MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Middle East Healthcare Company (A Saudi Joint Stock Company) and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report,, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Qualified Opinion

As stated in note 22, the Group received assessment from the Zakat, Tax and Customs Authority (ZATCA), claiming additional Zakat and withholding tax liabilities of SR 111.5 million in respect of the assessment for the years from 2015 to 2018, against which the Group has filed an appeal against ZATCA's assessment with the Committee for Resolution of Tax violation and Dispute (CRTVD) which was rejected during 2022. During year ended 31 December 2022, the Group escalated the appeal to the Appellate Committee for Tax, and Customs Violations and Disputes (ACTVD). During the year ended 31 December 2023, the ACTVD rejected the Group appeal related to all of the items in dispute. Subsequent to the year-end the Group filed a plea for reconsideration against the decision taken by ACTVD, which is still under study. The management based on their Zakat consultant opinion and lawyer opinion in the view that they have strong ground to contest against items included in the assessments raised by ZATCA and they have a solid technical argument on the items under dispute. Accordingly, no provision has been made in these consolidated financial statements for the items under appeal and for any potential exposure relating to open years not yet assessed by ZATCA. We have not been provided details or solid basis for the reconsideration plea and appeals on the assessment in respect of the years from 2015 to 2018 and any potential exposure relating to open year not yet assessed by ZATCA. We are, therefore, unable to determine whether any adjustments are necessary to the Group's current or prior years' zakat charges and corresponding liability.

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Report on the Audit of the Consolidated Financial Statements

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 auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our qualified audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
During the year ended 31 December 2023, the Group recognised revenue of SR 2,653.2 million (2022: SR 2,151.7 million). The Group recognizes revenue upon performance of medical and trading service and is measured at the fair value of the consideration received or receivable. Revenue recognition is considered as a key audit matter as there is a risk that revenue may be misstated due to management's override of controls and judgements involved in estimating the related rejections rates. Furthermore, revenue recognition require consideration to determine whether the performance obligations are satisfied overtime or at appoint in time. Refer to note 3.3 for the accounting policy related to revenue recognition, note 5.1 for estimates and assumption used in revenue recognition and note 6 for the revenue from contract with customers disclosure.	In order to evaluate the revenue recorded and reported during the year, we performed, among other audit procedures, the following: • Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards. • Discussed the overall policies and procedures and assessed the design of the Group's internal controls over the recognition of revenue. • Assessed the appropriateness of significant accounting judgements, estimates and assumptions made by the management to determine the variable consideration. We also performed a retrospective review of actual claims settled to the original gross claims on a sample basis. • Assessed the design of the process established by the Group in relation to the estimates of rejection rates and tested key inputs of the estimate on a sample basis. • Performed tests (on a sample basis) of settlements, claims and collections made with major clients of the Group. • Performed test of details and substantive analytical procedures to ensure that revenues have been accurately recorded and at the correct price and period.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (continued)	
	• Considered the adequacy of the related disclosures in the Group's consolidated financial statements.
Expected credit loss on trade receivables	
As at 31 December 2023, the gross value of trade receivables amounted to SR 2,390 million. (2022: SR 1,695 million) and the allowance for expected credit losses ("ECL") amounted SR 98.5 million (2022: SR 66.5 million). The Group assesses at each reporting date whether the financial assets carried at amortized cost are credit impaired. The management determines and recognizes expected credit losses allowance ('ECL') as required by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS9'). Significant judgments, estimates and assumptions have been made by the management in the calculation of ECL impact. We considered this as a key audit matter given the judgements and assumptions regarding the ECL impairment against trade receivables and the potential impact on the Group's consolidated financial statements. Refer to note 3.12 to the consolidated financial statements for the material accounting policy information related to impairment of financial assets, note 5.1 for the critical accounting estimates and judgements and note 9 which details the disclosure of ECL against trade receivables.	• We assessed the appropriateness of significant judgements, estimates and assumptions made by the management. • We obtained and updated our understanding of management's assessment of ECL against trade receivables. We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9- '*Financial Instruments*'. • We involved our specialists to review methodology implemented by the Group in relation to the requirements of IFRS 9. Particularly, we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter. • We reviewed the appropriateness of the Group's criteria and judgement for the determination of individually impaired receivable. • We tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations. • We also assessed the reasonableness and adequacy of disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 'Financial instruments: Disclosure'.

Other Information included in the Group's 2023 annual report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report there on. The management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

Our qualified 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 Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and the provisions of Companies' Law and 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 i.e., the Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our qualified 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
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 qualified 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 the Management.

- Conclude on the appropriateness of The Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our qualified audit opinion.

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
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 Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
Licence No. (356)

Jeddah: 24 Ramadhan 1445H
(03 April 2024G)

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Middle East Healthcare Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	*31 December 2023 SR*	*31 December 2022 SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	**2,502,303,692**	2,471,495,624
Right-of-use assets	12	**54,959,783**	63,079,718
Intangible assets	8	**31,029,510**	7,452,840
Advance for investment	31	**10,000,000**	-
TOTAL NON-CURRENT ASSETS		**2,598,292,985**	2,542,028,182
CURRENT ASSETS			
Inventories	10	**75,304,565**	149,277,849
Trade receivables, net	9	**2,300,554,705**	1,634,781,967
Prepayments and other current assets	11	**154,574,693**	157,341,333
Cash on hand and at banks	13	**44,422,555**	15,601,613
TOTAL CURRENT ASSETS		**2,574,856,518**	1,957,002,762
TOTAL ASSETS		**5,173,149,503**	4,499,030,944
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**920,400,000**	920,400,000
Statutory reserve	15	**219,163,736**	201,146,095
Retained earnings		**377,410,906**	242,688,046
Foreign currency translations reserve		**2,104,874**	726,671
Equity attributable to the shareholders of the Parent		**1,519,079,516**	1,364,960,812
Non-controlling interests	16	**45,682,417**	43,199,034
TOTAL EQUITY		**1,564,761,933**	1,408,159,846
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term loans and borrowings	17	**1,310,310,501**	1,180,686,916
Other financial liabilities	23	-	7,059,370
Lease liability	12	**45,731,381**	56,904,420
Deferred income	18	**9,393,213**	10,724,287
Employees' end of service benefits	19	**240,185,179**	204,936,471
TOTAL NON-CURRENT LIABILITIES		**1,605,620,274**	1,460,311,464
CURRENT LIABILITIES			
Short-term loans and borrowings	17	**1,116,291,383**	990,972,145
Other financial liabilities	23	**5,867,954**	4,755,408
Lease liability	12	**12,900,544**	11,914,708
Trade payables	20	**558,689,151**	425,750,178
Accrued expenses and other current liabilities	21	**291,088,019**	187,732,004
Zakat payable	22	**17,930,245**	9,435,191
TOTAL CURRENT LIABILITIES		**2,002,767,296**	1,630,559,634
TOTAL LIABILITIES		**3,608,387,570**	3,090,871,098
TOTAL EQUITY AND LIABILITIES		**5,173,149,503**	4,499,030,944

Sobhi Abduljalil Batterjee Chairman	Ahmed Mohamed Shebl Chief Executive Officer	Madani Hozaien Chief Financial Officer

The attached notes from 1 to 36 form an integral part of these consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Note	*2023* *SR*	*2022* *SR*
Revenue from contract with customers	6	**2,653,170,475**	2,151,743,736
Cost of revenue	25	**(1,638,760,165)**	(1,471,735,233)
GROSS PROFIT		**1,014,410,310**	680,008,503
Selling and marketing expenses	26	**(51,077,197)**	(30,383,444)
General and administrative expenses	27	**(620,834,655)**	(509,284,471)
OPERATING PROFIT		**342,498,458**	140,340,588
Other income, net	28	**14,685,413**	9,536,663
Finance cost, net	29	**(155,566,360)**	(68,658,881)
PROFIT BEFORE ZAKAT		**201,617,511**	81,218,370
Zakat	22	**(17,982,972)**	(9,616,006)
NET PROFIT FOR THE YEAR		**183,634,539**	71,602,364
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		**1,378,203**	726,671
Remeasurement (loss) / gain on employees' end-of-service benefits	19	**(28,410,655)**	40,523,070
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**156,602,087**	112,852,105
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		**180,176,414**	75,182,816
Non-controlling interests	16	**3,458,125**	(3,580,452)
		183,634,539	71,602,364
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		**154,118,704**	115,206,347
Non-controlling interests	16	**2,483,383**	(2,354,242)
		156,602,087	112,852,105
EARNINGS PER SHARE:			
Basic and diluted earnings per share	30	**1.96**	0.82

