

**ARABIAN INTERNATIONAL HEALTHCARE
HOLDING COMPANY AND ITS SUBSIDIARIES**
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2023
together with
INDEPENDENT AUDITOR'S REPORT
ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of The Arabian International Healthcare Holding Company and its Subsidiaries
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying 30 June 2023 condensed consolidated interim financial statements of **Arabian International Healthcare Holding Company ("the Company") and its subsidiaries ("the Group")** which comprises:

- the condensed consolidated statement of financial position as at 30 June 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2023;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2023;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2023; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of The Arabian International Healthcare Holding Company and its Subsidiaries (A Saudi Joint Stock Company) (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed consolidated interim financial statements of **Arabian International Healthcare Holding Company and its Subsidiaries** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Fahad Mubark Aldossari
License No: 469



Riyadh, 31 August 2023
Corresponding to 15 Safar 1445H

**ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS
SUBSIDIARIES**

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	<i>30 June 2023 SR (Unaudited)</i>	<i>31 December 2022 SR (Audited)</i>
ASSETS			
Non-current assets			
Property and equipment	6	27,226,527	24,178,115
Right-of-use assets	7	30,064,955	36,588,710
Intangible assets		4,226,308	5,060,548
Goodwill		166,273,820	166,273,820
Advance towards investment	5	-	19,307,262
Investment in equity accounted investees	5	71,351,650	54,270,267
Investment in finance lease		3,678,579	3,748,216
Total non-current assets		302,821,839	309,426,938
Current assets			
Current portion of investment in finance lease		261,789	138,408
Inventories, net	8	296,856,312	298,897,340
Trade receivables, net	9	607,078,092	642,149,588
Contract assets, net	10	55,614,667	34,261,964
Prepayments and other current assets	11	45,301,902	53,906,295
Amounts due from related parties	13	31,834,269	8,702,181
Cash and cash equivalents	12	85,794,093	83,585,439
Total current assets		1,122,741,124	1,121,641,215
TOTAL ASSETS		1,425,562,963	1,431,068,153
EQUITY AND LIABILITIES			
Equity			
Share capital	14	200,000,000	200,000,000
Statutory reserve		20,636,406	20,636,406
Treasury share reserve		(8,069,083)	(8,069,083)
Cashflow hedging reserves	17	(900,087)	-
Retained earnings		39,802,337	82,393,663
Equity attributable to equity holders of the parent		251,469,573	294,960,986
Non-Controlling interest	15	43,968,153	40,661,218
Total equity		295,437,726	335,622,204
Non-current liabilities			
Employee defined benefit liabilities		25,586,952	27,507,570
Non-current portion of contingent consideration	20	68,936,429	66,928,572
Loan and borrowings	16	37,500,000	50,000,000
Non-current portion of lease liabilities	7	22,669,470	33,429,586
Non-current portion of contract liabilities	19	45,082,882	32,224,253
Non-current portion of derivative liabilities	17	900,087	-
Total non-current liabilities		200,675,820	210,089,981

The accompanying notes 1 to 35 form an integral part of these condensed consolidated interim financial statements.

**ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS
SUBSIDIARIES**
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2023

Current liabilities			
Trade and notes payables	18	252,575,827	254,094,274
Accrued expenses and other current liabilities	21	126,352,975	131,781,376
Amounts due to related parties	13	1,637,040	1,037,940
Current portion of contract liabilities	19	55,765,314	71,784,462
Current portion of contingent consideration	20	27,500,000	27,500,000
Current portion of lease liabilities	7	8,250,537	4,506,750
Current portion of loans and borrowings	16	452,500,000	382,500,006
Zakat payable	29	4,867,724	12,151,160
Total current liabilities		<u>929,449,417</u>	<u>885,355,968</u>
Total liabilities		<u>1,130,125,237</u>	<u>1,095,445,949</u>
TOTAL EQUITY AND LIABILITIES		<u>1,425,562,963</u>	<u>1,431,068,153</u>

These condensed consolidated interim financial statements shown on pages 3 to 31 were approved by the Board of Directors on Safar 15, 1445H (corresponding to 31 August 2023) and signed on their behalf by:



Ziad AlTunisi
Chairman



Alaa Ameen
Chief Executive Officer



Wael Aref
Chief Financial Officer


The accompanying notes 1 to 35 form an integral part of these condensed consolidated interim financial statements.

**ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS
SUBSIDIARIES**
(A Saudi Joint Stock Company)
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the six-month period ended 30 June 2023 (Unaudited)

	<i>Notes</i>	<i>30 June 2023 SR (Unaudited)</i>	<i>30 June 2022 SR (Unaudited)</i>
Revenue	22	315,962,001	215,239,226
Cost of revenue	23	<u>(252,776,036)</u>	<u>(174,439,335)</u>
GROSS PROFIT		63,185,965	40,799,891
Selling and marketing expenses		<u>(37,964,516)</u>	<u>(36,684,596)</u>
General and administrative expenses	24	<u>(27,162,627)</u>	<u>(19,386,743)</u>
Impairment loss on trade receivables	9	<u>(783,834)</u>	<u>(1,646,380)</u>
Other income, net	25	<u>3,616,413</u>	<u>3,906,258</u>
Share of profit from equity accounted investees	5	<u>243,171</u>	<u>2,912,595</u>
OPERATING PROFIT / (LOSS)		1,134,572	(10,098,975)
Finance charges	26	<u>(17,908,254)</u>	<u>(4,079,374)</u>
Finance Income	27	<u>2,146,694</u>	<u>-</u>
LOSS BEFORE ZAKAT		(14,626,988)	(14,178,349)
Zakat charge	29	<u>(4,867,403)</u>	<u>(6,500,000)</u>
LOSS FOR THE PERIOD		(19,494,391)	(20,678,349)
OTHER COMPREHENSIVE LOSS			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Movement in fair value of cash flow hedges	17	<u>(900,087)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(20,394,478)	(20,678,349)
Loss attributable to:			
Equity holders of the parent		<u>(22,801,326)</u>	<u>(20,678,349)</u>
Non-controlling interests	15	<u>3,306,935</u>	<u>-</u>
		<u>(19,494,391)</u>	<u>(20,678,349)</u>
Total comprehensive loss attributable to:			
Equity holders of the parent		<u>(23,701,413)</u>	<u>(20,678,349)</u>
Non-controlling interests	15	<u>3,306,935</u>	<u>-</u>
		<u>(20,394,478)</u>	<u>(20,678,349)</u>
LOSS PER SHARE			
Basic and diluted loss per share	28	<u>(1.15)</u>	<u>(1.03)</u>

These condensed consolidated interim financial statements shown on pages 3 to 31 were approved by the Board of Directors on Safar 15, 1445H (corresponding to 31 August 2023) and signed on their behalf by:


Ziad AlTunisi
Chairman


Alaa Ameen
Chief Executive Officer


Wael Aref
Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these condensed consolidated interim financial statements.

