized finance costs	(80,572,528)	(90,585,286)
Present value of loans payment	183,860,529	192,562,010
Less: current-portion of loans	(18,714,240)	(18,714,240)
Non-current-portion of loans	165,146,289	173,847,770

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26. Long-term loans (Continued)

- Finance costs charged to consolidated statement of profit or loss for the year ended 31 December 2024 amounted to SAR 10 million (31 December 2023: SAR 11.7 million) (Note 13).

(26.1) Loans from Commercial Bank

- The group has several credit facility agreements in Saudi Riyals with local commercial banks. These facilities are secured by promissory notes and other guarantees required by the bank. The following is a breakdown of these facilities as of December 31, 2024:

<u>Type of Facility</u>	<u>Purpose</u>	<u>Year of Obtaining Facility</u>	<u>Facility Amount</u>	<u>Used Amount</u>
Specific-term Murabaha financing	Financing the group's expansions	2022 and 2024	462 million SAR	None
Short-term revolving Murabaha financing	Financing the group's operations	2022 and 2024	110 million SAR	None
Letters of guarantee	Financing the group's operations	2022	41.5 million SAR	3.6 million SAR
Overdraft	Financing the group's operations	2024	3.2 million SAR	None
Total			616.7 million SAR	3.6 million SAR

- On Shaaban 24, 1444H (corresponding to: 16 March 2023), the Company withdrew a short-term financing amount from a bank facilities agreement concluded with a commercial bank in the amount of SAR 50,000,000, payable within six months from the date of withdrawal. This financing was repaid on Dhul-Hijjah 02, 1444H (corresponding to 20 June 2023).

(26.2) Loans from Ministry of Finance

- On 11 September 2013, The Group obtained a loan from the Ministry of Finance to fund part of the construction of the new hospital in Al-Suwaidi area and the purchase of the indispensable medical and non-medical equipment. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero-interest loan. The value of the loan is 149.1 million Saudi Riyals. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date. The company has started paying the installments of this loan since 2018, provided that the date of the last installment will be in 2036.
- On 26 January 2015, the Group signed another financing agreement with the Ministry of Finance to fund the building of the housing compound related to Al-Suwaidi Hospital project. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. The value of the loan is 27.5 million Saudi Riyals. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date. The company has started paying the installments of this loan since 2019, provided that the date of the last installment will be in 2038.
- On 20 July 2015, the Group signed a third financing agreement with the Ministry of Finance to fund part of the construction and furnishing costs of the hospital in Al-Nuzha area. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. This loan amounted 197.6 million Saudi Riyals. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date. The company has started paying the installments of this loan since 2021, provided that the date of the last installment will be 2038.

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27. Government Grants

	As at 31 December	
	2024	2023
Opening balance	114,937,928	124,040,849
Government grants released	(9,102,921)	(9,102,921)
Ending balance	105,835,007	114,937,928

	As at 31 December	
As presented in the statement of financial position	2024	2023
Current	7,846,052	9,102,925
Non-current	97,988,955	105,835,003
	105,835,007	114,937,928

- On September 2013, the Group obtained a free interest loan from the Ministry of Finance to fund the construction of the new hospital in Al-Suwaidi area and the purchase of the indispensable medical and non-medical equipment. Later, on January 2015 the Group also obtained another interest-free loan from the Ministry of Finance to fund building of the housing compound related to Al-Suwaidi Hospital. The conditions and contingencies attached to these grants has been met. Al-Suwaidi hospital has started operations in August 2015.
- On July 2015, the Group obtained a free interest loan from the Ministry of Finance to fund the construction of the new hospital in Al Nuzha area and the purchase of the indispensable medical and non-medical equipment. The conditions and contingencies attached to these grants have been met. The new hospital has started operations in February 2018.