Sobhi Abdaljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 36 form an integral part of these consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Equity attributable to the shareholders' of the Parent Company						
	Note	*Share capital SR*	*Statutory reserve SR*	*Retained earnings SR*	*Foreign currency translation reserve SR*	*Total SR*	*Non-controlling interests SR*	*Total SR*
Balance at 1 January 2022		920,400,000	193,627,813	143,519,346	-	1,257,547,159	37,760,582	1,295,307,741
Net profit for the year		-	-	75,182,816	-	75,182,816	(3,580,452)	71,602,364
Other comprehensive income	19	-	-	39,296,860	726,671	40,023,531	1,226,210	41,249,741
Total comprehensive income for the year		-	-	114,479,676	726,671	115,206,347	(2,354,242)	112,852,105
Transfer to statutory reserve	15	-	7,518,282	(7,518,282)	-	-	-	-
Change in ownership	16	-	-	(7,792,694)	-	(7,792,694)	7,792,694	-
Balance as at 31 December 2022		920,400,000	201,146,095	242,688,046	726,671	1,364,960,812	43,199,034	1,408,159,846
Net profit for the year		-	-	180,176,414	-	180,176,414	3,458,125	183,634,539
Other comprehensive loss	19	-	-	(27,435,913)	1,378,203	(26,057,710)	(974,742)	(27,032,452)
Total comprehensive income for the year		-	-	152,740,501	1,378,203	154,118,704	2,483,383	156,602,087
Transfer to statutory reserve	15	-	18,017,641	(18,017,641)	-	-	-	-
Balance as at 31 December 2023		**920,400,000**	**219,163,736**	**377,410,906**	**2,104,874**	**1,519,079,516**	**45,682,417**	**1,564,761,933**

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
OPERATING ACTIVITIES			
Profit before zakat		**201,617,511**	81,218,370
Adjustments for:			
Depreciation on property and equipment	7	**173,730,443**	129,563,410
Depreciation on right of use assets	12	**13,360,035**	14,893,533
Amortization of intangible assets	8	**2,722,204**	1,517,135
Charge of allowance for expected credit losses	27	**32,069,738**	1,569,508
(Write off)/ charge for slow moving and obsolete inventories	10	**(11,499,854)**	767,816
Amortization of deferred income	18	**(1,403,828)**	(1,474,122)
Finance charges related to lease obligations	12	**3,633,015**	3,022,853
Finance charges related to borrowings		**151,603,402**	66,506,387
Winding of other financial liabilities	23	**329,943**	603,764
Provision for employees' end of service benefits	19	**41,359,778**	46,326,540
Loss on disposal of property and equipment	28	**755,348**	1,978,636
		608,277,735	346,493,830
Changes in operating assets and liabilities:			
Trade receivables		**(697,842,475)**	(354,043,681)
Inventories		**85,473,138**	5,581,364
Prepayments and other current assets		**3,143,985**	(45,731,116)
Trade payables		**132,561,625**	124,129,872
Accrued expenses and other current liabilities		**109,755,563**	48,200,238
Other financial liabilities		**(6,276,766)**	(6,714,096)
Cash generated from operating activities		**235,092,805**	117,916,411
Employees' end of service benefits paid	19	**(34,521,725)**	(31,475,895)
Zakat paid	22	**(9,487,918)**	(10,417,241)
Net cash flows from operating activities		**191,083,162**	76,023,275
INVESTING ACTIVITIES:			
Additions to property and equipment	7	**(229,611,961)**	(249,524,078)
Additions to intangible assets	8	**(2,757,219)**	(3,382)
Proceeds from disposal of property and equipment		**380,544**	131,230
Advance for investment		**(10,000,000)**	-
Net cash flows used in investing activities		**(241,988,636)**	(249,396,230)
FINANCING ACTIVITIES:			
Proceeds from loans		**1,567,652,866**	1,181,878,892
Repayment of loans		**(1,310,937,198)**	(937,004,597)
Finance charges paid		**(157,930,204)**	(69,642,180)
Lease liabilities paid	12	**(19,059,048)**	(14,386,954)
Net cash flows from financing activities		**79,726,416**	160,845,161
Net change in cash on hand and at banks		**28,820,942**	(12,527,794)
Cash on hand and at banks at the beginning of the year		**15,601,613**	28,129,407
Cash on hand and at banks at the end of the year	13	**44,422,555**	15,601,613
MAJOR NON-CASH TRANSACTIONS			
Additions to right-of-use assets and lease liabilities	12	**5,240,100**	45,376,319
Re-measurement of employees' end-of-service benefits liability	19	**28,410,655**	(40,523,070)
Borrowing costs capitalised during the year	7	**8,014746**	10,811,000
Transfer of assets from CWIP to Property and equipment	7	**533,968,154**	45,699,041

Sobhi Abduljalil Batterjee Chairman	Ahmed Mohamed Shebl Chief Executive Officer	Madani Hozaien Chief Financial Officer

The attached notes from 1 to 36 form an integral part of these consolidated financial statements

1. CORPORATE INFORMATION

Middle East Healthcare Company (the "Company" or "the Parent Company") and its subsidiary (collectively referred to as "the Group") consist of the Company and its various branches and a subsidiary in the Kingdom of Saudi Arabia.

The Company was a closed joint stock company operating under commercial registration number 4030149460 dated 6 Rabi Al Thani 1425H, corresponding to 25 May 2004. On 19 Rabi Al-Awal 1437H, corresponding to 30 December 2015, the Company obtained approval from Capital Market Authority (CMA) to offer 27,612,000 shares in Initial Public Offering and the Company's shares are listed at Saudi Stock Exchange (Tadawul) on 20 Jumada Al Thani 1437H, corresponding to 29 March 2016. Accordingly, the Company was converted to a Public Joint Stock Company.

The main activities of the Company are managing, operating and maintaining hospitals, medical centres, educational centres, rehabilitation centres, physiotherapy, laboratories and radiology centres, pharmacies, to buy land for the purpose of constructing medical projects and to establish, manage, construction and organize exhibitions for the Company.

The accompanying consolidated financial statements include assets, liabilities, the results of the operations and the cash flows of the following branches:

Branch name	***Commercial registration***	***Issued on***	***Corresponding to***
Saudi German Hospital – Jeddah	4030124187	5 Safar 1419H	30 May 1998
Saudi German Hospital – Riyadh	1010162269	24 Rajab 1421H	22 October 2000
Saudi German Hospital – Aseer	5855019364	28 Dhul Hijah 1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5August 2002
Abdul Jaleel Ibrahim Batterjee Sons	4030181710	4 Shaban 1429H	6 August 2008
Saudi German Hospital – Dammam	2050105713	18 Rajab 1436H	7 May 2015
Beverly Clinics – Jeddah	4030297688	26 Safar 1439H	15 November 2017
Saudi German Hospital – Makkah	4031215509	19 Shawwal 1439H	3 July 2018
MEAHCO – Dubai	Foreign branch	18 Muharram 1442H	6 September 2020
MEAHCO – Cairo	Foreign branch	15 Muharram 1442H	3 September 2020
Saudi German Hospital – Hai Jamaa	4030393745	17 Safar 1442H	4 October 2020
Saudi German Hospital – Hail	3350043739	23 Safar 1436 H	15 December 2014
Middle east healthcare center	5900036870	24 Muharram 1438H	25 October 2016
Abha Clinics - Aseer	5850124337	24 Ramadan 1442H	6 May 2021

The Company also has investment in the following subsidiary:

Subsidiary name	***Principal activities***	***Effective holding***	***Effective holding***
		2023	*2022*
National Hail Company for Healthcare (NHC) (note below)	Healthcare	**53.89%**	53.89%

During the second quarter of financial year 2022, the Parent Company increased its stake in the subsidiary from 47% to 53.89%. The legal formalities and registration of increase in share capital of the subsidiary has been completed during the period ended 30 June 2022.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRSs" as endorsed in Kingdom of Saudi Arabia"). The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

These consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting.