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2023

	<i>Share Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Treasury share reserves SR</i>	<i>Cashflow hedging reserves SR</i>	<i>Total SR</i>	<i>Non- controlling Interests SR</i>	<i>Total equity SR</i>
As at 1 January 2023 (Audited)	200,000,000	20,636,406	82,393,663	(8,069,083)	-	294,960,986	40,661,218	335,622,204
(Loss)/Profit for the period	-	-	(22,801,326)	-	-	(22,801,326)	3,306,935	(19,494,391)
Other comprehensive loss	-	-	-	-	(900,087)	(900,087)	-	(900,087)
Total comprehensive income / (loss) for the period	-	-	(22,801,326)	-	(900,087)	(23,701,413)	3,306,935	(20,394,478)
Dividends (Note 31)	-	-	(19,790,000)	-	-	(19,790,000)	-	(19,790,000)
As at 30 June 2023 (Unaudited)	200,000,000	20,636,406	39,802,337	(8,069,083)	(900,087)	251,469,573	43,968,153	295,437,726
As at 1 January 2022 (Audited)	200,000,000	18,060,420	115,329,829	-	-	333,390,249	-	333,390,249
Loss for the period	-	-	(20,678,349)	-	-	(20,678,349)	-	(20,678,349)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(20,678,349)	-	-	(20,678,349)	-	(20,678,349)
Dividends (Note 31)	-	-	(60,000,000)	-	-	(60,000,000)	-	(60,000,000)
As at 30 June 2022 (Unaudited)	200,000,000	18,060,420	34,651,480	-	-	252,711,900	-	252,711,900

These condensed consolidated interim financial statements shown on pages 3 to 31 were approved by the Board of Directors on Safar 15, 1445H (corresponding to 31 August 2023) and signed on their behalf by:


Ziad AlTunisi
Chairman


Alaa Ameen
Chief Executive Officer


Wael Aref
Chief Financial Officer

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

For the six-month period ended 30 June 2023 (Unaudited)

		30 June 2023	30 June 2022
		SR	SR
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES			
Loss before zakat		(14,626,988)	(14,178,349)
<i>Adjustments for:</i>			
Provision for employee defined benefit liabilities		2,437,588	4,313,301
Depreciation of property and equipment and right of use assets	6 & 7	5,314,826	2,899,958
Charge / (reversal) of provision for obsolete and slow-moving inventories	8	8,165,873	(6,581,975)
Accrued interest for leases	7	990,925	316,832
Amortization of intangible assets		834,243	472,227
Share of profit from equity accounted investees	5	(243,171)	(2,912,595)
Unwinding of contingent consideration	20	2,007,857	-
Interest income on finance lease	27	(995,944)	-
Loss on derecognition of property and equipment	6	148	-
Gain on derecognition of ROUA and lease liability	7	(331,446)	-
Impairment loss on trade receivables	9	783,834	1,646,380
		4,337,745	(14,024,221)
<i>Changes in operating assets and liabilities:</i>			
Inventories, net		(6,124,845)	(59,766,407)
Trade receivables, net		34,287,662	(42,781,302)
Contract assets, net		(21,352,703)	23,802,130
Prepayments and other current assets		8,604,393	(3,030,119)
Related parties' balances, net		(22,532,988)	927,178
Trade and notes payables		(1,518,447)	38,715,019
Accrued expenses and other current liabilities		(5,428,401)	(7,586,711)
Contract liabilities		(3,160,519)	(2,396,290)
		(12,888,103)	(66,140,723)
Employee defined benefit liabilities paid		(4,358,209)	(2,079,209)
Zakat paid	29	(12,150,839)	(11,420,296)
Net cash used in operating activities		(29,397,151)	(79,640,228)
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(5,364,056)	(433,411)
Proceeds from investment against finance lease		942,200	-
Investment in an equity accounted investee	5	(692,738)	-
Dividend received from equity accounted investee	5	3,161,788	2,997,274
Net cash (used in) / generated from investing activities		(1,952,806)	2,563,863

The accompanying notes 1 to 35 form an integral part of these condensed consolidated interim financial statements.

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS (CONTINUED)

For the six-month period ended 30 June 2023 (Unaudited)

FINANCING ACTIVITIES			
Proceeds from short-term loans	16	100,000,000	150,000,000
Repayment of short-term loans	16	(42,500,006)	(62,500,000)
Payment of lease liabilities	7	(4,151,383)	(527,501)
Dividends paid	31	(19,790,000)	-
Net cash generated from financing activities		<u>33,558,611</u>	<u>86,972,499</u>
CHANGE IN CASH AND CASH EQUIVALENTS			
		2,208,654	9,896,134
Cash and cash equivalents at beginning of the period	12	<u>83,585,439</u>	<u>11,028,249</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	12	<u>85,794,093</u>	<u>20,924,383</u>
NON-CASH TRANSACTION:			
Dividend payable to Parent Company	31	-	60,000,000
Investment in equity accounted investee	5	19,307,262	-
Derivative liability incurred against cashflow hedge	17	900,087	-

These condensed consolidated interim financial statements shown on pages 3 to 31 were approved by the Board of Directors on Safar 15, 1445H (corresponding to 31 August 2023) and signed on their behalf by:



Ziad AlTunisi
 Chairman



Alaa Ameen
 Chief Executive Officer



Wael Aref
 Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these condensed consolidated interim financial statements.

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023 (Unaudited)

1. ACTIVITIES

Arabian International Healthcare Holding Company (the “Company”) is a closed joint stock company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010380429 dated 10 Sha’aban 1434H (corresponding to 19 June 2013). The ultimate parent company of the Company is Al-Faisaliah Group Holding Company.

The Company and its subsidiaries (together, the “Group”) are engaged in the retail, wholesale trading and installation of medical and surgical equipment and tools, artificial - handicapped systems, surgical operation’s accessories, hospital supplies, medical systems and programs, lab chemical analysis systems, measurement, testing and scientific measurement systems, maintenance of medical and analytical lab systems and equipment in the Saudi Arabian market. The Group is involved in the providing medical care and cosmetic surgery treatments, import, wholesale and retail trade in cosmetics, medicine, and nutritional supplements. The Group is also engaged in construction of the civil works required in the projects.

The registered office of the Group is located at the following address:

Qurtubah District
Business Gate, Building No. 9
P.O. Box 62961
Riyadh 11595
Kingdom of Saudi Arabia

The subsidiaries included in these condensed consolidated interim financial statements are as follows:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Effective shareholding %</i>
Al Faisaliah Medical Systems Company	Kingdom of Saudi Arabia	100
International Medical Supplies Company	Kingdom of Saudi Arabia	100
International Healthcare Optimization Company	Kingdom of Saudi Arabia	100
Health Care Technologies Company	Kingdom of Saudi Arabia	100
Innovative Healthcare Company Holdings Limited	United Arab Emirates	51
Al Faisaliah Medical Systems Company (UAE)	United Arab Emirates	100

The Group’s head office is located in Riyadh. The Group has following branches. The assets, liabilities and results of operations of the branches are included in these condensed consolidated interim financial statements.