28. Lease Contract Liabilities

	As at 31 December	
	2024	2023
Opening balance	121,585,672	128,979,676
Additions during the year	7,020,596	2,927,089
Disposal	-	(2,749,134)
Finance costs	7,979,893	8,207,540
Payments during the year	(16,098,261)	(11,680,574)
Transferred to trade payables	(7,500)	(36,425)
Transferred to related parties' payables	(231,650)	(4,062,500)
Ending balance	120,248,750	121,585,672

- Expenses related to short-term and low-value leases during the year ended as at 31 December 2024 amounted to 655,372 Saudi Riyals (31 December 2023: 822,518 Saudi Riyals).

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28. Lease Contract Liabilities (Continued)

Following is the aggregate maturities of lease liabilities:

	As at 31 December	
	2024	2023
Within one year	16,250,860	14,178,490
From one year to five years	70,800,950	68,009,148
More than five years	88,400,000	102,000,000
Total of Lease Liabilities	175,451,810	184,187,638

	As at 31 December	
	2024	2023
Future minimum lease payment	175,451,810	184,187,638
Less: un-amortized finance lease	(55,203,060)	(62,601,966)
Present value of minimum lease liabilities	120,248,750	121,585,672
Less: current-portion of lease liabilities	(16,179,839)	(14,178,490)
Non-current-portion of lease liabilities	104,068,911	107,407,182

The unpaid financing costs related to the current portion of lease liabilities as of the end of 2024 amount to 71,072 Saudi Riyals.

29. Employees' End of Service Benefits

The following tables summarize the components of end of service benefits recognized in the consolidated statement of profit or loss and amounts recognized in the consolidated statement of comprehensive income and consolidated statement of financial position:

(29.1) Amount recognized in the consolidated statement of financial position

	As at 31 December	
	2024	2023
Present value of defined benefit obligation	97,394,254	88,235,446

(29.2)Benefit expense (recognized in consolidated statement of profit or loss)

	For the year ended 31 December	
	2024	2023
Current service cost	14,153,997	11,849,852
Interest cost on defined benefit obligation	4,376,023	4,397,369
Total defined benefit expense	18,530,020	16,247,221

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29. Employees' End of Service Benefits (Continued)

(29.3) Movement in the present value of defined benefit obligation

	As at 31 December	
	2024	2023
Present value of defined benefit obligation at beginning of the year	88,235,446	78,826,036
Charge recognized in consolidated statement of profit or loss:		
Current service cost	14,153,997	11,849,852
Special commission cost (Note 13)	4,376,023	4,397,369
Actuarial (gain) loss on defined benefit plan recognized in the consolidated statement of comprehensive income	(1,648,129)	922,117
Settlements on employee loans and advances.	(2,067,344)	-
Benefits paid during the year	(5,655,739)	(7,759,928)
Present value of defined benefit obligation at the end of year	97,394,254	88,235,446

(29.4) Principal actuarial assumptions

	2024	2023
Discount rate	5.0%	5.0%
Salary increase rate	2.8%	3%
Retirement age	60 years	60 years

(29.5) Sensitivity Analysis

The table below shows the effect of the change in one of the actuarial assumptions used, with the rest of the assumptions being unchanged, at the reporting date:

	As at 31 December 2024		As at 31 December 2023	
		Change %		Change %
Present value of defined benefit obligation as at end of the year	97,394,254		88,235,446	
Discount rate base				
+ 1%	91,576,596	(6.0%)	82,888,903	(6.1%)
- 1%	104,004,250	6.8%	94,314,339	6.9%
Salary increase rate base				
+ 1%	104,514,875	7.3%	94,763,122	7.4%
- 1%	91,019,516	(6.5%)	82,395,054	(6.6%)
Withdrawal rate				
110% of base	97,640,546	0.3%	88,407,687	0.2%
Mortality rate				
+1%	97,694,541	0.3%	88,445,077	0.2%

The above analysis provides an estimate of the sensitivity of the actuarial assumptions used; despite that it does not take into account the expected future cash payments from the terminal benefits plan.