2. BASIS OF PREPARATION (continued)

The consolidated financial statements provide comparative information in respect of the previous year.

The consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional and presentation currency of the Group.

2.1 Impact of new standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:
• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:
• A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
• Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure
to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The amendments had no impact on the Group's consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below have been applied consistently, except for new standards adopted during the year as disclosed in note 2.1, in the preparation of these consolidated financial statements.

In addition, the Group adopted disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

3.1 Current versus non-current classification

Assets
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when:
- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities
A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Basis of consolidation (continued)

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value. These consolidated financial statements comprising the financial statements the Company and its subsidiary as set out in note 1. The financial statements of the subsidiary are prepared for the same reporting period as that of the Company.

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

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

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

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Revenue recognition

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15 ‘Revenue from contract with customers’:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

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

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied. When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for providing services to the customer. The variable consideration is estimated at transaction inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

Sale of goods
Sales of goods represents the invoiced value of medicines and drugs supplied by the Group. The Group’s contracts with customers for the sale of medicines and drugs generally include one performance obligation. Revenue from sale of medicines and drugs is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery/dispensing of the medicines and drugs.

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

All other revenues are recognized on an accrual basis.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Revenue recognition (continued)

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

3.4 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign exchange translation reserve via other comprehensive income.

3.5 Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Property and equipment (continued)

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

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

Capital work-in-progress

Capital work-in-progress are carried at cost less any recognised impairment loss and is capitalized as property, plant and equipment when ready for the intended use. 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.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets, development cost of leasehold land and building on leasehold land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Category of property and equipment	***Useful lives***
Buildings	*Shorter of lease period or 15 – 45 years*
Medical equipment	*4-15 years*
Motor vehicles	*4 – 10 years*
Furniture and equipment	*4 – 10 years*
Non-consumable items	*1 years*

3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the consolidated statement of profit or loss as incurred.

Amortisation is calculated on a straight line basis over the estimated useful lives of the assets which is given below.

Category of intangible assets	***Useful lives***
Licenses	*Term of the license or 8 years whichever is lower*
Software	*3-8 years*

3.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises 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 remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 'Impairment of non-financial assets'.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises 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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.7 Leases (continued)

ii) Lease liabilities

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 remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.8 Borrowing costs

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

3.9 Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Initial recognition and measurement

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:
a) Financial assets at amortised cost
b) Financial assets at fair value through OCI (FVOCI)
c) Financial assets at fair value through profit or loss (FVTPL)

a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; 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

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets at fair value through OCI

Debt instruments
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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 instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Equity instruments
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

c) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Financial instruments (continued)

Business model assessment
The Group makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes 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. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

ii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost

After initial recognition, financial liabilities, other than at fair value through profit or loss are measured at amortised cost using the EIR method. Gains and losses as a result of unwinding of profit cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

iii) Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and other short-term highly liquid deposits / investments with original maturities of three month or less, if any, which are available to the Group without any restrictions. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.11 Inventories

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

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

3.12 Impairment of financial and non-financial assets

Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.13 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. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.14 Contingent assets and liabilities

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

3.15 Employees' end-of-service benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Group's obligation under employee end of service benefit in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia, is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

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

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

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

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

3.16 Zakat and Value Added Tax (VAT)

Zakat

Zakat is provided for in accordance with Zakat,Tax and Customs Authority ("ZATCA") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.16 Zakat and Value Added Tax (VAT) (continued)

Value added tax (VAT)
Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

  and/or

- When receivables and payables are stated with the amount of VAT included.

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

Withholding tax
The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.17 Expenses

Direct cost
Direct cost represents all expenses directly attributable or incidental to the core operating activities of the Group including but not limited to: medicines and disposable supplies, depreciation of property and equipment, amortization of intangibles, directly attributable employee related costs etc.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses. These also include allocations of certain general overheads.

General and administrative expenses
These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to direct cost or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administration expenses, where required, is made on a consistent basis.

3.18 Segment reporting

An operating segment is a component:

a) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
b) the results of its operations are continuously analysed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and

for which financial information is discretely available.

Segment results that are reported to the chief operating decision makers and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.19 Government grants and assistance

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income over the period of repayment of grant.

Where the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to the statement of profit or loss over the expected pattern of consumption of the benefit which is the tenure of the loan. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate or interest free, the effect of this favorable interest is regarded as government grant.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the reporting date of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The amendments are not expected to have a material impact on the Group's financial statements.

Lack of exchangeability - Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

5. ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

5.1 Estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue recognition

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

Satisfaction of performance obligations

The 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.

5. ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

5.1 Estimates and assumptions (continued)

Estimating variable consideration for rejections
The Group estimates variable considerations to be included in the transaction price for the services provided.

The Group determines the expected rejections against the services provided to customers based on the historical rate of rejections by those customers. The latest percentages of rejections are applied to determine the expected value of the variable consideration. Any significant changes as compared to historical rejection pattern will impact the expected rejection percentages estimated by the Group.

The Group updates its assessment of expected rejection rates as and when the rejection rates are received and agreed, and the provision for rejection is adjusted accordingly. Estimates of rejections are sensitive to changes in circumstances and the Group's past experience regarding rejections and estimated rejections recorded may not be representative of the rejections in the future.

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

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

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses are recognised in statement of profit or loss and OCI. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

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.

5. ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

5.1 Estimates and assumptions (continued)

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

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

6. SEGMENT INFORMATION

***Operating segments*:**
As the operations of the Group are conducted in the Kingdom of Saudi Arabia and other countries. Business in other countries represent management fees on Dubai and Cairo Hospitals which represent 0.17% of total revenue, accordingly, for management purposes, the Group is organized into business units based on its products and services and has mainly three reportable segments. Information regarding the Group's reportable segments is presented below:

	31 December 2023				
	In patient services SR	***Outpatient services SR***	***Pharmacy sales SR***	***Others SR***	***Total SR***
Revenue	1,545,328,661	740,194,376	361,060,808	6,586,630	**2,653,170,475**
Cost of revenue	(902,154,666)	(459,109,284)	(277,055,041)	(441,174)	**(1,638,760,165)**
Gross profit	643,173,995	281,085,092	84,005,767	6,145,456	**1,014,410,310**
Unallocated income (expenses)					
Operating expenses					**(671,911,852)**
Operating profit					**342,498,458**
Other income					**14,685,413**
Finance charges					**(155,566,360)**
Income before Zakat					**201,617,511**
Zakat					**(17,982,972)**
Income for the year					**183,634,539**

6. SEGMENT INFORMATION (continued)

	31 December 2022				
	In patient services SR	*Outpatient services SR*	*Pharmacy sales SR*	*Others SR*	*Total SR*
Revenue	1,238,979,541	587,879,900	313,539,608	11,344,687	2,151,743,736
Cost of revenue	(801,011,551)	(410,671,107)	(259,563,247)	(489,328)	(1,471,735,233)
Gross profit	437,967,990	177,208,793	53,976,361	10,855,359	680,008,503
Unallocated income (expenses)					
Operating expenses					(539,667,915)
Operating profit					140,340,588
Other income					9,536,663
Finance charges					(68,658,881)
Income before Zakat					81,218,370
Zakat					(9,616,006)
Income for the year					71,602,364

The Group operates healthcare services through hospitals. It is not practical to allocate assets to of the Group to reported segments.