<u>Branch location</u>	<u>C.R Number</u>	<u>Date</u>
Jeddah	4030280314	13 Rabi Thani 1436H (corresponding to 2 February 2015)
Khobar	2051062515	17 Sha’aban 1437H (corresponding to 24 May 2016)
Jeddah	4030280313	13 Rabi Thani 1436H (corresponding to 2 February 2015)
Khobar	2051060081	22 Rabi Thani 1436H (corresponding to 11 February 2015)
Jeddah	4030280345	15 Rabi Thani 1436H (corresponding to 4 February 2015)
Khobar	2051060082	22 Rabi Thani 1436H (corresponding to 11 February 2015)
Jeddah	4030280342	15 Rabi Thani 1436H (corresponding to 4 February 2015)
Khobar	2051062516	17 Sha’aban 1437H (corresponding to 24 May 2016)
Riyadh	1010441566	28 Rabi Thani 1438H (corresponding to 26 January 2017)
Riyadh	1010355640	11 Muharram 1434H (corresponding to 25 November 2012)
Riyadh	1010442812	12 Jumada Thani 1437H (corresponding to 21 March 2016)

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period ended 30 June 2023 (Unaudited)

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These condensed consolidated interim financial statements have been prepared for the six-month period ended 30 June 2023 (“ Condensed Consolidated Interim Financial Statements”) in accordance with requirements of IAS 34 “Interim Financial Reporting” that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with annual financial statements as at 31 December 2022.

The condensed consolidated interim financial statements do not include all the information required for the full financial statements in accordance with the International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. However, the condensed consolidated interim financial statements include some disclosures to explain some material events and transactions in order to understand the changes in the Group's financial position and performance since the last annual financial statements.

2.2 Basis of measurement

The condensed consolidated interim financial statements have been prepared in accordance with the historical cost basis, except for the following items:

- The provision for employees' end-of-service benefits that are measured at present value using the projected unit credit method.
- Derivative financial instruments that are measured at fair value.

Further, the condensed consolidated interim financial statements are prepared using the accrual basis of accounting and the going concern concept.

2.3 Functional and presentation currency

The condensed consolidated interim financial statements of the Group are presented in Saudi Riyals (SR) which is the Group's functional currency.

2.4 New standards and amendments issued:

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2023; the Group has not early adopted them in preparing these condensed consolidated interim financial statements. The effect of adoption of these standards is not considered material for the Group.

Effective date	New standards or amendments
1 January 2024	<i>Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1</i>
	<i>Lease Liability in a Sale and Leaseback – Amendments to IFRS 16</i>
Available for optional adoption/effective date deferred indefinitely	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>

ARABIAN INTERNATIONAL HEALTHCARE HOLDING COMPANY AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period ended 30 June 2023 (Unaudited)

2. BASIS OF PREPARATION (CONTINUED)

2.4 New standards and amendments issued: (continued)

Standards issued but not yet effective (continued)

Following are the new standards and amendments to standards which are effective for annual periods beginning 1 January 2023, however the amendments do not have a significant effect of the Company's financial statements.

Effective date	New standards or amendments
1 January 2023	<i>IFRS 17 Insurance Contracts</i>
	<i>Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2</i>
	<i>Definition of Accounting Estimate – Amendments to IAS 8</i>
	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12</i>
23 May 2023	<i>International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12</i>

3 USE OF ESTIMATES AND JUDGEMENTS

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses and the accompanying disclosures. Uncertainty about the 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 significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA for the year ended 31 December 2022. For the assumptions used in estimating liability of employees defined benefit liabilities, it has been assumed that there is no change in the assumptions which were used for determining the liability for Group's annual consolidated financial statements as at 31 December 2022.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied on these condensed consolidated interim financial statements have been prepared in accordance with in the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Chartered and Professional Accountants (SOCPA). These accounting policies are the same accounting policies applied on the financial statements for the Group which were prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia as at the financial year ended 31 December 2022.

Additional accounting policy adopted during the period

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Derivative financial instruments and hedge accounting (continued)***

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to consolidated statement of profit and loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to consolidated statement of profit and loss when the hedged item affects consolidated statement of profit and loss. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

When the Group discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in other comprehensive income if the hedged future cash flows are still expected to occur, until such cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to consolidated statement of profit and loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument previously recognized in other comprehensive income is retained separately in other comprehensive income until the forecasted transaction occurs.

5 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

	<i>Ownership</i>		<i>Carrying value as at</i>	
	<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2023</i>	<i>31 December 2022</i>
	<i>%</i>	<i>%</i>	<i>SR</i>	<i>SR</i>
			<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Investment in Joint Venture</i>				
Philips Healthcare Saudi Arabia Limited	50%	50%	53,695,650	53,814,267
Genalive Medical Company	50%	50%	17,656,000	456,000
			71,351,650	54,270,267

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5 INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

a) Philips Healthcare Saudi Arabia Limited

The investment in a joint venture pertains to a 50% holding in Philips Healthcare Saudi Arabia Limited (the “Joint Venture”), which is incorporated in the Kingdom of Saudi Arabia.

The principal activities of the Joint Venture are importing, installing, repairing and leasing of medical devices and equipment, providing training services and technical support related to the medical devices and equipment, information technology and software. The Joint Venture is accounted for using the equity method in these condensed consolidated interim financial statements.

Summarized below are the financial information in respect of the Group's share in the Joint Venture. The summarized financial information below represents amounts shown in the Joint Venture's financial statements prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia.

	<i>30 June</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
Current assets	559,768,080	562,759,478
Non-current assets	15,675,385	16,420,381
Current liabilities	(333,033,981)	(374,122,298)
Non-current liabilities	(129,869,611)	(98,960,966)
Net assets	112,539,873	106,096,595
Adjustments to net assets*	(5,148,573)	1,531,938
Adjusted net assets	107,391,300	107,628,533
Group's share in Joint Venture's net assets – 50% (2022: 50%)	53,695,650	53,814,267

*The adjustments to net assets pertain to zakat expense and income tax expense to arrive at the base amount used for the calculation of the Group's share in the Joint Venture.