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30. Accrued Zakat

(30.1) Components of zakat base

The following are the main components of the Zakat base of the Group, which are subject to some modifications according to Zakat, Tax regulations in the Kingdom of Saudi Arabia. In 2019 the Group had approvals to subject the Group to a single zakat Group.

Zakat base calculation

	As at 31 December	
	2024	2023
Shareholders' equity	2,008,645,398	1,949,145,269
Provisions and other adjustments	464,598,418	570,233,458
Net book value for non-current assets and other deductions	(1,874,520,233)	(1,815,081,733)
Zakat base for the Group	598,723,583	704,296,994
Zakat payable	15,475,483	17,839,642

(30.2) Zakat movement

The movement of zakat for the Group during the year is as follows:

	As at 31 December	
	2024	2023
Opening balance	17,839,642	16,898,535
Provision for the year	15,878,972	17,624,413
Payments during the year	(18,243,131)	(16,683,306)
Ending balance	15,475,483	17,839,642

(30.3) Status of zakat assessments

Al Hammadi Holding Company

- The company submitted all zakat and tax returns until 2023, and paid the due zakat from the returns submitted to the (“Authority”) and obtained a final certificate.
- The final assessment was issued by the Authority for the years from 2014 to 2023, and the company finalized its Zakat position with the Authority and paid all its Zakat obligations accordingly.
- As at 1 January 2019, consolidated financial statements are prepared for the Group including the subsidiaries, which are submitted to the (“Authority”) as a single zakat Group. The Medical Industries Company, however, was included in the group's zakat only from 2024.

Pharmaceutical Services Co., Ltd.

Years from inception till 2018:

- The company submitted all zakat and VAT tax returns until the year ended as at 31 December 2018.
- The final assessment was issued by the Authority for the years from 2016 to 2018, and the company finalized its Zakat position with the Authority and paid all its Zakat obligations accordingly.

Years from 2019 till 2023

- The company submitted all zakat and VAT tax returns until the year ended as at 31 December 2023. The company calculate its zakat based on consolidated zakat return included in submit zakat return for Al Hammadi Company.

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30. Accrued Zakat (Continued)

Medical Support Services Company Limited

The company submitted all zakat and VAT tax returns until the year ended as at 31 December 2023. The company calculate its zakat based on consolidated zakat return included in submit zakat return for Al Hammadi Company.

Medical Industries Company Limited

The company submitted all zakat and VAT tax returns until the year ended as at 2 November 2023. The Authority has not issued any assessments against the company to date. Beginning in 2024, the company's zakat is calculated as part of Al Hammadi Holding Company's group zakat base.

31. Trade payable

	Note	As at 31 December	
		2024	2023
Medicines and medical supplies vendors		57,046,285	63,116,682
Services vendors		5,329,747	4,277,225
Admin and non-medical supplies vendors		3,242,807	2,973,319
Amounts due to related parties	(34)	818,912	4,560,879
		<u>66,437,751</u>	<u>74,928,105</u>

32. Accrued expenses

	As at 31 December	
	2024	2023
Accrued employee salaries	25,352,221	26,767,819
Others	28,313,721	25,844,896
	<u>53,665,942</u>	<u>52,612,715</u>

33. Other payables

	As at 31 December	
	2024	2023
Accrued VAT	8,999,209	5,266,455
Retention from others	5,181,271	9,694,021
Legal provisions	1,183,366	5,000,000
Dividend payable	128,575	2,524,408
Other	498,085	5,864,037
	<u>15,990,506</u>	<u>28,348,921</u>

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34. Related party transactions and balances

The Group in the normal course of business carries on business with other enterprises and individuals that fall within the definition of a related party as per IFRS. These transactions are carried out in normal course of the business and are measured at exchange amounts, being the amounts agreed by both parties. The transactions are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2024, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2023: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

During the ordinary course of business, the Group engaged in several significant transactions with related parties (i.e., major shareholders of the Group) as illustrated below:

	For the year ended 31 December	
	2024	2023
Compensation to key management members	6,778,269	8,135,367
Purchases from companies owned by major shareholders and their relatives	12,581,831	7,219,658
Rental expenses paid to major shareholders	12,900,000	12,900,000
Rental expenses paid to relatives of major shareholders	700,000	700,000
Rental expenses paid to companies owned by major shareholders and their relatives	259,100	-
Clinical services rendered to shareholders	541,360	222,182

Significant year-end balances from transactions with related parties are as follows:

Amounts due from related party	Note	As at 31 December	
		2024	2023
Major shareholders	(21)	48,845	19,040
		48,845	19,040

Amounts due to related party

	Note	As at 31 December	
		2024	2023
Major shareholders and relatives*	(31)	818,912	4,560,879
		818,912	4,560,879

* Includes an amount of 231,650 Saudi Riyals that represent payments due on the liabilities of lease contracts concluded with the companies owned by major shareholders and their relatives.

Key management member's compensation

The Group's senior management members represent the key management members assigned and responsible for planning, directing and monitoring the Group's activities.

	For the year ended 31 December	
	2024	2023
Short- term benefits	5,902,384	7,283,975
Post-employment benefits	475,885	451,392
Remunerations of members of the Board of Directors and its committees	400,000	400,000
Total compensation to key management members	6,778,269	8,135,367

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35. Allowance for expected credit loss

The table below summarized allowance for expected credit loss incurred during the year:

	For the year ended 31 December	
	2024	2023
Listed in trade receivables (Note 21)	8,837,322	27,520,461
Listed in prepayments (Note 20)	154,810	200,224
Listed in other receivables (Note 19)	74,114	(936)
Listed in contract assets (Note 8.3)	-	(8,681,667)
	9,066,246	19,038,082

36. Commitments and contingencies

Letters of guarantee

- The Group has letters of guarantee issued in the course of normal business with a total value of approximately 4.5 million Saudi Riyals as at 31 December 2024 (approximately 20.1 million Saudi Riyals as at 31 December 2023).

Legal cases

- There are some legal cases, in the normal course of business, that are still pending in front of the competent authorities, and the management works to resolve them, but the final outcome of these cases is not certain. The management closely monitors the updates and takes the necessary provision, based on the principle of conservatism. The management believes that the current provisions are sufficient and it does not expect that the results of these cases will be material on the consolidated financial statements of the Group.

Operating lease liability – The group as lessor

The Group as lessor entered into contractual arrangements whereby it provides certain trademarks a particular space within its premises for pre-specified rental payments. These agreements take the form of an operating lease that include contingent rents to be recognized as income during the period.

Future rentals receivable under non-cancellable operating leases are:

	2024	2023
Within one year	2,223,500	2,296,776
After one year but not more than five years	2,750,000	1,500,000

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37. Financial assets and financial liabilities

Financial instruments risk management objectives and policies

The main financial instruments carried on the Group's statement of financial position include cash and cash equivalents, accounts receivables and other debit balances, due from related parties, accounts payables, loans, due to related parties, accrued liabilities and other credit balances. The main purpose behind the Group's financial liabilities is to finance the operations and to provide guarantees to support the operations.

The Group's activities exposed it to various risks. These risks are: Market risk (which includes: Currency risk, fair value and cash flow interest rate risks and price risk), Credit risk and Liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. The board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Market Risk

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

Currency Risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk. The Group has also some transactions in EURO which were not significant as at 31 December 2024 and 31 December 2023.

Fair value and cash flow interest rate risks

The exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group monitors the commission rate fluctuations on a continuous basis and acts accordingly. The Group's commission rates principally relate to its borrowings and are subject to change on periodic basis.

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is currently not exposed to price risk as it has no investments in marketable securities.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group places its cash with banks that have sound credit ratings. Accounts receivables and due from related parties are carried net of allowance for expected credit loss.