7. PROPERTY AND EQUIPMENT

	Land SR	*Buildings SR*	*Medical equipment SR*	*Motor vehicles SR*	*Furniture and equipment SR*	*Non-consumable items SR*	*Capital work in progress SR*	*Total SR*
Cost:								
At 1 January 2022	183,944,120	1,239,181,965	854,375,814	12,743,749	388,887,908	7,497,686	894,010,642	3,580,641,884
Additions	-	13,270,918	67,551,373	147,600	8,819,925	1,179,972	158,554,290	249,524,078
Disposals	-	-	(37,298,288)	(538,491)	(17,031,582)	(2,848,709)	-	(57,717,070)
Transfers	-	312,322,667	-	1,325,940	139,444,032	-	(454,699,041)	(1,606,402)
Reclassification from intangible assets	-	-	-	-	16,824	-	-	16,824
Foreign currency translation differences	-	(354,938)	-	-	(1,119,645)	-	(56,537)	(1,531,120)
At 31 December 2022	183,944,120	1,564,420,612	884,628,899	13,678,798	519,017,462	5,828,949	597,809,354	3,769,328,194
At 1 January 2023	183,944,120	1,564,420,612	884,628,899	13,678,798	519,017,462	5,828,949	597,809,354	3,769,328,194
Additions	-	12,510,763	56,956,491	1,038,044	13,310,782	713	145,795,167	229,611,960
Disposals	-	(527,705)	(25,554,134)	(536,610)	(8,669,820)	(552,712)	-	(35,840,981)
Transfers	-	453,700,239	37,392,634	-	19,333,625	-	(533,968,154)	(23,541,656)
Foreign currency translation differences	-	(116,342)	-	-	(465,711)	-	(18,347)	(600,400)
At 31 December 2023	**183,944,120**	**2,029,987,567**	**953,423,890**	**14,180,232**	**542,526,338**	**5,276,950**	**209,618,020**	**3,938,957,117**

7. PROPERTY AND EQUIPMENT (continued)

	Land *SR*	*Buildings* *SR*	*Medical equipment* *SR*	*Motor vehicles* *SR*	*Furniture and equipment* *SR*	*Non-consumable items* *SR*	*Capital work in progress* *SR*	*Total* *SR*
Accumulated depreciation:								
At 1 January 2022	-	499,243,873	527,459,099	8,198,275	182,158,573	7,044,451	-	1,224,104,271
Charge during the year	-	42,992,760	53,670,523	978,016	31,104,520	817,591	-	129,563,410
Disposals	-	(389,834)	(36,335,618)	(538,485)	(16,080,513)	(2,263,116)	-	(55,607,566)
Foreign currency translation differences	-	(43,254)	-	-	(184,291)	-	-	(227,545)
At 31 December 2022	-	541,803,545	544,794,004	8,637,806	196,998,289	5,598,926	-	1,297,832,570
At 1 January 2023	-	541,803,545	544,794,004	8,637,806	196,998,289	5,598,926	-	1,297,832,570
Charge during the year	-	59,266,448	81,764,405	971,239	31,688,608	39,743	-	173,730,443
Disposals	-	(527,705)	(25,031,489)	(452,645)	(8,167,319)	(525,931)	-	(34,705,089)
Foreign currency translation differences	-	(42,856)	-	-	(161,643)	-	-	(204,499)
At 31 December 2023	**-**	**600,499,432**	**601,526,920**	**9,156,400**	**220,357,935**	**5,112,738**	**-**	**1,436,653,425**
Net book value								
At 31 December 2023	**183,944,120**	**1,429,488,135**	**351,896,970**	**5,023,832**	**322,168,403**	**164,212**	**209,618,020**	**2,502,303,692**
At 31 December 2022	183,944,120	1,022,617,067	339,834,895	5,040,992	322,019,173	230,023	597,809,354	2,471,495,624

7. PROPERTY AND EQUIPMENT (continued)

7.1 Capital work in progress (CWIP) represents the progress billings for the Digitalization Projects and hospitals expansion projects. The amount of borrowing costs capitalized during the year ended 31 December 2023 was SR 8.0 million (2022: SR 10.8 million). The rate used to determine the amount of borrowing costs eligible for capitalization was 1.90% to 5.50%, which is the effective profit rate of the specific borrowing.

7.2 Land and buildings with a net book value amounting to SR 688 million (2022: SR 257 million) are pledged to secure loan from Ministry of Finance (note 17).

7.3 Depreciation charge for the year has been allocated as follows:

	2023 SR	*2022 SR*
Cost of revenue (note 25)	**144,710,706**	108,038,843
General and administrative expenses (note 27)	**29,019,737**	21,524,567
	173,730,443	129,563,410

8. INTANGIBLE ASSETS

The Group's intangible assets consist of software. The movement of intangible assets is as follows:

	2023 SR	*2022 SR*
Cost		
At 1 January	**21,876,767**	20,284,711
Additions during the year	**2,757,219**	3,382
Transfers from Property and Equipment (note 7)	**23,541,656**	1,606,402
Written off during the year	-	(904)
Reclassification of Asset (note 7)	-	(16,824)
At 31 December	**48,175,642**	21,876,767
Amortization		
At the beginning of the year	**14,423,927**	12,907,271
Charge for the year (note 27)	**2,722,205**	1,517,135
Written off during the year	-	(479)
At the end of the year	**17,146,132**	14,423,927
Net book value	**31,029,510**	7,452,840

9. TRADE RECEIVABLES, NET

	2023 SR	*2022 SR*
Third party customers	**2,390,288,924**	1,694,968,577
Related parties (note 24)	**8,795,092**	6,272,963
	2,399,084,016	1,701,241,540
Less: expected credit losses	**(98,529,311)**	(66,459,573)
	2,300,554,705	1,634,781,967

Trade receivables are non-interest bearing and are generally on terms of 90 days. It is not the practice of the Group to obtain collateral over receivables and the vast majority of these are, therefore, unsecured. For terms and conditions with related parties, refer to Note 24.

As at 31 December 2023 , approximately 98% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2022: 97%).

9. TRADE RECEIVABLES (continued)

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

	At 31 December 2023					
	Current	***<90 days***	***90–180 days***	***181–365 days***	***>1 year***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Total exposure at default	626,413,496	546,229,730	489,396,020	617,584,789	110,664,889	2,390,288,924
Expected loss rate	3.08%	3.18%	3.18%	4.98%	13.99%	4.12%
Expected credit loss	(19,323,391)	(17,389,581)	(15,580,243)	(30,757,453)	(15,478,643)	(98,529,311)
	607,090,105	**528,840,149**	**473,815,777**	**586,827,336**	**95,186,246**	**2,291,759,613**

	At 31 December 2022					
	Current	<90 days	90–180 days	181–365 days	>1 year	Total
	SR	SR	SR	SR	SR	SR
Total exposure at default	558,916,749	383,715,659	351,615,219	386,055,713	14,665,237	1,694,968,577
Expected loss rate	2.92%	3.19%	3.48%	5.17%	38.76%	3.92%
Expected credit loss	(16,323,047)	(12,256,046)	(12,224,798)	(19,971,615)	(5,684,067)	(66,459,573)
	542,593,702	371,459,613	339,390,421	366,084,098	8,981,170	1,628,509,004

The movement in expected credit losses for the year is given below:

	2023	*2022*
	SR	*SR*
At 1 January	**66,459,573**	64,890,065
Charge during the year (note 27)	**32,069,738**	1,569,508
At 31 December	**98,529,311**	66,459,573

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

10 INVENTORIES

	2023	*2022*
	SR	*SR*
Consumable medical and non-medical items	**46,878,679**	98,215,956
Pharmacy items	**34,651,702**	68,593,584
Kitchen items	**777,054**	971,033
	82,307,435	167,780,573
Less: provision for slow moving and obsolete inventories	**(7,002,870)**	(18,502,724)
Total inventories at the lower of cost and net realisable value	**75,304,565**	149,277,849

Cost of inventories recognized in the consolidated statement of income for the year ended 31 December 2023 amounted to SR 452,278,907 (2022: SR 446,265,740).