Summary of the financial performance of the Joint Venture during the period ended 30 June are as follows:

	<i>30 June</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>30 June</i> <i>2022</i> <i>SR</i> <i>(Unaudited)</i>
Revenue	140,703,911	129,243,377
Total comprehensive income	6,443,280	7,354,076
Adjusted Group's share in Joint Venture's profit – 50% (2022: 50%)	3,043,171	2,912,595
Dividends received from Joint Venture during the period	3,161,788	2,997,274

Movement during the period:

	<i>30 June</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
As at 1 January	53,814,267	49,881,306
Dividend received	(3,161,788)	(6,586,925)
Share of profit of joint venture	3,043,171	7,788,950
Share of OCI of joint venture	-	2,730,936
Investment as at period end	53,695,650	53,814,267

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5 INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

b) Genalive Medical Company

The investment in a joint venture pertains to a 50% holding in Genalive Medical Company (the “Joint Venture”), which is incorporated in the Kingdom of Saudi Arabia.

The principal activities of the Company is to provide clinical laboratory testing services and genetic testing services to hospitals, research institutes, medical centers and clinics for both the public and private sectors. The Joint Venture is accounted for using the equity method in these condensed consolidated interim financial statements.

Summarized below are the financial information in respect of the Group's share in the Joint Venture. The summarized financial information below represents amounts shown in the Joint Venture's financial statements prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia.

	<i>30 June</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
Current assets	18,201,186	500,000
Non-current assets	58,936,756	-
Current liabilities	(32,821,131)	-
Non-current liabilities	(9,416,811)	-
Net assets	34,900,000	500,000
Group's share in Joint Venture's net assets – 50% (2022: 50%)	17,450,000	250,000
Initial Direct Cost incurred at acquisition	206,000	206,000
	17,656,000	456,000

	<i>30 June</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
Revenue	-	-
Loss for the period	(5,600,000)	-
Group's share in Joint Venture's loss – 50% (2022: 50%)	(2,800,000)	-

Movement during the period:

	<i>30 June</i> <i>2023</i> <i>SR</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR</i> <i>(Audited)</i>
As at 1 January	456,000	-
Cash injection during the period / year	692,738	250,000
Transfer of Advance against investment to associate*	19,307,262	-
Directly attributable expenses	-	206,000
Share of loss of joint venture	(2,800,000)	-
Investment as at period end	17,656,000	456,000

*The advance against investment amounting to SR 19,307,262 recorded in the financial statement as at 31 December 2022, was transferred as an investment in the joint venture as equity contribution.

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6 PROPERTY AND EQUIPMENT

	<i>Leasehold improvements SR</i>	<i>Machinery and tools SR</i>	<i>Furniture and fixtures SR</i>	<i>Office equipment SR</i>	<i>Computer hardware SR</i>	<i>Motor vehicles SR</i>	<i>Total SR</i>
<i>Cost:</i>							
As at 1 January 2023	19,865,374	41,234,825	4,760,768	1,386,239	4,705,288	4,040,035	75,992,529
Additions	-	5,087,203	39,450	-	237,403	-	5,364,056
Disposals	-	-	-	-	-	(73,750)	(73,750)
As at 30 June 2023 (Unaudited)	<u>19,865,374</u>	<u>46,322,028</u>	<u>4,800,218</u>	<u>1,386,239</u>	<u>4,942,691</u>	<u>3,966,285</u>	<u>81,282,835</u>
<i>Accumulated Depreciation:</i>							
As at 1 January 2023	9,821,601	28,611,993	4,294,035	954,789	4,318,130	3,813,866	51,814,414
Charge for the period	609,813	1,392,284	99,189	52,597	110,705	50,908	2,315,496
Disposals	-	-	-	-	-	(73,602)	(73,602)
As at 30 June 2023 (Unaudited)	<u>10,431,414</u>	<u>30,004,277</u>	<u>4,393,224</u>	<u>1,007,386</u>	<u>4,428,835</u>	<u>3,791,172</u>	<u>54,056,308</u>
<i>Net book value:</i>							
As at 30 June 2023 (Unaudited)	<u>9,433,960</u>	<u>16,317,751</u>	<u>406,994</u>	<u>378,853</u>	<u>513,856</u>	<u>175,113</u>	<u>27,226,527</u>

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6 PROPERTY AND EQUIPMENT (CONTINUED)

	<i>Leasehold improvements SR</i>	<i>Machinery and tools SR</i>	<i>Furniture and fixtures SR</i>	<i>Office equipment SR</i>	<i>Computer hardware SR</i>	<i>Motor vehicles SR</i>	<i>Total SR</i>
<i>Cost:</i>							
As at 1 January 2022	6,254,198	17,607,277	3,808,938	1,259,195	2,958,825	3,479,593	35,368,026
Acquisition of subsidiary	13,267,882	21,959,063	858,194	32,690	1,510,820	560,442	38,189,091
Additions	343,294	1,926,923	93,636	94,354	235,643	-	2,693,850
Disposals	-	(258,438)	-	-	-	-	(258,438)
As at 31 December 2022 <i>(Audited)</i>	<u>19,865,374</u>	<u>41,234,825</u>	<u>4,760,768</u>	<u>1,386,239</u>	<u>4,705,288</u>	<u>4,040,035</u>	<u>75,992,529</u>
<i>Accumulated Depreciation:</i>							
As at 1 January 2022	5,059,590	16,685,207	3,329,020	820,358	2,701,306	2,795,202	31,390,683
Acquisition of subsidiary	3,831,215	11,038,763	798,219	32,691	1,416,409	560,436	17,677,733
Charge for the year	930,796	1,106,975	166,796	101,740	200,415	458,228	2,964,950
Disposals	-	(218,952)	-	-	-	-	(218,952)
As at 31 December 2022 <i>(Audited)</i>	<u>9,821,601</u>	<u>28,611,993</u>	<u>4,294,035</u>	<u>954,789</u>	<u>4,318,130</u>	<u>3,813,866</u>	<u>51,814,414</u>
<i>Net book value:</i>							
As at 31 December 2022 <i>(Audited)</i>	<u>10,043,773</u>	<u>12,622,832</u>	<u>466,733</u>	<u>431,450</u>	<u>387,158</u>	<u>226,169</u>	<u>24,178,115</u>

Depreciation expense is allocated as follows:

	<i>30 June 2023 SR (Unaudited)</i>	<i>31 December 2022 SR (Audited)</i>
Allocation of depreciation expense		
Cost of sales (note 23)	990,873	70,825
Selling and marketing expenses	614,718	1,208,938
General and administrative expenses (note 24)	709,905	1,685,187
	<u>2,315,496</u>	<u>2,964,950</u>

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7 LEASES

The Group has lease contracts for building used in its operations. Information about assets for which the Group is a lessee is presented below:

	<i>Right of use June 2023 SR (Unaudited)</i>	<i>Right of use December 2022 SR (Audited)</i>
<i>Cost:</i>		
As at 1 January	52,147,464	19,750,691
Acquisition of subsidiary	-	20,942,888
Additions during the period / year	6,739,399	12,012,511
Transfer of lease to associate	(11,370,019)	-
Derecognition of right-of-use assets	(5,145,741)	(558,626)
As at period end	42,371,103	52,147,464
 <i>Depreciation:</i>		
As at 1 January	15,558,754	8,876,470
Acquisition of subsidiary	-	2,326,988
Charge for the period / year	2,999,330	4,913,922
Transfer of lease to associate	(1,106,195)	-
Derecognition of right-of-use assets	(5,145,741)	(558,626)
As at period end	12,306,148	15,558,754
 <i>Net book value:</i>		
At period end	30,064,955	36,588,710
	<i>30 June 2023 SR (Unaudited)</i>	<i>31 December 2022 SR (Audited)</i>
Allocation of depreciation expense		
Cost of sales (note 23)	-	1,133,632
Selling and marketing expenses	1,687,540	1,309,833
General and administrative expenses (note 24)	1,311,790	2,470,457
	2,999,330	4,913,922

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<i>30 June 2023 SR (Unaudited)</i>	<i>31 December 2022 SR (Audited)</i>
As at 1 January	37,936,336	10,862,210
Acquisition of subsidiary		19,262,805
Additions during the period / year	6,739,399	11,325,312
Derecognition of lease liability	(10,595,270)	-
Accrued interest	990,925	1,403,539
Payments during the period / year	(4,151,383)	(4,917,530)
As at period end	30,920,007	37,936,336

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7 LEASES (CONTINUED)

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current portion	22,669,470	33,429,586
Current portion	8,250,537	4,506,750

Amounts recognized in statement of profit or loss and other comprehensive income:

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Interest on lease liabilities	990,925	1,403,539

Amounts recognized in statement of cash flows

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Total cash outflow for leases	4,151,383	4,917,530

Following is the maturity analysis of leases:

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<u>Minimum lease payments</u>		
Not later than one year	4,280,320	6,506,183
Later than one year and not later than five years	15,518,020	18,714,948
More than five years	20,740,000	24,360,888
	40,538,340	49,582,019
Less: future finance charges	(9,618,333)	(11,645,683)
Present value of minimum lease payments	30,920,007	37,936,336

8 INVENTORIES, NET

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Goods held for sale and in relation to projects in progress	319,438,054	313,687,466
Goods in transit	1,732,852	874,496
Spare parts	970,030	2,982,898
	322,140,936	317,544,860
Less: Allowance for obsolete and slow-moving inventories	(25,284,624)	(18,647,520)
	296,856,312	298,897,340

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8 INVENTORIES, NET (CONTINUED)

Movement of the allowance for obsolete and slow-moving inventories is as follows:

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Opening	<u>18,647,520</u>	<u>21,488,566</u>
Provision during the period/year	8,165,873	-
Reversal during the period/year	-	(2,841,046)
Write-off during the period/year	<u>(1,528,769)</u>	<u>-</u>
Closing	<u>25,284,624</u>	<u>18,647,520</u>

9 TRADE RECEIVABLES, NET

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Gross amount of trade receivables	635,640,149	669,927,811
Less: Allowance for expected credit losses	<u>(28,562,057)</u>	<u>(27,778,223)</u>
Trade receivables, net	<u>607,078,092</u>	<u>642,149,588</u>

The average credit period on sales of goods is 90 to 120 days. No interest is charged on outstanding trade receivables.

Below is the movement of allowance for expected credit losses of trade receivables at period/year end:

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At beginning of the period	27,778,223	31,267,362
Provision during the period/year	783,834	-
Reversal during the period/year	-	(3,489,139)
At the end of the period/year	<u>28,562,057</u>	<u>27,778,223</u>

10 CONTRACT ASSETS

Amounts relating to contract assets are balances under various projects that arise when the Group performs services which have not been invoiced to the customer as at the reporting date. These amounts will be transferred to trade receivables when they are invoiced to the customer.

	<i>30 June</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Gross contract assets	58,212,093	36,859,390
Less: Allowance for expected credit losses	<u>(2,597,426)</u>	<u>(2,597,426)</u>
Net contract assets	<u>55,614,667</u>	<u>34,261,964</u>

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10 CONTRACT ASSETS (CONTINUED)

Below is the movement of allowance for expected credit losses of contract assets at period/year end

	<i>30 June 2023 SR (Unaudited)</i>	<i>31 December 2022 SR (Audited)</i>
At the beginning of the period / year	<u>2,597,426</u>	<u>2,597,426</u>
At the end of the period / year	<u>2,597,426</u>	<u>2,597,426</u>

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	<i>30 June 2023 SR (Unaudited)</i>	<i>31 December 2022 SR (Audited)</i>
Advances to suppliers	33,144,283	36,088,753
Claims receivable	6,475,767	8,087,010
Other receivables	3,652,236	6,741,954
Prepaid expenses	2,029,616	2,988,578
	<u>45,301,902</u>	<u>53,906,295</u>

12 CASH AND CASH EQUIVALENTS

	<i>30 June 2023 SR (Unaudited)</i>	<i>31 December 2022 SR (Audited)</i>
Short Term Deposits	60,000,000	-
Cash at bank	25,693,649	83,282,210
Cash in hand	100,444	303,229
	<u>85,794,093</u>	<u>83,585,439</u>

13 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Group include its shareholders and their affiliated companies where the Group or its shareholders have control, joint control or significant influence. In the ordinary course of business, the Group enters transactions with related parties, which are based on mutually agreed prices and contract terms approved by the management of the Group. The following are the details of major transactions with related parties during the period and period end balances:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
		<i>30 June 2023 (Unaudited)</i>	<i>30 June 2022 (Unaudited)</i>
Due from related parties:			
Genalive Medical Company (Joint Venture)	Expenses paid on behalf	25,079,598	-

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13 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
		<u>30 June 2023 (Unaudited)</u>	<u>30 June 2022 (Unaudited)</u>
Al Faisaliah Group Holding Company ("Ultimate Parent Company")	Payments made by the Ultimate Parent Company	-	12,446,823
	Payments made to Ultimate Parent Company	-	8,815,162
Al Bo'ra for Medical Services Company	Expenses paid on behalf	429,698	-
Innovative Care Medicine Warehouse	Expenses paid on behalf	975	-
Philips Healthcare Saudi Arabia Limited (Joint venture)	Royalty income	4,861,249	4,608,309
	Dividend received	3,161,788	2,997,274
<i>Due to a related party</i>			
	Payments made to Ultimate Parent Company	13,448,474	-
Al Faisaliah Group Holding Company ("Ultimate Parent Company")	Expenses paid on behalf of Ultimate Parent Company	14,648,855	-
	Receipts of loans	-	20,000,000
	Repayment of loans	22,500,000	62,500,000
Amounts due from and to related parties are as follows:			
		30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
<i>Amounts due from related parties:</i>			
Genalive Medical Company		24,829,598	-
Philips Healthcare Saudi Arabia Limited		3,215,193	5,238,527
Al Bo'ra for Medical Services Company		3,737,925	3,308,227
Innovative Care Medicine Warehouse		51,553	50,578
Innovative Healthcare Holding Company		-	57,655
Le Monde Holding Limited		-	47,194
		31,834,269	8,702,181
<i>Amounts due to related parties:</i>			
Al Faisaliah Group Holding Company (Ultimate Parent Company)		1,637,040	492,356
Philips Healthcare Saudi Arabia Limited		-	295,584
Genalive Medical Company		-	250,000
		1,637,040	1,037,940

The amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received. No amount has been expensed in the current period for bad or doubtful debts in respect of amounts owed by related parties. Compensation paid to key management personnel during the period, in the form of short-term benefits, was SR 3,877,018 (2022: SR 6,728,826).

