# NABA AL SAHA MEDICAL SERVICES COMPANY

## (A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**31 DECEMBER 2023**

# NABA AL SAHA MEDICAL SERVICES COMPANY
## (A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**
**NABA AL SAHA MEDICAL SERVICES COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**



## Opinion

We have audited the consolidated financial statements of Naba Al Saha Medical Services Company, a Saudi joint stock company, and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, 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 issued by the Saudi Organization for Chartered and Professional Accountants.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor 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 this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

The key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on that matter. The following describes the key audit matter and how it was addressed:

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**
**NABA AL SAHA MEDICAL SERVICES COMPANY**
**(A SAUDI JOINT STOCK COMPANY) (continued)**



**Key Audit Matters (continued)**

| Key Audit Matters | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition** | |
| During the year ended 31 December 2023, the Group recognized revenue of SR 182.4 million (2022: SR 129.7 million).<br><br>The Group recognizes revenue upon performance of medical and trading services and is measured at the fair value of the consideration received or receivable.<br><br>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 medical claims rejections rates by medical insurance companies.<br><br>We have considered this matter as a key audit matter because the estimation of the medical claims rejections amounts requires a number of judgments and assumptions related to future medical claims and other related assumptions.<br><br>Refer note 3.13 of the consolidated financial statements for the accounting policy related to revenue recognition and note 4.1.2 for accounting estimates and assumptions used in the revenue recognition. | We have performed the following procedures for assessing the medical claims rejection estimation.<br><br>➢ Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards.<br>➢ Discussed the overall policies and procedures and assessed the design of the Group's internal controls over the recognition of revenue.<br>➢ 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.<br>➢ 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.<br>➢ Performed tests (on a sample basis) of settlements, claims and collections made with major clients of the Group.<br>➢ Performed test of details and substantive analytical procedures to ensure that revenues have been accurately recorded and at the correct price and period.<br>➢ Considered the adequacy of the related disclosures in the Group's consolidated financial statements. |

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NABA AL SAHA MEDICAL SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**



| Key Audit Matters | How our audit addressed the key audit matter |
|---|---|
| **Acquisition of a subsidiary** | |
| During the year ended 31 December 2023, the Group acquired 100% stake in Al Anwar Medical Company for a consideration paid and payable amounting to SR 18.1 million. The transaction resulted in a gain on acquisition totaling SR 9.6 million.<br><br>The Group performed the purchase price allocation of the subsidiary which has resulted in the recognition of the gain.<br><br>The acquisition is considered as a key audit matter as there is a risk that management may fail to calculate the value of the net assets acquired or may fail to account for a contingent liability.<br><br>We have considered this matter as a key audit matter because the uniqueness of the transaction, and the judgements applied while considering the value of the net assets acquired.<br><br>Refer note 3.2 of the consolidated financial statements for the accounting policy related to business combination and note 1 for the details of the net assets acquired. | We have performed the following procedures for assessing the net assets acquired and the gain on acquisition:<br><br>➢ Assessed the total assets acquired existence and valuation through the comparison to the latest available audited financial statements of the subsidiary.<br>➢ Reviewed the acquisition agreement to ensure that management has used the proper date for the transfer of control.<br>➢ Reviewed the acquisition agreement to ensure that management has properly considered the consideration paid and payable in return for acquiring the control over the subsidiary.<br>➢ Compared the net assets acquired to the consideration paid and payable to ensure the proper recording of the gain.<br>➢ Assessed any adjustments made to the net assets acquired as part of the acquisition agreement.<br>➢ Verified the payment supporting documents, and the updated articles of association of the subsidiary.<br>➢ Considered the adequacy of the related disclosures in the Group's consolidated financial statements. |

**Other Matter**

The consolidated financial statements of the Group for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 5 Ramadan 1444H (corresponding to 27 March 2023G).

**Other information**

The management is responsible for the other information. Other information consists of the information included in the Group's annual report, other than the consolidated financial statements and our auditor's report thereon. The Group's annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's by-law, and for such internal controls as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management use of the going concern basis of accounting and based on the audit evidence obtained, whether 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 conclusion is based on the audit evidence obtained up to 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 to the consolidated financial statements, including the disclosure, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NABA AL SAHA MEDICAL SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**



**Auditor Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and auditing the group's accounts. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and, accordingly, they are the key audit matters. We describe these matters in our 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 communicating it reasonably outweigh the public interest in doing so.