10 INVENTORIES (Continued)

The movement in provision for slow moving and obsolete inventories for the year is given below:

	2023 SR	*2022 SR*
At 1 January	**18,502,724**	17,734,908
Charge during the year	**-**	767,816
Written off during the year	**(11,499,854)**	-
At 31 December	**7,002,870**	18,502,724

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	2023 SR	*2022 SR*
Receivable from ZATCA against ongoing appeals (note a)	**56,787,437**	38,944,499
Advances to suppliers	**44,705,745**	38,624,459
Prepayments	**26,323,406**	27,677,906
Margins against letter of guarantees and deposits (note 31)	**16,968,546**	14,523,049
Advances to staff	**2,599,340**	1,645,055
Advances to a related party supplier (note 24)	**2,397,623**	33,691,866
Others	**4,792,596**	2,234,499
	154,574,693	157,341,333

a) This balance represents amounts paid for ZATCA against Withholding, VAT and ZAKAT assessments as below:

An amount of SR 38.5 million to avail the amnesty scheme and waiver of penalties for open ZAKAT and withholding tax assessment for the years 2018 and 2019 amounting. The Group escalated the appeal to the Appellate Committee for Tax Violations and Disputes (ACTVD), and the ACTVD rejected the Company's appeal regarding all of the items in dispute. The Company filed a plea against the decision mentioned, which is still under study.

- Refundable debit balance with ZATCA amounting to SR 11.3 million for closed assessments that will be utilized against any further finalized assessments with ZATCA related to income tax paid on behalf of foreign entity who is exempted from tax for the year 2010.

- An amount of SR 7.0 million paid against ZATCA withholding tax assessment for the year 2014 to avoid penalties.

12 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for certain buildings used for the purpose of staff accommodation and operating clinics and hospitals. The movement in right-of-use assets and lease liability for the year is as follows:

	2023 ***SR***	*2022* *SR*
Right of use assets		
Cost:		
At 1 January	**92,562,751**	50,963,539
Addition during the year	**5,240,100**	45,376,319
Lease contract terminated during the year	**(5,042,120)**	(3,777,107)
	92,760,731	92,562,751
Depreciation:		
Accumulated depreciation	**29,483,033**	18,366,608
Depreciation for the year	**13,360,035**	14,893,533
Relating to terminated contract	**(5,042,120)**	(3,777,108)
Accumulated depreciation	**37,800,948**	29,483,033
Net value as at 31 December	**54,959,783**	63,079,718

	2023 ***SR***	*2022* *SR*
Lease liabilities		
At the beginning of the year	**68,819,128**	34,806,910
Interest expense for the year (note 29)	**3,631,745**	3,022,853
Addition for the year	**5,240,100**	45,376,319
Payments made during the year	**(19,059,048)**	(14,386,954)
As at 31 December	**58,631,925**	68,819,128
Non-current	**45,731,381**	56,904,420
Current	**12,900,544**	11,914,708
	58,631,925	68,819,128

Depreciation charged on right of use assets have been allocated as follows:

	2023 ***SR***	*2022* *SR*
Cost of revenue (note 25)	**2,464,880**	4,642,091
General and administrative expense (note 27)	**10,895,155**	10,251,442
	13,360,035	14,893,533

12 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

The following are the amounts recognised in the statement of profit or loss:

	2023 ***SR***	*2022* *SR*
Depreciation on right of use assets	**13,360,035**	14,893,533
Interest expense on lease liabilities	**3,631,745**	3,022,853
Expense relating to short term leases (included in cost of revenue)	**4,260,248**	4,576,193
	21,252,028	22,492,579

13 CASH ON HAND AND AT BANKS

	2023 ***SR***	*2022* *SR*
Cash at bank – current accounts	**42,595,603**	14,092,092
Cash in hand	**1,826,952**	1,509,521
	44,422,555	15,601,613

The cash is held in accounts with banks having sound credit ratings. The fair value of bank balances and cash equivalent approximates the carrying value at 31 December 2023 and 31 December 2022.

At 31 December 2023, the Group had available SR 486 million (31 December 2022: SR 234 million) of undrawn committed borrowing facilities.

14 SHARE CAPITAL

As at the statement of financial position date, the Parent Company's authorized, issued and fully paid share capital is SR 920.4 million (2022: SR 920.4 million) which is divided into 92.04 million (2022: 92.04 million) shares of SR 10 par value each (2022: SR 10 par value each).

15 STATUTORY RESERVE

In accordance with the Company's bylaws, the Group is establishing the statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders.

16 NON-CONTROLLING INTEREST

The following table summarises the information relating to the Group's subsidiary that has material non-controlling interests (NCI), before any intra group eliminations:

	2023 ***SR***	*2022* *SR*
Non-current assets	**152,837,602**	144,146,180
Current assets	**106,197,234**	76,916,395
Non-current liabilities	**(54,158,834)**	(55,650,121)
Current liabilities	**(105,803,315)**	(71,725,547)
Net assets	**99,072,687**	93,686,907
Attributable to:		
Shareholders of the parent Company	**53,390,271**	50,487,873
Non-controlling interest	**45,682,416**	43,199,034
Revenue	**177,269,470**	145,958,959
Profit / (Loss) for the year	**7,499,728**	(7,765,023)
Other comprehensive (loss) / income	**(2,113,949)**	2,659,316
Total comprehensive income / (loss)	**5,385,779**	(5,105,707)
Attributable to:		
Shareholders of the parent Company	**2,902,396**	(2,751,465)
Non-controlling interest	**2,483,383**	(2,354,242)

The movement in the non-controlling interests for the year is given below:

	2023 ***SR***	*2022* *SR*
Balance at 1 January	**43,199,034**	37,760,582
Total comprehensive profit/(loss) for the year	**2,483,383**	(2,354,242)
Change in ownership	**-**	7,792,694
Balance as at 31 December	**45,682,417**	43,199,034

17 LOANS AND BORROWINGS

The Group's loans and borrowings comprise of the following:

	2023 ***SR***	*2022* *SR*
Loan from Ministry of Finance	**332,162,421**	200,247,683
Less: Unamortised portion of transaction cost (note 18)	**(10,724,287)**	(12,128,116)
Loan from Ministry of Finance, net (note a)	**321,438,134**	188,119,567
Long term loans (note b)	**1,138,991,811**	1,180,320,704
Short term loans (note c)	**966,171,939**	803,218,790
	2,426,601,884	2,171,659,061

17 LOANS AND BORROWINGS (continued)

	2023	*2023*
	SR	*SR*
Current portion:		
Long term loans	**136,968,019**	180,674,684
Short-term borrowings	**966,171,939**	803,218,790
Loan from Ministry of Finance	**13,151,425**	7,078,671
	1,116,291,383	990,972,145
Non-current portion:		
Long term loans	**1,002,023,792**	999,646,021
Loan from Ministry of Finance	**308,286,709**	181,040,895
	1,310,310,501	1,180,686,916
	2,426,601,884	2,171,659,061

a) The outstanding balance comprise of:

- Interest free loan support construction of a hospital by the Subsidiary. The loan is to be repaid in 20 equal annual instalments started from year 2018. The net amount payable as at 31 December 2023 is SR 48.75 million (2022: SR 52.24 million).

- Murabaha facility for the construction of Dammam Hospital. The loan carries SIBOR plus mark-up at the rate 2.5% on outstanding balance. The loan is repayable in 16 semi-annual instalments starting from February 2023. The net amount payable as at 31 December 2023 is SR 143.8 million (2022: SR 156.30 million).