The Group has obtained unsecured short-term and long-term loans from Ultimate Parent Company to finance its working capital requirements and accrues special commission at agreed commercial rates with no fixed terms of repayment. These loans will be renewed by the Ultimate Parent Company, if required. The amount of long and short-term loans from Ultimate Parent Company are SR 37.5M (2022: SR 50M) and SR 237.5M (2022: SR 252.5M). Loan amounting to SR 215M (2022: SR 130M) are taken from external parties (Tibbiyah standalone credit facility) at agreed market rates. Interest charges from these loans during 2023 is SR 14,863,262 (2022: SR 4,031,051).

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14 SHARE CAPITAL

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
20,000,000 shares of SR 10 each	<u>200,000,000</u>	<u>200,000,000</u>

As at 30 June 2023, the share capital of the Company amounting to SR 200,000,000 is divided into 20,000,000 shares of SR 10 each and is owned by the following shareholders:

Shareholders	Number of Shares	Face Value of shares in SR	% of shareholding
Advanced Drug Company for Pharmaceuticals	15,000,000	150,000,000	75.00
Institutional & other Investors	4,790,000	47,900,000	23.95
Arabian International Healthcare Holding Company*	210,000	2,100,000	1.05
	<u>20,000,000</u>	<u>200,000,000</u>	<u>100</u>

*The Group passed a resolution in its extra ordinary general meeting dated 29 June 2022 to buy-back its 210,000 number of ordinary shares in accordance with Article 12 from Part 4 of Chapter 1 of the 'Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies at the market price. The Group re-purchased 210,000 shares of Arabian International Healthcare Holding Company, for a consideration of SR 8,069,083. The Group will issue a share-based payment plan to its employees however, as at the date of approval of these condensed consolidated interim financial statements no share-based plan regarding shares has been concluded.

15 NON-CONTROLLING INTERESTS

	Innovative Healthcare Company Holdings Limited SR (Unaudited)
<u>30 June 2023</u>	
Non-current assets	36,070,879
Current assets	87,609,208
Non-current liabilities	(20,424,197)
Current liabilities	(13,457,583)
Other adjustments	(67,383)
Net assets	<u>89,730,924</u>
Net assets attributable to NCI	<u>43,968,153</u>
Revenue	<u>47,144,307</u>
Profit during the period	<u>6,748,846</u>
Profit allocated to NCI	<u>3,306,935</u>

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15 NON-CONTROLLING INTERESTS (CONTINUED)

<u>31 December 2022</u>	<i>SR</i> <i>(Audited)</i>
Non-current assets	37,807,383
Current assets	82,664,267
Non-current liabilities	(20,611,743)
Current liabilities	(16,810,446)
Other adjustments	(67,383)
Net assets	<u>82,982,078</u>
Net assets attributable to NCI	<u>40,661,218</u>
Revenue	<u>37,877,201</u>
Profit during the year	<u>11,612,044</u>
Profit allocated to NCI	<u>5,689,901</u>

16 LOANS AND BORROWINGS

	30 June 2023 SR <i>(Unaudited)</i>	31 December 2022 SR <i>(Audited)</i>
Current portion of loan from Ultimate Parent Company	237,500,000	252,500,006
Long term loan from Ultimate Parent Company	37,500,000	50,000,000
Short-term loans from Banks	<u>215,000,000</u>	<u>130,000,000</u>
	<u>490,000,000</u>	<u>432,500,006</u>
Non-current portion	<u>37,500,000</u>	<u>50,000,000</u>
Current portion	<u>452,500,000</u>	<u>382,500,006</u>

- 16.1** The Group has obtained loan from a bank amounting to SR 215 million at markup of SIBOR plus 1.5% repayable in range of one to six months at markup of SIBOR plus defined percentage of interest calculated by bank on daily basis according to market conditions.

17 DERIVATIVE FINANCIAL INSTRUMENT

The Company has interest rate swap hedging contracts with banks for a total notional amount of SR 130,000,000 as of 30 June 2023 (2022: Nil) to hedge against the risk of variations in the Company's cash flows. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity as per interest rate swap contracts, the observable SAIBOR forward interest rate curves and an appropriate discount factor. At 30 June 2023, the Company's derivatives financial instruments qualified for hedge accounting with fair value movements accounted for within cash flow hedge reserve. During the period ended 30 June 2023, the Company recognized a gross fair value loss of SR 900,087 (2022: Nil).

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17 DERIVATIVE FINANCIAL INSTRUMENT (CONTINUED)

The notional amount, which provide an indicative of the volumes of the transactions outstanding at the end of the year, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of market risk nor of the Company's exposure to credit risk, which is generally limited to the fair value of the derivatives.

The following table detail the notional principal amounts and fair values of the derivative financial instruments outstanding as at the reporting date:

<i>30-Jun-23 (Unaudited)</i>	<i>Current</i>	<i>Non-Current</i>	
	<i>Asset / (Liabilities) at fair value</i>	<i>Asset / (Liabilities) at fair value</i>	<i>Notional amount</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Interest rate swap contract	-	(900,087)	130,000,000

18 TRADE AND NOTES PAYABLES

No interest is charged on trade payables. The Group has financial risk management policies disclosed in note 33 to the condensed consolidated interim financial statements in place to ensure that all payables are paid within the credit timeframe. Due to seasonal nature of the business as explained in note 22 and some specific orders received by the Group, trade payable balance is lower as at 30 June 2023.