For Maham Professional Services Company

شركة مهام للاستشارات المهنية
CR 2050240744
1
MAHAM Co. FOR PROFESSIONAL SERVICES

Abdulaziz Saud Al Shabeebi
Certified Public Accountant
License no. (339)
Date: 24 Ramadan 1445H
3 April 2024

NABA AL SAHA MEDICAL SERVICES COMPANY
(A Saudi Joint Stock Company)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | Notes | *2023* *SR* | *2022* *SR* |
|---|---|---|---|
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property and equipment | 7 | **139,180,974** | 80,217,796 |
| Intangible assets | 8 | **3,252,766** | 3,249,840 |
| Right-of-use asset | 9 | **4,827,893** | 5,771,016 |
| Investments | 10 | **2,986,291** | 2,701,793 |
| **TOTAL NON CURRENT ASSETS** | | **150,247,924** | 91,940,445 |
| **CURRENT ASSETS** | | | |
| Inventories | 11 | **9,979,950** | 5,490,297 |
| Accounts receivable | 12 | **106,939,048** | 57,540,779 |
| Prepayments and other debit balances | 13 | **3,440,518** | 1,204,390 |
| Amounts due from a related party | 15 | **365,032** | 494,740 |
| Bank balances and cash | 14 | **5,745,545** | 13,826,331 |
| **TOTAL CURRENT ASSETS** | | **126,470,093** | 78,556,537 |
| **TOTAL ASSETS** | | **276,718,017** | 170,496,982 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 16 | **105,000,000** | 70,000,000 |
| Statutory reserve | 17 | **12,862,669** | 12,862,669 |
| Other reserves | | **1,462,699** | 1,668,163 |
| Retained earnings | | **60,768,919** | 45,486,670 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **180,094,287** | 130,017,502 |
| **NON CURRENT LIABILITIES** | | | |
| Lease liability | 9 | **3,456,026** | 4,549,879 |
| Long term loans | 19 | **34,313,187** | 7,250,000 |
| Employees defined benefits obligations | 20 | **12,946,903** | 7,999,741 |
| **TOTAL NON CURRENT LIABILITIES** | | **50,716,116** | 19,799,620 |
| **CURRENT LIABILITIES** | | | |
| Lease liability - current portion | 9 | **1,673,215** | 1,521,213 |
| Long term loans - current portion | 19 | **8,750,000** | 8,750,000 |
| Accounts payable | | **21,803,549** | 4,654,217 |
| Accrued expenses and other credit balances | 21 | **10,577,653** | 3,355,691 |
| Provision for zakat | 22 | **3,103,197** | 2,398,739 |
| **TOTAL CURRENT LIABILITIES** | | **45,907,614** | 20,679,860 |
| **TOTAL LIABILITIES** | | **96,623,730** | 40,479,480 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **276,718,017** | 170,496,982 |

Finance Manager    Chief Executive Officer    Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

NABA AL SAHA MEDICAL SERVICES COMPANY
(A Saudi Joint Stock Company)

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

| | *Notes* | ***2023*** ***SR*** | *2022* *SR* |
|---|---|---|---|
| Revenue, net | 23 | **182,352,491** | 129,684,489 |
| Costs of revenue | 24 | **(108,583,100)** | (78,045,186) |
| **GROSS PROFIT** | | **73,769,391** | 51,639,303 |
| General and administrative expenses | 25 | **(30,802,342)** | (23,328,225) |
| **PROFIT FROM MAIN OPERATIONS** | | **42,967,049** | 28,311,078 |
| Finance costs | 26 | **(624,396)** | (346,101) |
| Bargain gain on acquisition of a subsidiary | 1 | **7,325,423** | - |
| Fair value adjustment related to a land on acquisition of subsidiary | 1 | **2,331,875** | - |
| Share in results of investment in an associate | 10.1 | **(715,502)** | (127,580) |
| Other income, net | | **3,578,049** | 1,096,739 |
| **PROFIT BEFORE ZAKAT** | | **54,862,498** | 28,934,136 |
| Zakat | 22 | **(2,480,249)** | (2,011,578) |
| **NET PROFIT FOR THE YEAR** | | **52,382,249** | 26,922,558 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *Other comprehensive income not to be reclassified to income in subsequent periods:* | | | |
| Actuarial (loss)/gain on employees' defined benefits liabilities | 20 | **(205,464)** | 233,001 |
| **TOTAL COMPREHENSIVE INCOME** | | **52,176,785** | 27,155,559 |
| **EARNINGS PER SHARE** | | | |
| Basic and diluted earnings per share from profit before zakat for the year attributable to shareholders of the Company | 28 | **5.22** | 2.76 |
| Basic and diluted earnings per share from net profit for the year attributable to shareholders of the Company | 28 | **4.99** | 2.56 |