- Murabaha facility for the construction of Makkah Hospital. The loan carries SIBOR plus mark-up at the rate 3.0% on outstanding balance. The loan is repayable after completion of complete draw down of facility which is 172.31 million. The net amount payable as at 31 December 2023 is SR 139.6 million (2022: SR nil million).

- The loans from the Ministry of Finance (MOF) are secured by the mortgage of certain lands and buildings (note 7) of the Group

b) The long-term loans were obtained from local commercial banks and the outstanding balance comprise of:

- Murabaha term facility from a commercial bank for part funding the construction of hospital project at Dammam and Makkah, amounting to SR 500 million. The loan was available for draw down over a period of three years started from December 2017. The first repayment was due in June 2021 and the last will be in December 2026. This loan is secured by promissory note from the Company. As at 31 December 2023, the net amount payable is SR 283.96 million (2021: SR 357.14 million).

- A long-term loan amounting to SR 185 million was approved during the year ended 31 December 2021. The net amount payable as at 31 December 2023 is SR 92.69 is SR million (2022: SR 165.43 million). This loan is secured by promissory note from the Company.

- A long-term loan amounting to SR 200 million was approved during the year ended 31 December 2023. The net amount payable as at 31 December 2023 is SR 77.04 is SR million (2022: SR nil million). This loan is secured by promissory note from the Company.

- In July 2018, the Company secured a Murabaha facility from a commercial bank amounting to SR 600 million for part funding the construction of hospital project at Makkah, expansion project and medical tower project at SGH Riyadh. The loan was to draw down over a period of three years started from July 2018. The first repayment was in September 2021 and last payment in March 2028. This loan is secured by promissory note from the Company. The net amount payable is SR 431.25 million (2022: SR 435.65 million).

17 LOANS AND BORROWINGS (continued)

- A long-term loan amounting to SR 100 million was approved during the year ended 31 December 2019 by a commercial bank. The net amount payable as at 31 December 2023 is SR 35.85 million (2022: SR 66.06 million).
- A long-term loan amounting to SR 200 million was approved during the year ended 31 December 2022 by a commercial bank. The net amount payable as at 31 December 2023 is SR 193.60 million (2022: SR 156). This loan is secured by promissory note from the Company.
- A long-term loan amounting to SR 300 million was approved during the year ended 31 December 2023 by a commercial bank. The net amount payable as at 31 December 2023 is SR 60.68 million (2022: SR nil). This loan is secured by promissory note from the Company.

c) The followings are the details of short-term loans obtained from various banks. These loans are secured by promissory notes from the Company:

- The Group obtained a short-term loan amounting to SR 120 million in December 2020 for the working capital management. The net amount as on 31 December 2023 is SR 80.00 million (2022: SR 118.0 million).
- In December 2018, the Group signed an amendment to an Islamic financing agreement with a commercial bank to increase its revolving working capital facility from SR 35 million to SR 150 million. The net amount payable as at 31 December 2023 is SR 130.93 million (2022: SR 94.7 million).
- A loan facility amounting to SR 250 million received in October 2018 from a commercial bank. The net amount payable as at 31 December 2023 is SR 214.72 million (2022: SR 149.8 million).
- A short-term loan amounting to SR 100 million was approved during the year ended 31 December 2020 from a commercial bank for working capital. The net amount payable as at 31 December 2023 is SR 89.00 million (2022: SR 99.8 million).
- A loan amount of SR 350 million from which SR 150 million was approved during the year ended 31 December 2023 from a commercial bank. The net amount payable as at 31 December 2023 is SR 257.34. million (2022: SR 146.2 million).
- A loan amount of SR 150 million was approved during the year ended 31 December 2019 from a commercial bank. The net amount payable as at 31 December 2023 is SR 107.13 million (2022: SR 149.8 million).
- A loan amount of SR 45.50 million was approved during the year ended 31 December 2022 from a commercial bank. The net amount payable as at 31 December 2023 is SR 46.79 million (2022: SR 44.8).

d) Short term and long-term loans from commercial banks are borrowed at SIBOR plus agreed mark ups.

e) These loan agreements with the banks contain covenants, which, among other things, require the Group to maintain a minimum current, gearing band debt service coverage ratio.

f) Aggregate maturities of loans from local banks are as follows:

	2023	*2023*
	SR	*SR*
Current portion:		
Within one year	**1,116,291,383**	990,972,145
After one year but not more than five years	**1,068,671,784**	924,716,266
More than five years	**241,638,717**	255,970,650
	2,426,601,884	2,171,659,061

18. DEFERRED INCOME

As stated in note 17, the Group obtained interest free loan from Ministry of Finance. The amount is recognised in income using effective interest rate method. The movement in deferred income in lieu of government grants, is as follows:

	2023 SR	*2022 SR*
Balance at the beginning of the year	**12,128,116**	13,602,238
Transferred to statement of profit or loss (note 29)	**(1,403,829)**	(1,474,122)
	10,724,287	12,128,116
Current portion (note 21)	**(1,331,074)**	(1,403,829)
Non-current portion	**9,393,213**	10,724,287

19 EMPLOYEES' END OF SERVICE BENEFITS

The Company and its subsidiary operate an approved unfunded employees' end of service benefits scheme / plan for its permanent employees as required by the applicable local laws. The movement in defined benefits for the year ended is as follows:

	2023 SR	*2022 SR*
Balance at the beginning of the year	**204,936,471**	230,608,896
Included in statement of profit or loss		
Current service cost	**29,677,360**	38,765,060
Interest cost (included in employee cost)	**11,682,418**	7,561,480
	41,359,778	46,326,540
Included in statement of other comprehensive income		
Re-measurement loss / (gain) on defined benefit obligation	**28,410,655**	(40,523,070)
Benefits paid	**(34,521,725)**	(31,475,895)
Balance at the end of the year	**240,185,179**	204,936,471

Actuarial assumptions

The defined benefit plan is exposed to various actuarial risks, the most significant of which are final salary risk, discount / interest rate fluctuation risk, longevity risk and inflation risk. The following were the principal actuarial assumptions at the reporting date:

	2023	*2022*
Discount rate	**4.85%**	5.04%
Future salary growth / expected rate of salary increases	**3.00%**	3.00%
Employee turnover / withdrawal rates	**10%**	10%
Retirement age	**60**	60
Average duration of defined benefit obligation	**11.4 years**	10.9 years

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

19 EMPLOYEES' END OF SERVICE BENEFITS (continued)

Sensitivity analysis (continued)
The quantitative sensitivity analysis for principal assumptions is as follows:

	Impact on EOSB Increase / (decrease)		
	Change in assumption by	***Increase by SR***	***Decrease by SR***
31 December 2023			
Discount rate	**1%**	**(24,644,878)**	**27,462,773**
Future salary growth / expected rate of salary increases	**1%**	**39,152,670**	**(32,312,365)**
31 December 2022			
Discount rate	1%	(19,416,295)	21,524,516
Future salary growth / expected rate of salary increases	1%	31,190,316	(25,827,692)

The following are the expected payments or contributions to the employees in future years:

	2023 SR	*2022 SR*
Within the next 12 months (next annual reporting period)	**32,233,157**	30,176,660
Between 2 and 5 years	**99,020,746**	84,992,223
Beyond 5 years	**219,026,218**	201,355,809

20 TRADE PAYABLES

	2023 SR	*2022 SR*
Third party suppliers	**461,145,256**	350,834,401
Due to related parties (note 24)	**97,543,895**	74,915,777
	558,689,151	425,750,178

Trade payables are non-interest bearing and are normally settled on 90-day terms. For terms and conditions with related parties, refer to Note 24.