19 CONTRACT LIABILITIES

	<i>30 June 2023 SR (Unaudited)</i>	<i>31 December 2022 SR (Audited)</i>
Advances from customers	73,001,627	74,900,411
Unearned warranty revenue	27,846,569	29,108,304
	<u>100,848,196</u>	<u>104,008,715</u>
Non-current portion	<u>45,082,882</u>	<u>32,224,253</u>
Current portion	<u>55,765,314</u>	<u>71,784,462</u>

20 CONTINGENT CONSIDERATION

In August 2022, the Group acquired 51% shareholding in Innovative Healthcare Holding against cash paid and contingent consideration. The Group agreed to pay SR 104 million to Dr. Ayed (former majority shareholder and current minority shareholder) in the years 2022, 2023 and 2024 if the following thresholds of target net income are met:

Year	Target Income SR
2022	50,000,000
2023	55,000,000
2024	60,000,000

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20 CONTINGENT CONSIDERATION (CONTINUED)

The Group has a constructive obligation to pay contingent consideration as at 30 June 2023. Since there is no evidence available that there is change in probability or amount of contingent consideration payable from 31 December 2022, the management believes that the amount of contingent consideration is fair estimate of probable outflow of estimates and meets the criteria to be recognized as liability due to constructive obligation.

Following is the analysis of consideration expected to be paid:

Contingent consideration for the year 2022	27,500,000	
Contingent consideration for the year 2023	27,500,000	
Contingent consideration for the year 2024	49,000,000	
	<u>104,000,000</u>	
Financing component	<u>(9,571,428)</u>	
Balance as at 31 December 2022 (<i>Audited</i>)	<u>94,428,572</u>	
Unwinding of financing component	<u>2,007,857</u>	
Balance as at 30 June 2023 (<i>Unaudited</i>)	<u>96,436,429</u>	
	30 June	31 December
	2023	2022
	SR	SR
	(Unaudited)	(Audited)
Non-current portion	<u>68,936,429</u>	66,928,572
Current portion	<u>27,500,000</u>	<u>27,500,000</u>

21 ACCRUED EXPENSE AND OTHER LIABILITIES

	30 June	31 December
	2023	2022
	SR	SR
	(Unaudited)	(Audited)
Accrued expenses	108,165,150	114,262,699
Accrued salaries and related expenses	9,476,941	8,834,112
Accrued Interest	3,972,836	2,820,520
Other payables	4,738,048	5,864,045
	<u>126,352,975</u>	<u>131,781,376</u>

22 REVENUE

	30 June	30 June
	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
<i>Timing of revenue recognition</i>		
<i>At a point in time</i>		
Revenue from delivery of goods	299,259,185	187,218,408
<i>Over time</i>		
Revenue from rendering of services and civil works	11,816,429	25,088,637
Revenue from warranties	4,886,387	2,932,181
	<u>315,962,001</u>	<u>215,239,226</u>

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22 REVENUE (CONTINUED)

Seasonal nature of operations

Due to the seasonal nature of the operations of the medical devices segment, higher revenues and operating profits are usually expected in the last quarter of the year in comparison to the first six months.

23 COST OF REVENUE

	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Material cost	213,837,979	170,845,049
Doctor's Commission*	13,412,092	-
Salaries and other employee related costs	12,216,493	9,162,221
Provision / (reversal) for slow-moving inventory (Note 8)	8,165,873	(6,581,975)
Rent for Surgery room*	2,540,234	-
Depreciation and amortization*	990,873	-
Travel expense	851,325	866,800
Others	761,167	147,240
	<u>252,776,036</u>	<u>174,439,335</u>

*These expenses pertain to services provided by Innovative Care, a subsidiary which was acquired by the Group in the second half of the year 2022.

24 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries and other employee related costs	16,918,335	12,647,201
Legal and professional charges	3,879,504	3,000,276
Depreciation and amortization	2,735,152	1,380,668
Communication and information technology	1,511,341	1,082,169
Utilities and rent expense	482,784	372,513
Travelling and transportation expense	329,086	269,032
Repair and maintenance	279,115	53,481
Others	1,027,310	581,403
	<u>27,162,627</u>	<u>19,386,743</u>

25 OTHER INCOME, NET

	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Royalty income (Note 13)	4,861,249	4,608,308
Other expenses	(1,244,836)	(702,050)
	<u>3,616,413</u>	<u>3,906,258</u>

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26 FINANCE CHARGES

	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on loans	14,863,262	4,031,051
Interest on lease (note 7)	990,925	48,323
Unwinding of financing component on contingent consideration (Note 20)	2,007,857	-
Other charges	46,210	-
	<u>17,908,254</u>	<u>4,079,374</u>

27 FINANCE INCOME

	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest Income on short term deposits	1,150,750	-
Interest Income from leased assets	995,944	-
	<u>2,146,694</u>	<u>-</u>

28 LOSS PER SHARE

Basic and diluted earnings per share are calculated by dividing the (loss) / profit for the period by the weighted average number of outstanding shares during the period. There were no potentially dilutive shares or options in the period, therefore no difference between the basic and the diluted earnings per share. Basic and diluted earnings (losses) per share are calculated as follows:

	<i>30 June</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period	(22,801,326)	(20,678,349)
Weighted average number of outstanding shares during the period (Share)	19,790,000	20,000,000
Basic and diluted loss per share	<u>(1.15)</u>	<u>(1.03)</u>

29 ZAKAT

29.1 Charge for the period/ year

Previously, the Ultimate Parent Company filed consolidated return on behalf of the Group. However, the management applied for a separate registration number in 2022 and received approval dated 13 February 2022 under registration number 3000460867. Consequently, the Group now files a separate Zakat return from the Ultimate Parent Company from 2021 onwards except Innovative Care Trading Company.

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29 ZAKAT (CONTINUED)

29.2 Movement of provision for zakat

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
At the beginning of the year	12,151,160	11,424,287
Acquisition of subsidiary during the period / year	-	1,260,972
Charge for the period / year	4,867,403	10,886,197
Paid during the period / year	(12,150,839)	(11,420,296)
At end of the period/year	4,867,724	12,151,160

29.3 Zakat status

The Ultimate Parent Company has filed the zakat returns to the Zakat, Tax and Customs Authority (“ZATCA”) for all previous years up to 2020. The Group has filed the Zakat return for the year ended 2022.

Final zakat assessments have been agreed with the ZATCA for all years up to 2016.