Finance Manager | Chief Executive Officer | Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

NABA AL SAHA MEDICAL SERVICES COMPANY
(A Saudi Joint Stock Company)

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2023

| | *Share capital* *SR* | *Statutory reserve* *SR* | *Other reserve* *SR* | *Retained earnings* *SR* | *Total* *SR* |
|---|---|---|---|---|---|
| As at 1 January 2022 | 70,000,000 | 10,170,413 | 1,435,162 | 21,256,368 | 102,861,943 |
| Net profit for the year | - | - | - | 26,922,558 | 26,922,558 |
| Other comprehensive income | - | - | 233,001 | - | 233,001 |
| Total comprehensive income for the year | - | - | 233,001 | 26,922,558 | 27,155,559 |
| Transfer to statutory reserve | - | 2,692,256 | - | (2,692,256) | - |
| As at 31 December 2022 | 70,000,000 | 12,862,669 | 1,668,163 | 45,486,670 | 130,017,502 |
| As at 1 January 2023 | 70,000,000 | 12,862,669 | 1,668,163 | 45,486,670 | 130,017,502 |
| Net profit for the year | - | - | - | 52,382,249 | 52,382,249 |
| Other comprehensive loss | - | - | (205,464) | - | (205,464) |
| Total comprehensive income for the year | - | - | (205,464) | 52,382,249 | 52,176,785 |
| Transfer to share capital (note 16) | 35,000,000 | - | - | (35,000,000) | - |
| Dividends (note 18) | - | - | - | (2,100,000) | (2,100,000) |
| **As at 31 December 2023** | **105,000,000** | **12,862,669** | **1,462,699** | **60,768,919** | **180,094,287** |

Finance Manager    Chief Executive Officer    Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

NABA AL SAHA MEDICAL SERVICES COMPANY
(A Saudi Joint Stock Company)

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

| | Note | 2023 SR | 2022 SR |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before zakat | | **54,862,498** | 28,934,136 |
| *Non-cash adjustments to reconcile profit before zakat to net cash flows from operating activities* | | | |
| Depreciation of property and equipment | | **7,682,553** | 5,198,042 |
| Depreciation of right-of-use assets | | **1,582,641** | 1,505,034 |
| Amortization of intangible assets | | **229,137** | 61,936 |
| Bargain gain on acquisition of a subsidiary | | **(7,325,423)** | - |
| Fair value adjustment related to a land on acquisition of subsidiary | | **(2,331,875)** | - |
| Expected credit loss allowance | | **-** | 754,998 |
| Share of loss in an associate | | **715,502** | 127,580 |
| Employees defined benefits obligation | | **1,908,390** | 2,922,461 |
| Finance costs | | **624,396** | 346,101 |
| | | **57,947,819** | 39,850,288 |
| *Working capital adjustments:* | | | |
| Inventories | | **(4,489,653)** | 263,465 |
| Accounts receivable | | **(49,398,269)** | 1,824,137 |
| Prepayments and other debit balances | | **(2,236,128)** | 23,376 |
| Amounts due from a related party | | **129,708** | (146,766) |
| Accounts payable | | **17,149,332** | (2,079,567) |
| Accrued expenses and other credit balances | | **14,425,292** | (1,718,621) |
| Cash from operations | | **33,528,101** | 38,016,312 |
| Zakat paid | | **(2,344,123)** | (1,623,246) |
| Employees' defined benefits paid | | **(1,618,972)** | (892,500) |
| Finance costs paid | | **(206,796)** | - |
| **Net cash flows from operating activities** | | **29,358,210** | 35,500,566 |
| **INVESTING ACTIVITIES** | | | |
| Additions of property and equipment, net | | **(41,354,526)** | (11,053,963) |
| Additions of intangible assets | | **(149,492)** | - |
| Investment in mutual funds | | **(1,000,000)** | - |
| Investment in a subsidiary | | **(18,110,000)** | - |
| Investment in an associate | | **-** | (2,829,373) |
| **Net cash flows used in investing activities** | | **(60,614,018)** | (13,883,336) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from long-term borrowings | | **30,063,187** | - |
| Repayment of long-term borrowings | | **(3,000,000)** | (11,000,000) |
| Payment of principal portion of lease liability | | **(1,788,165)** | (1,685,040) |
| Dividends paid | | **(2,100,000)** | (2,100,000) |
| **Net cash flows from/(used in) financing activities** | | **23,175,022** | (14,785,040) |
| **(DECREASE) / INCREASE IN BANK BALANCES AND CASH** | | **(8,080,786)** | 6,832,190 |
| Bank balances at the beginning of the year | | **13,826,331** | 6,994,141 |
| **BANK BALANCES AND CASH AT THE END OF THE YEAR** | 14 | **5,745,545** | 13,826,331 |
| **NON-CASH TRANSACTION** | | | |
| Net assets acquired related to acquired subsidiary | 1 | **23,727,819** | - |