21 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2023 SR	*2022 SR*
Payroll related accrued expenses	**184,813,113**	124,374,350
Cost related accrued expenses	**67,011,267**	29,250,865
Value added tax (VAT) payable	**25,405,006**	22,667,670
Deferred income (note 18)	**1,331,074**	1,403,829
Other liabilities	**12,527,559**	10,035,290
	291,088,019	187,732,004

22 ZAKAT PAYABLE

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The Company and its subsidiary files the zakat returns on an individual basis. The Group's Zakat provision for the, year ended 31 December 2023 amounted to SR 17,930,245 (2022: SR 9,435,191) which is charged to the consolidated statement of income in accordance with the ZATCA regulations.

22 ZAKAT PAYABLE (continued)

The principal elements of the Zakat base as at 31 December are as follows:

A. Zakat provision

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

	2023 ***SR***	*2022* *SR*
At 1 January	**9,435,191**	10,236,426
Charged to the year	**17,982,972**	9,616,006
paid during the year	**(9,487,918)**	(10,417,241)
At 31 December	**17,930,245**	9,435,191

Zakat assessments status
The Group's status of the assessments is as follows:

The Parent Company:

The Company finalized its Zakat status up to the year 2014.

Zakat, Tax and Customs Authority (ZATCA) issued Zakat and withholding tax assessment claiming additional Zakat and withholding tax liabilities in respect of the years from 2015 to 2018. The Company submitted an appeal against ZATCA's assessment with the Committee for Resolution of Tax violation and Dispute (CRTVD). During 2022 the CRTVD decision partially accepted the Company's appeal related to Zakat differences and rejected the Company's objection in relation to WHT and delay penalty. Based on the ZATCA amnesty the Company settled the WHT due of SR 38,5 million to wave the delay penalty of SR 14 million as advance tax and continue its objection on the same. Accordingly, The Zakat liability based on the CRTVD decision was reduced to SR 111.5 million (SR 73 million related to Zakat differences and SR 38.5 million related to WHT). The Company escalated the appeal to the Appellate Committee for Tax, and Customs Violations and Disputes (ACTVD). On 24 December 2023 the ACTVD rejected the Company's appeal regarding all of the items in dispute. Subsequent to the year-end the Group filed a plea for reconsideration against the decision taken by ACTVD, which is still under study. The Group based on Zakat consultant opinion and lawyer opinion in the view that have a strong ground to contest against items included in the assessments raised by ZATCA and have a solid technical argument on the items under dispute.

ZATCA issued the Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The Company submitted an appeal against ZATCA's assessment with the CRTVD. The CRTVD decision rejected the Company's appeal. The Company escalated the appeal to the ACTVD and the ACTVD did not issue the final decision.

The Company filed the Zakat/tax return for the years ended 31 December 2021 and 31 December 2022 and obtained the Zakat/tax certificate for the said years. The ZATCA did not issue the Zakat/tax assessment for the said years till date.

The Subsidiary
The subsidiary has finalized its Zakat assessment up to the year ended 31 December 2016.

The Subsidiary filed the Zakat/tax returns for the years ended 31 December 2017 to 2022 and obtained the Zakat/tax certificate for the said years. The ZATCA did not issue the Zakat/tax assessment for the said years till date.

23 OTHER FINANCIAL LIABILITIES

It represents financial liabilities which are payable on account of procuring medical equipment on instalments within one year or more. The breakup of current portion and non-current portion is as follows:

	2023 ***SR***	*2022* *SR*
Non-current portion	-	7,059,370
Current portion	**5,867,954**	4,755,408
	5,867,954	11,814,778

24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group:

	Related party	*Relationship type*	*Nature of transactions*	*Transactions for the year*		*Balance as 31 December*	
				2023	*2022*	***2023***	*2022*
				SR	*SR*	***SR***	*SR*
a)	***Amounts due from related parties***						
	Emirates Healthcare Development Company	Related party, shareholder / Board member	Management fee	**4,588,831**	5,760,236	**7,306,420**	4,811,594
	Egypt Healthcare Company	Related party, shareholder / Board member	Management fee	**2,165,040**	3,017,107	**1,276,526**	1,017,479
	Bait Al Batterjee Medical College	Related party, shareholder / Board member	Training fee	**200,600**	390,012	**77,718**	321,218
	Bait Al Batterjee Fitness Company	Related party, shareholder / Board member	Medical services	**11,756**	-	**134,428**	122,672
						8,795,092	6,272,963
	Prepayments and other current assets						
b)	Megamind IT Solution Company	Related party, shareholder / Board member	Advance against outsourced IT services	**97,219,759**	198,220,042	**2,020,275**	33,691,866
	Bait Al Batterjee Medical Company	Related party, shareholder/Board member	Advisory fee	**6,300,895**	6,300,895	**377,348**	-
						2,397,623	33,691,866

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	*Relationship type*	*Nature of transactions*	*Transactions for the year*		*Balance as 31 December*	
			2023	*2022*	***2023***	*2022*
			SR	*SR*	***SR***	*SR*
c) Amounts due to related parties						
Bait Al Batterjee Pharmaceutical Company	Related party, shareholder/Board member	Supplies of certain pharmaceutical	**45,464,391**	42,673,880	**31,030,977**	13,212,103
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Related party, shareholder/Board member	Repair of medical instruments	**1,103,468**	1,284,564	**740,291**	244,381
International Hospital Construction Company	Related party, shareholder/Board member	Construction and renovation	**86,256,738**	149,898,920	**63,969,968**	59,141,629
Bait Al Batterjee Medical Company	Related party, shareholder/Board member	Advisory fee	**6,300,895**	6,300,895	-	1,868,495
Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)	Related party, shareholder/Board member	Janitorial services	**26,217,429**	14,881,326	**1,802,659**	449,169
					97,543,895	74,915,777

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2023 and 2022, the amounts owed by related parties are not impaired.

The management estimated that related party balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for balances due from related parties.

Amount due from / to related parties are shown in notes 9 and 20, respectively.

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Compensation of key management personnel of the Group:

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

	2023	*2022*
	SR	*SR*
Short-term employee benefits	**7,257,473**	7,315,758
Employees' defined benefit liabilities	**397,307**	536,274
Board of Directors remuneration	**2,040,000**	2,040,000
	9,694,780	9,892,032

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

25 COST OF REVENUE

	2023	*2022*
	SR	*SR*
Staff salaries and benefits	**905,980,243**	810,436,022
Medicines and disposal supplies	**452,278,907**	446,265,740
Depreciation of property and equipment (note 7)	**144,710,706**	108,038,843
Janitorial expenses	**37,530,707**	32,798,505
Utilities	**27,230,462**	26,058,139
Maintenance	**22,484,764**	16,739,512
Stationary	**4,395,254**	4,083,659
Depreciation on right of use assets (note 12)	**2,464,880**	4,642,091
Other expenses	**41,684,242**	22,672,722
	1,638,760,165	1,471,735,233

26 SELLING AND MARKETING EXPENSES

	2023	*2022*
	SR	*SR*
Advertisement and marketing	**41,340,407**	22,797,477
Sales promotion expenses	**9,736,790**	7,585,967
	51,077,197	30,383,444

27 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	*2022*
	SR	*SR*
Staff salaries and benefits	**395,109,416**	363,434,683
Professional services	**45,557,898**	34,521,121
Depreciation (note 7)	**29,019,737**	21,524,567
Allowance for expected credit losses (note 9)	**32,069,738**	1,569,508
Postage, telephone and internet	**11,320,219**	9,830,035
Depreciation on right of use assets (note 12)	**10,895,155**	10,251,442
Repair and maintenance	**10,678,087**	8,022,035
Security and safety	**10,360,043**	10,518,705
Travelling expenses	**7,836,157**	3,898,935
Bank charges	**5,644,339**	3,035,894
Amortization of intangible assets (note 8)	**2,722,204**	1,517,135
Director's remuneration	**2,040,000**	2,040,000
Insurance	**1,498,180**	1,043,784
Government taxes and fees	**520,967**	13,922,109
Other expenses	**55,562,515**	24,154,518
	620,834,655	509,284,471

28 OTHER INCOME, NET

	2023	*2022*
	SR	*SR*
Rental income	**6,147,443**	3,589,361
Loss on disposal of property and equipment	**(755,348)**	(1,978,636)
Training and symposium	**2,751,596**	6,296,660
Others	**6,541,722**	1,629,278
	14,685,413	9,536,663

29 FINANCE COST, NET

	2023	*2022*
	SR	*SR*
Finance cost on borrowings	**149,547,547**	65,986,225
Finance income from government grants (note 18)	**(1,403,828)**	(1,474,122)
Interest expense for the year (note 12)	**3,631,745**	3,022,853
Others	**3,231,842**	1,123,925
	155,007,306	68,658,881

30 EARNINGS PER SHARE

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

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

30 EARNINGS PER SHARE (continued)

Basic and diluted earnings per share from total income.