30 SEGMENT REPORTING

The Group’s principal business activities involve sale of a broad line of health care products. Selected financial information categorized by these business segments, is as follows:

<i>Medical Devices</i>	Sales of a broad line of branded Medical Devices
<i>Medical Supplies</i>	Sales of a broad line of branded Medical Consumables
<i>Clinic & Pharmaceutical</i>	Medical services at clinic and sale of health and beauty related medicines

	<i>Medical Equipment SR</i>	<i>Medical Supplies SR</i>	<i>Clinic & Pharmaceutical SR</i>	<i>Other Activities SR</i>	<i>Total SR</i>
<u>30 June 2023 (Unaudited)</u>					
Revenue from external customers	134,689,782	134,127,912	47,144,307	-	315,962,001
Depreciation and amortisation	2,021,450	597,303	2,122,329	1,407,987	6,149,069
(Loss)/Profit for the period	(16,950,144)	(6,493,093)	6,748,846	(2,800,000)	(19,494,391)
Segment Assets	684,747,781	397,831,232	123,680,087	147,952,213	1,354,211,313
Investment in joint venture	53,695,650	-	-	17,656,000	71,351,650
Segment Liabilities	581,760,074	277,798,455	33,881,780	236,684,928	1,130,125,237
<u>30 June 2022 (Unaudited)</u>					
Revenue from external customers	73,935,474	141,303,752	-	-	215,239,226
Depreciation and amortisation	953,294	835,532	-	1,111,133	2,899,959
Loss for the period	(18,126,352)	(2,551,997)	-	-	(20,678,349)
<u>31 December 2022 (Audited)</u>					
Segment Assets	689,110,955	412,532,192	120,471,650	154,683,089	1,376,797,886
Investment in joint venture	53,814,267	-	-	456,000	54,270,267
Segment Liabilities	569,602,053	286,006,322	120,400,579	119,436,995	1,095,445,949

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31 DIVIDENDS

On 29 Dhul Qadah 1444 H (corresponding to 18^h June 2023), the shareholders, in their annual general meeting, approved dividends of SR 1 per share for the year ended 31 December 2022 amounting to SR 19.79 million (2022: SR 60 million) which was paid on 3 Dhul-Hijjah 1444 H (corresponding to 21st June 2023).

32 COMMITMENTS AND CONTINGENCIES

- 32.1** The Group has issued letters of guarantee through its banks amounting to SR 240.2 million (2022: SR 245 million) in the ordinary course of business
- 32.2** During 2018, a legal case is filed in 2018 against the Group for an allegation of non-payment of custom duties to the Saudi Customs amounting to SR 30 million. The management confirmed that all due custom amounts were already paid by the Group to the Saudi Customs through its agent who might have not settled the amounts with Saudi Customs. The external legal counsel hired to represent the Group believes that the case is in favor of the Group. However, the Group management had made a provision for this case of SR 7 million and SR 13 million for the year ended 31 December 2019 and 2018, respectively. During the year 2022, the management received the decision of the court to pay an amount of SR 19,264,242. Management filed an appeal without making payment, which was accepted and is currently under review. Management considers the current provision as adequate.
- 32.3** In 2021, Al Faisaliah Medical Systems Company Limited (“the Component”) received penalty from a customer amounting to SR 11.15 million due to delay in delivery of goods. However, the Component filed a claim against the customer who agreed that the delay was on account of civil works which was part of another contractor’s (not the Component or the Group’s subsidiaries) scope of work. In 2022, a case was filed by the Group’s legal consultant which was heard during 2023 and the court made the decision in the favor of the Group with the customer having the right to object. Subsequent to the period end, the customer filed an objection in the supreme court. The management believes that the recovery of the penalty amount is highly probable. Hence, the amount is disclosed as a contingent asset but not recorded in these financial statements.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group is exposed to various financial risks due to its activities including: Market risk (including currency risk, fair value and cash flows of interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

Board of senior management is responsible for the risk management. Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, accounts receivable, due to related parties, other current assets, short term loans, trade payables, contract liabilities, accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial asset and liability is offset and net amounts reported in the condensed consolidated interim financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

The fair value of the Group’s financial instruments including trade receivables, amounts due from related parties, cash and cash equivalents, short-term loans from the Ultimate Parent Company, trade payables, accrued expenses and other current liabilities, and amounts due to a related party approximate their carrying values due to the relatively short-term maturity of these financial instruments. These are categorized within Level 2 of the fair value hierarchy. During the current and prior period, there were no transfers between into/out of Level 2 of the fair value hierarchy.

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33 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

b) Currency risk

Currency risk is the risk that the value of a financial instruments will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and United States dollar. The Saudi Riyal is pegged to the US Dollar. The management closely and continuously monitors the exchange rate fluctuations.

c) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flow. With all other variables held constant, the Group's profit before zakat is affected by a +/- 0.5% change on floating rate borrowings for the period ended 30 June 2023 by increase or decrease of SR 997 thousand.

d) 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 is primarily exposed to credit risk from trade receivables, cash and cash equivalent and other receivables.

	30 June 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Trade receivable, net	607,078,092	642,149,588
Contract assets, net	55,614,667	34,261,964
Cash and cash equivalents	85,794,093	83,585,439
	<u>748,486,852</u>	<u>759,996,991</u>

The carrying amount of financial assets represents their maximum credit exposure.

	<i>Not past due SR</i>	<i>0 – 90 days SR</i>	<i>91 – 180 days SR</i>	<i>181 – 270 days SR</i>	<i>271 – 360 days SR</i>	<i>Above 365 days SR</i>	<i>Total SR</i>
30 June 2023 (Unaudited)							
Gross carrying amount	241,616,104	60,881,439	111,042,708	26,216,169	10,966,947	243,128,875	693,852,242
Provision for ECL	(3,867,627)	(1,228,339)	(2,755,436)	(1,090,524)	(698,783)	(21,518,774)	(31,159,483)
Net carrying amount	<u>237,748,477</u>	<u>59,653,100</u>	<u>108,287,272</u>	<u>25,125,645</u>	<u>10,268,164</u>	<u>221,610,101</u>	<u>662,692,759</u>
31 December 2022 (Audited)							
Gross carrying amount	307,049,662	63,441,116	30,173,418	22,484,830	37,328,561	246,309,613	706,787,200
Provision for ECL	(3,949,145)	(1,945,029)	(1,368,118)	(939,213)	(1,872,415)	(20,301,728)	(30,375,648)
Net carrying amount	<u>303,100,517</u>	<u>61,496,087</u>	<u>28,805,300</u>	<u>21,545,617</u>	<u>35,456,146</u>	<u>226,007,885</u>	<u>676,411,552</u>

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33 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

e) Liquidity risk

Liquidity risk is the risk that the Group 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. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 90 to 120 days of the date of sale. Accounts payable are normally settled within 90 days of the date of purchase. The non-current contract liabilities consist of deferred warranty revenue and lease liabilities expected to be amortised after subsequent to yearend. All other financial liabilities are to mature within 1 year.

34 EVENTS SUBSEQUENT TO THE REPORTING DATE

The Group has announced the execution of a Non-Binding Memorandum of Understanding (MoU) with the shareholders of Mohammed Hamad Abdullah Al Hammad for Medical Services, a limited liability company to acquire 100% of Mohammed Hamad Abdullah Al Hammad for Medical Services Company after concluding the final acquisition agreement between the parties. MoU was signed on 19th July 2023.

The subsequent events pertaining to contingent asset for the recovery of SR 11.15 million penalty has been disclosed in note 32.3.

No other events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure thereto.

35 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS APPROVAL

The condensed consolidated interim financial statements were approved on 15 Safar 1444H (corresponding to 31 August 2023).