Finance Manager | Chief Executive Officer | Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

## 1 ACTIVITIES

Naba Al Saha Medical Services Company is a Saudi joint stock company ("the Company") enlisted in Nomou and registered under Commercial Registration (CR) number 2051065568 issued on 6 Jumada Al-Awal 1439 H (corresponding to 23 January 2018). The Company's registered address is in Khobar, Kingdom of Saudi Arabia.

The Company has the following branches:

| *Branch name* | *CR Number* | *Date* | *Location* |
|---|---|---|---|
| Al Zahra General Hospital | 2053016544 | 28/10/1426 | Al Qatif |
| Manarat Al Haramain Pharmacy | 2053017825 | 09/05/1428 | Al Qatif |
| Naba Al Saha Medical Services Company | 2053034205 | 19/05/1438 | Al Qatif |
| Naba Al Saha Architectural Contracting Company | 2051239670 | 21/06/1443 | Al Khobar |

During the year, the Company acquired 100% share in Al Anwar Medical Services Company, referred to thereinafter as ("the Subsidiary"), a limited liability company registered in Hail, Saudi Arabia and is operating a general hospital in Hail. The Subsidiary is registered under commercial registration number 3350131415 dated 27 Safar 1439H.

The effective date of transfer of control to the Company was 1 May 2023 and consequently, the financial statements of the subsidiary has been consolidated in these consolidated financial statements effective 1 May 2023.

The management has carried out the purchase price allocation exercise in order to allocate the difference between the considerations paid and the book value of the net assets acquired and has recognised gain on the transaction amounted to SR 9.6 million. Below is the summary of the considerations paid and the value of net assets acquired as of 1 May 2023:

| | **1 May 2023 SR (Unaudited)** |
|---|---|
| Total assets of the acquired subsidiary | **39,809,511** |
| Fair value adjustment related to a land | **2,331,875** |
| Total liabilities of the acquired subsidiary | **(14,374,088)** |
| Net assets acquired | **27,767,298** |
| Considerations paid and payable | **(18,110,000)** |
| Net gain on acquisition | **9,657,298** |

The net gain as a result of acquisition has been presented in the statement of profit and loss and other comprehensive income as follows:

| | **2023 SR** |
|---|---|
| Bargain gain on acquisition of subsidiary | **7,325,423** |
| Fair value adjustment related to a land | **2,331,875** |
| | **9,657,298** |

The Company and its subsidiary, referred to as (the" Group") are operating two general hospitals in the cities of Qatif and Hail in Saudi Arabia under Ministry of Health licenses numbers 3810101001200083 and 6500101001200101, respectively.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

## 2 BASIS OF PREPARATION (continued)

### 2.2 Basis of measurement

The financial statements have been prepared on a historical cost convention. Except for employees' defined benefits obligations, that has been measured at the present value of the expected benefits obligation.

### 2.3 Presentation and functional currency

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

### 2.4 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
- 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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent Company 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 in 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 consolidated statement of profit and loss. Any investment retained is recognised at fair value.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when:

a) it expects to realize the asset, or intends to sell or consume it, in the entity's normal operating cycle;
b) it holds the asset primarily for the purpose of trading;
c) it expects to realize the asset within twelve months after the reporting date; or
d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

The Group shall classify all other assets as non-current. When the Group normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

The Group shall classify a liability as current when:

a) it expects to settle the liability in the entity's normal operating cycle;
b) it holds the liability primarily for the purpose of trading;
c) the liability is due to be settled within twelve months after the reporting date; or
d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Group shall classify all other liabilities as non-current.

### 3.2 Business combinations

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, if any. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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 equity is not remeasured and its subsequent settlement is accounted for within equity. 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 in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 Business combinations (continued)**

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 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.

**3.3 Fair value measurement**

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

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

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 best economic 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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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

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

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.4 Foreign currencies**

Foreign currency transactions Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the financial period are translated into Saudi Riyals using the exchange rates prevailing at that date.