	2023	*2022*
	SR	*SR*
Net profit for the year	**180,176,414**	75,182,816
Weighted average number of ordinary shares	**92,040,000**	92,040,000
Basic and diluted earnings per share	**1.96**	0.82

31 COMMITMENTS AND CONTINGENCIES

a) Various employees have filed cases against the Group for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to SR 20.3 million (31 December 2022: SR 3.5 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard. In addition, potential Zakat and VAT exposure is disclosed in note 11 and 22, respectively.

b) The Company and its Subsidiary is also contesting various cases on account of alleged non-compliance of regulations. The total amount under consideration is SR 0.3 (31 December 2022: SR nil million). Most of the cases are under hearing. The management is confident that the outcome will be in favour of the Group and no provision is required in this regard.

c) On 31 December 2023, the Group had commitments of SR 298.3 million (31 December 2022: SR 207.1 million) relating to capital expenditures.

d) On 31 December 2023, the Group had outstanding open Zakat and withholding tax (WHT) assessment with ZATCA for the years 2015 to 2018 amounting to SR 112 (SR 73 million related to Zakat differences and SR 39 million related to WHT). The Company escalated the appeal to the Appellate Committee for Tax, and Customs Violations and Disputes (ACTVD) and the ACTVD rejected the Company's appeal regarding all of the items in dispute. The Company filed a plea against the decision mentioned, which is still under study. Also, the group had outstanding Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The Company submitted an appeal against ZATCA's assessment with the CRTVD. The CRTVD decision rejected the Company's appeal. The Company escalated the appeal to the ACTVD and the ACTVD did not issue the final decision. (Refer to note 22).

e) On 31 December 2023, the Group had outstanding letters of guarantee amounting to SR 41.8 million to the favour of ZATCA against the assessment of zakat and tax for the years ended 31 December 2014, 31 December 2019 and 31 December 2020. Other outstanding letters of guarantee amounting to SR 20.5 million to the favour of different entities for medical services.

g) On 21 August 2023, the Group has paid SR 10 million which represent first subscription for investment in Al Sobah New Medical Company for 30,665 shares. The subscription is part of the signed agreement between the Group and Al Sobah Invetment Holding Limited dated 30 September 2022 to invest a total amount of SR 70 million payable with certain conditions.

32 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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

32 FAIR VALUE OF ASSETS AND LIABILITIES (continued)
If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred. During the year ended 31 December 2023, there were no movements between the levels.

As at 31 December 2023 and 31 December 2022, the fair values of the Group's financial instruments are estimated to approximate their carrying values except for interest free loans.

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT
The Group's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance. The Group's principal financial assets include trade and other receivables, due form related parties and cash and bank balances. The Group's principal financial liabilities comprise term loans, trade and other payables, lease liabilities and due to related parties. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

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

Commission rate risk
Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Group's exposure to the risk of changes in market commission rates may relate primarily to The Group's bank borrowings with floating commission rates. The Group's manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments.

As at the reporting date, the Group does not have any Murabaha term deposits with banks at floating commission rates. Accordingly, only bank borrowings are exposed to floating commission rates.

Sensitivity Analysis

	Increase/decrease in base points	***Impact on losses before Zakat SR***
2023	**+1**	**24,203,754**
	-1	**(24,203,754)**
2022	+1	21,720,000
	-1	(21,720,000)

Currency risk
It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The 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.

Credit risk
Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored The Group is exposed to credit risk from its operating activities (primarily trade receivables including related parties' balances and other current financial assets) and from its financing activities, including balances with banks.

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	2023 ***SR***	*2022* *SR*
Financial assets		
Trade receivables, net	**2,291,759,613**	1,628,509,004
Amount due from related parties	**8,795,092**	6,272,963
Margin against letter of guarantee and deposits	**17,171,932**	14,523,049
Cash on hand and at banks	**44,422,555**	15,601,613
	2,356,314,808	1,664,906,629

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

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 realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

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

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations. The Group's terms of services require amounts to be paid within 90 days of the date of submitting the invoice. Trade payables are normally settled within 90 to 120 days of the date of purchase.

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

As at 31 December 2023	*Up to 12 months SR*	*One to five years SR*	*More than five years SR*	*Total SR*
Loans and borrowings	1,116,291,383	1,068,671,784	241,638,717	**2,426,601,884**
Trade payables	558,689,151	-	-	**558,689,151**
Lease liabilities	12,900,544	22,829,371	22,902,010	**58,631,925**
Other financial liabilities	5,867,954	-	-	**5,867,954**
	1,693,749,032	**1,091,501,155**	**264,540,727**	**3,049,790,914**

As at 31 December 2022	*Up to 12 months SR*	*One to five years SR*	*More than five years SR*	*Total SR*
Loans and borrowings	990,972,145	924,716,266	255,970,650	2,171,659,061
Trade payables	425,750,178	-	-	425,750,178
Lease liabilities	11,914,708	29,910,582	26,993,838	68,819,128
Other financial liabilities	7,059,370	4,755,408	-	11,814,778
	1,435,696,401	959,382,256	282,964,488	2,678,043,145

Changes in liabilities arising from financing activities are as follows:

	1 January 2023 SR	*Cash flows SR*	*New lease SR*	*Others SR*	***31 December 2023 SR***
Loans and borrowings	2,171,659,061	254,473,943	-	-	**2,426,133,004**
Lease liabilities	68,819,128	(15,426,036)	5,238,833	-	**58,631,925**
Total liabilities from financing activities	2,240,478,189	239,047,907	5,238,833	-	**2,484,764,929**

	1 January 2022 SR	*Cash flows SR*	*New lease SR*	*Others SR*	*31 December 2022 SR*
Loans and borrowings	1,932,005,100	239,653,961	-	-	2,171,659,061
Lease liabilities	34,806,910	(11,364,101)	45,376,319	-	68,819,128
Total liabilities from financing activities	1,966,812,010	228,289,860	45,376,319	-	2,240,478,189

34 CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022 .For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, term loan, , trade and other payables, less cash and bank balances.

	2023 ***SR***	*2022* *SR*
Loans and borrowings	**2,420,375,351**	2,171,659,061
Lease liabilities	**58,631,925**	68,819,128
Other financial liabilities	**5,867,954**	11,814,777
Trade and other payables	**849,813,652**	613,482,182
Less: Cash and cash equivalents	**(44,422,555)**	(15,601,613)
	3,290,266,327	2,850,173,535
Equity	**1,564,558,958**	1,408,159,846
Capital and net debt	**4,854,825,285**	4,258,333,381
Gearing ratio	**68%**	67%

35 SUBSEQUENT EVENTS

On 14 January 2024 the Group announced Sukuk issuance program initially amounting to SAR 1,000 million with minimum purchase of 5 Sukuk with par value SR 5,000. The Sukuk issuance carries an Interest Rate 7.2% annually paid quarterly. The Sukuk will be redeemed at nominal value on its maturity date after 5 years and on 26 February 2024 the Group announced that it has completed the offer and subscription of the Sukuk. The Sukuk do not have any impact on the consolidated results and financial position of the Group as stated in these consolidated financial statements.

36 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the Board of Directors on 30 March 2024G (corresponding to 20 Ramadhan 1445H).