The maximum credit risk for the Group is as follows, and most of them are unsecured:

	For the year ended 31 December	
	2024	2023
Other receivables (Note 19)	7,204,889	9,787,564
Trade receivables (Note 21)	434,433,975	560,821,399
Cash and cash equivalents (Note 22)	245,027,717	124,904,699
	686,666,581	695,513,662

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37. Financial assets and financial liabilities (Continued)

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

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

<u>As at 31 December 2024</u>	<u>On demand</u>	<u>Within one year</u>	<u>After one year but not more than five years</u>	<u>More than five years</u>	<u>Total</u>
Loans	-	18,714,240	93,571,200	152,147,616	264,433,056
Trade payables	66,437,751	-	-	-	66,437,751
Accrued expenses	53,665,942	-	-	-	53,665,942
Other payables	15,990,506	-	-	-	15,990,506
Lease liabilities	-	16,250,860	70,800,950	88,400,000	175,451,810
	136,094,199	34,965,100	164,372,150	240,547,616	575,979,065

<u>As at 31 December 2023</u>	<u>On demand</u>	<u>Within one year</u>	<u>After one year but not more than five years</u>	<u>More than five years</u>	<u>Total</u>
Loans	-	18,714,240	93,571,200	170,861,856	283,147,296
Trade payables	74,928,105	-	-	-	74,928,105
Accrued expenses	52,612,715	-	-	-	52,612,715
Other payables	28,348,921	-	-	-	28,348,921
Lease liabilities	-	14,178,490	68,009,148	102,000,000	184,187,638
	155,889,741	32,892,730	161,580,348	272,861,856	623,224,675

Capital Management

The Group's objective when managing capital is to preserve the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and maintaining a strong capital base to support the sustainable development of its business.

The ratio of the Group's adjusted net liabilities to the Group's equity is as follows:

<u>For the year ended 31 December</u>	<u>At year ended in 31 December</u>	
	<u>2024</u>	<u>2023</u>
Total liabilities	694,633,445	749,524,050
Less: Cash at banks	(245,027,717)	(124,904,699)
Net liabilities	449,605,728	624,619,351
Total shareholder's equity	1,961,253,780	1,844,923,837
Net liabilities to Total shareholder's equity	0.23	0.34

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

There have been no changes to the objectives, policies and procedures for capital management during the years ending 31 December 2024 and to 31 December 2023.

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37. Financial assets and financial liabilities (Continued)

Fair Value

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and cash equivalents and accounts receivable. Financial liabilities consist of long-term loans, accounts payable, accruals and other liabilities and zakat payable.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale

The fair values of financial instruments are not materially different from their carrying values.

38. Comparative Figures

Some comparative figures have been reclassified to conform with the presentation in the current year, to enhance comparability and to be more relevant to users of the consolidated financial statements, as follows:

For the year ended 31 December 2023	Impact of reclassification		
	As previously reported	Re-classified	As Classified
Consolidated Statement of Financial Position			
Loans - Non-current	163,826,053	10,021,717	173,847,770
Loans - Current	28,735,957	(10,021,717)	18,714,240
Lease liabilities - Current	13,542,248	636,242	14,178,490
Lease liabilities - Non-current	108,043,424	(636,242)	107,407,182

For the year ended 31 December 2023	Impact of reclassification		
	As previously reported	Re-classified	As Classified
Consolidated Statement of profit or loss			
Other operating income	29,413,468	1,481,702	30,895,170
Loss from disposal of property and equipment	-	(1,481,702)	(1,481,702)

39. Subsequent events

The Board of Directors of the Company approved, in its meeting held on 28 Shaban 1446H (corresponding to: 27 February 2025), the distribution of interim cash dividends of 56 million Saudi Riyals to the company's shareholders for the fourth quarter of 2024 at a rate of 0.35 Saudi Riyal (35 Halalas) per share.

40. Approval of the consolidated financial statements

These consolidated financial statements have been approved by the board of directors on 28 Shaban 1446H (corresponding to 27 February 2025).