**3.5 Property and equipment**

Property and equipment is recognised initially at cost. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of profit or loss during the period in which they are incurred.

After initial recognition property and equipment are stated at cost less accumulated deprecation and any impairment in value.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

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

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

| | |
|---|---|
| Buildings | 20 years |
| Medical equipment | 5-10 years |
| Electric equipment | 5-10 years |
| Furniture and fixtures | 5-10 years |
| Fire and safety equipment | 5-10 years |
| Elevators | 5 years |
| Vehicles | 4 years |

**3.6 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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.6 Leases (continued)**

*i) Right-of-use assets*
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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, as follows:

| | |
|---|---|
| Buildings | 5-6 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects 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 recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating 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 recognized as expenses 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. 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 recognized as expense on a straight-line basis over the lease term.

**3.7 Impairment of non-financial assets other than inventory**
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 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Impairment of non-financial assets other than inventory (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group impairment calculation is based on the detailed budget and forecast calculations which are prepared separately for each of the Group CGU's to which the individual assets are allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to projected future cashflows after the budget period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

### 3.8 Inventories

Inventory are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average method. The cost of inventories comprises purchase price, shipping cost, direct labour and other direct costs. At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in statement of profit or loss.

### 3.9 Bank balances and cash

Bank balances and cash includes cash deposited with local banks.

### 3.10 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 3.11 Financial instruments – initial recognition, subsequent measurement and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets**

Initial recognition and measurement

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss (FVPL), transaction costs that are attributable to the acquisition of the financial asset.

*Subsequent measurement*

Financial assets are subsequently measured at FVPL, amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.10 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)**

**Financial assets (continued)**

*Financial assets at amortized cost*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group bank balances, amounts due from related parties and accounts receivable.

*Financial assets designated at fair value through OCI (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.

The Group elected to classify irrevocably its listed equity investments under this category.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group 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

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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes 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.

*Impairment of financial assets*

For amounts due from related parties and account receivable, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group 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 payment are 360 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.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### 3.11 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group financial liabilities include accounts payable and other current liabilities, employees' defined benefits liabilities, lease liabilities and loans.

*Subsequent measurement*

The financial liabilities are subsequently measured at amortized cost.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, 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 recognized in the statement of comprehensive income.

*Offsetting of financial instruments*

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

### 3.12 Employee benefits obligation

***Short-term employee benefits***

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and tickets, bonuses, and non-monetary benefits such as medical care), are recognized in respect of employees’ services up to the end of the reporting period and are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

***Employee benefits obligation***

The Group’s employee benefits obligations are accounted for as an unfunded defined benefits plan. The liability recognized in the statement of financial position in respect of the defined end-of service benefits plan is the present value of the employee benefits obligation at the reporting date and is measured using the projected unit credit method.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

### 3.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services/goods in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, returns and discounts.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer, wherever applicable, by transferring and when it transfers control over the promised service to the customer.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.13 Revenue recognition (continued)**

A five-step approach to revenue recognition is applied:
1. Identify the contract(s) with the customer
2. Identify the performance obligations in each contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue (or as) the entity satisfies a performance obligation

**Variable consideration - estimation of medical rejections**

The Group's normal business process with insurers involves the potential for disallowed claims, which are claims that are not paid by the insurer due to various technical or medical reasons. Disallowances of rejected claims are a common practice among insurers in Saudi Arabia. As a result, the Group anticipates receiving less consideration than originally invoiced for these claims.

These disallowances represent variable consideration under IFRS 15, which means that the amount of revenue to be recognized is uncertain. Revenue from variable consideration is only recognized to the extent that it is highly probable that a reversal of revenue will not occur. In other words, the Group must have a high degree of confidence that the insurer will not reject the claim in the future.

The Group assesses the likelihood of claim disallowances on a continuous basis and adjusts its revenue recognition accordingly. This ensures that the Group's financial statements reflect a fair and accurate representation of its revenue-generating activities.

Specific accounting policies for applicable revenue streams are as follows:

*i) Medical Services:*

Hospital services provided to patients are considered a single performance obligation under IFRS 15 as they represent a bundle of services that cannot be separated or performed independently. Revenue from these services is recognized during the period in which they are provided based on the amounts due from patients and/or insurance entities. Fees are calculated and billed based on various agreements with these entities. Revenue from in-patient services is recognized over time, reflecting the ongoing nature of the patient's stay, while revenue from outpatient services is recognized at a point in time, as the service is complete upon discharge. Retrospective volume rebates granted to certain customers based on attainment of specified patient visit levels are considered variable consideration under IFRS 15 and are accrued over the course of the arrangement based on estimates of the expected level of business. These rebates are adjusted against revenue at the end of the arrangement to reflect actual volumes.

*ii) Pharmaceuticals:*

Revenue from the sale of pharmaceuticals, encompassing medicine, medical supplies, and medical equipment, is recognized upon physical delivery of these products to patients and the transfer of complete control to them. Any applicable discounts or rebates, as well as anticipated medical rejections by insurance companies, are deducted from the sales value at the time of pharmaceutical delivery to patients. Revenue from pharmaceutical sales is recorded as a single transaction at the point of delivery.

**3.14 Expenses**

Expenses related to operations are allocated on a consistent basis to cost of revenue. General and administration expenses include direct and indirect costs not specifically part of cost of revenue and finance charges (if any). Allocations between expenses is made on consistent basis.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.15 Statutory reserve

Statutory reserve is based on previous statutory requirements. In accordance with the previous Saudi Arabian Regulation for companies, the Company must set aside 10% of its annual net profit as a statutory reserve until it reaches 30% of the share capital.

### 3.16 Zakat and tax

*Zakat*

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). A provision for zakat for the Group is charged to the statement of comprehensive income. Differences, if any, at the finalization of assessments are accounted for when such amounts are determined in accordance with the requirements of IAS 8 of IFRSs.

*Value Added Tax*

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including future expectations.

### 4.1 Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

#### 4.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

## 4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### 4.1.2 Revenue recognition - estimating variable consideration for medical rejections

The management estimates variable considerations to be included in the transaction price of services provided. The expected medical rejections are estimated against the services provided to customers based on the historical rate of rejections and ongoing discussions with such customers. The latest percentages of rejections are applied to determine the expected value of the variable consideration. The management updates its assessment of expected medical rejection rates as and when the medical rejection rates are received and agreed, and the provision for medical rejection is adjusted accordingly. Estimates for medical rejections are sensitive to changes in circumstances and the Group's past experience regarding medical rejections. The estimated medical rejections recorded may not be representative of medical rejections in the future.

### 4.1.3 Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

### 4.1.4 Allowance for expected credit losses

For accounts 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.

### 4.1.5 Estimated useful lives of property and equipment

The Group's management determines the estimated useful lives of its machinery and equipment for calculating depreciation on a straight-line basis over their estimated economic useful lives. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives and residual value of the assets at least once per year and always at the end of each financial year and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

### 4.1.6 Employees' defined benefits obligation

The present value of the employees defined benefits depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) the end of service include the discount rate. Any changes in these assumptions will impact the carrying amount of employees defined

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the obligations.

## 4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### 4.2 Significant assumptions used

#### 4.2.1 Determining the lease term of contracts with renewal and termination options

Management of the Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

## 5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

As per below, several amendments and interpretations apply for the first time in 2023, but do not have an impact on the financial statements of the Group:

- *IFRS 17 Insurance Contracts*
- *Definition of Accounting Estimates - Amendments to IAS 8*
- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12*
- *Amendments to IAS 12*

## 6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance 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.

- *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
- *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

**7 PROPERTY AND EQUIPMENT**

| | *Land* | *Buildings* | *Medical equipment* | *Electric equipment* | *Furniture and fixtures* | *Fire and safety equipment* | *Elevators* | *Vehicles* | *Capital work-in-progress* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| | *SR* | *SR* | *SR* | *SR* | *SR* | *SR* | *SR* | *SR* | *SR* | *SR* |
| *Cost:* | | | | | | | | | | |
| At 1 January 2022 | 44,483,602 | 37,832,038 | 37,209,290 | 10,002,679 | 4,438,161 | 3,677,632 | 1,090,940 | 2,575,009 | 2,153,624 | 143,462,975 |
| Additions | 3,504,500 | - | 2,019,267 | 581,687 | 400,564 | 114,429 | - | 608,124 | 3,825,392 | 11,053,963 |
| At 31 December 2022 | 47,988,102 | 37,832,038 | 39,228,557 | 10,584,366 | 4,838,725 | 3,792,061 | 1,090,940 | 3,183,133 | 5,979,016 | 154,516,938 |
| Related to acquisition of a subsidiary (note 1) | 2,010,400 | 14,766,281 | 21,558,456 | - | 4,220,462 | - | - | 531,016 | 154,205 | 43,240,820 |
| Fair value adjustment (note 1) | 2,331,875 | - | - | - | - | - | - | - | - | 2,331,875 |
| Additions, net | 2,488,750 | - | 3,624,562 | 189,124 | 734,363 | 6,800 | - | 1,047,119 | 33,263,808 | 41,354,526 |
| Transfers | - | 334,900 | - | - | - | - | - | - | (334,900) | - |
| **At 31 December 2023** | **54,819,127** | **52,933,219** | **64,411,575** | **10,773,490** | **9,793,550** | **3,798,861** | **1,090,940** | **4,761,268** | **39,062,129** | **241,444,159** |
| *Accumulated depreciation:* | | | | | | | | | | |
| At 1 January 2022 | - | 24,517,094 | 25,740,284 | 8,758,186 | 3,500,015 | 2,975,441 | 1,090,940 | 2,519,140 | - | 69,101,100 |
| Charge for the year | - | 1,891,602 | 2,295,605 | 455,869 | 270,008 | 183,655 | - | 101,303 | - | 5,198,042 |
| At 31 December 2022 | - | 26,408,696 | 28,035,889 | 9,214,055 | 3,770,023 | 3,159,096 | 1,090,940 | 2,620,443 | - | 74,299,142 |
| Related to acquisition of a subsidiary (note 1) | - | 4,048,575 | 13,336,886 | - | 2,366,980 | (1,965) | - | 531,014 | - | 20,281,490 |
| Charge for the year | - | 2,451,585 | 3,702,442 | 501,400 | 512,158 | 171,581 | - | 343,387 | - | 7,682,553 |
| **At 31 December 2023** | **-** | **32,908,856** | **45,075,217** | **9,715,455** | **6,649,161** | **3,328,712** | **1,090,940** | **3,494,844** | **-** | **102,263,185** |
| *Net book amounts:* | | | | | | | | | | |
| **At 31 December 2023** | **54,819,127** | **20,024,363** | **19,336,358** | **1,058,035** | **3,144,389** | **470,149** | **-** | **1,266,424** | **39,062,129** | **139,180,974** |
| At 31 December 2022 | 47,988,102 | 11,423,342 | 11,192,668 | 1,370,311 | 1,068,702 | 632,965 | - | 562,690 | 5,979,016 | 80,217,796 |

**7 PROPERTY AND EQUIPMENT (continued)**

7.1 Capital work-in-progress mainly represents cost incurred for the construction of a new health care facility in Riyadh.

7.2 The Group has capitalized finance costs directly attributable to the project amounting to SR 0.9 million (2022: SR 1.01 million).

7.3 The depreciation charge for the years ended 31 December 2023 and 31 December 2022 have been charged to cost of revenue.

7.4 Properties with net book value of SR 3.7 million are mortgaged as security for commercial bank loans (2022: properties with net book value of SR 1.7 million)

**8 INTANGIBLE ASSETS**

| | Note | ***2023*** | *2022* |
|---|---|---|---|
| | | ***SR*** | *SR* |
| Software | 8.1 | **984,200** | 981,274 |
| Goodwill | 8.2 | **2,268,566** | 2,268,566 |
| | | **3,252,766** | 3,249,840 |

8.1 Software

| | ***2023*** | *2022* |
|---|---|---|
| *Cost:* | ***SR*** | *SR* |
| At the beginning of the year | **1,243,210** | 200,000 |
| Related to acquisition of a subsidiary (note 1) | **614,500** | - |
| Transfers | **-** | 1,043,210 |
| Additions | **149,492** | - |
| At the end of the year | **2,007,202** | 1,243,210 |
| *Accumulated amortization:* | | |
| At the beginning of the year | **261,936** | 200,000 |
| Related to acquisition of subsidiary (note 1) | **531,929** | - |
| Charge for the year | **229,137** | 61,936 |
| At the end of the year | **1,023,002** | 261,936 |
| *Net book amount as at the end of the year* | **984,200** | 981,274 |

The amortization charge for the years ended 31 December 2023 and 31 December 2022 have been fully charged to cost of revenue.

8.2 Goodwill

In 2017, the Group acquired 100% shares of Manarat Al Haramain Pharmacy (the Pharmacy) for a net consideration of SR 7 million. Under the shares Sale Purchase Agreement (the Agreement), all parties have agreed to transfer all rights and obligations associated with the former owner to the Group on January 01, 2017, as the date on which effective control of the Pharmacy was transferred to the Group i.e. the acquisition date. This acquisition resulted in a goodwill amounting to SR 2.26 million which represented the excess of the consideration paid over the fair value of the net assets of the Pharmacy at the acquisition date. The Group registered Pharmacy as the branch of the Group.

## 9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for the employee housing used in its operations. Leases of such premises generally have lease terms of 5-6 years.

| | *Right-of-use assets* Total *SR* | *Lease liability* Total *SR* |
|---|---|---|
| At 1 January 2022 | 6,024,487 | 6,293,387 |
| Adjustments | 1,251,563 | 1,251,563 |
| Depreciation | (1,505,034) | - |
| Accretion of interest (note 26) | - | 211,182 |
| Payments | - | (1,685,040) |
| At 31 December 2022 | 5,771,016 | 6,071,092 |
| Related to acquisition of subsidiary (note 1) | **639,518** | **639,518** |
| Depreciation | **(1,582,641)** | **-** |
| Accretion of interest (note 26) | **-** | **206,796** |
| Payments | **-** | **(1,788,165)** |
| **At 31 December 2023** | **4,827,893** | **5,129,241** |

The depreciation charge for right-of-use assets for the years ended 31 December 2023 and 31 December 2022 have been fully allocated to cost of revenue.

The Group also has certain leases with lease terms of 12 months or with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions of these leases.

Lease liabilities are allocated into current and non-current, based on the maturity of the lease agreements, as follows:

| | ***2023*** ***SR*** | *2022* *SR* |
|---|---|---|
| Non-current liabilities | **3,456,026** | 4,549,879 |
| Current liabilities | **1,673,215** | 1,521,213 |
| | **5,129,241** | 6,071,092 |

## 10 INVESTMENTS

| | Note | ***2023*** **SR** | *2022* SR |
|---|---|---|---|
| Investment in an associate | 10.1 | **1,986,291** | 2,701,793 |
| Investment in a mutual fund | 10.2 | **1,000,000** | - |
| | | **2,986,291** | 2,701,793 |

### 10.1 Investment in an associate

During 2022, the Group has acquired 20% of shares of Eyadat Holdings Company (Eyadat), a company incorporated in the Kingdom of Bahrain, at a consideration of SR 2.83 million. Eyadat operates a “day surgery health care centre”. Movement in investment in an associate is as follows:

## 10 INVESTMENTS (continued)

### 10.1 Investment in an associate (continued)

| | *2023* | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| At the beginning of the year | **2,701,793** | - |
| Additions during the year | **-** | 2,829,373 |
| Share of loss during the year | **(715,502)** | (127,580) |
| At the end of the year | **1,986,291** | 2,701,793 |

The financial results are taken from the management accounts of Eyadat as the management believes that un-audited figures would not be materially different from the audited figures. The financial information of the associate was as follows:

| | *2023* | *2022* |
|---|---|---|
| | **SR** | SR |
| Revenue | **1,560,050** | - |
| Net loss | **(3,577,510)** | (701,167) |
| Total assets | **24,959,630** | 15,196,814 |
| Net assets | **9,931,455** | 13,508,965 |

### 10.2 Investments in mutual funds

During the year, the Group invested SR 1,000,000 in a Shari'ah compliant closed equity private fund regulated by the Capital Market Authority of Saudi Arabia. There has been no change in the fair value of the mutual funds during the year.

## 11 INVENTORIES

| | *2023* | *2022* |
|---|---|---|
| | **SR** | SR |
| Medicines | **6,834,951** | 2,896,767 |
| Consumables | **3,144,999** | 2,593,530 |
| | **9,979,950** | 5,490,297 |

No allowance for obsolete and slow moving inventory has been provided during 31 December 2023 (2022: same).

## 12 ACCOUNTS RECEIVABLE

| | *2023* | *2022* |
|---|---|---|
| | **SR** | SR |
| Accounts receivable | **108,010,582** | 58,295,777 |
| Less: allowance for expected credit losses | **(1,071,534)** | (754,998) |
| | **106,939,048** | 57,540,779 |

Movement in allowance for expected credit losses is as follows:

| | *2023* | *2022* |
|---|---|---|
| | **SR** | SR |
| As at 1 January | **754,998** | - |
| Related to acquisition of a subsidiary (note 1) | **316,536** | - |
| Provision provided during the year | **-** | 754,998 |
| As at 31 December | **1,071,534** | 754,998 |

## 12 ACCOUNTS RECEIVABLE (continued)

As of 31 December, the ageing analysis of unimpaired receivables is as follows:

| | Total | Less than one year | Greater than one year |
|---|---|---|---|
| | SR | SR | SR |
| 31 December 2023 | **106,939,048** | **106,503,037** | **436,011** |
| 31 December 2022 | 57,540,779 | 57,209,939 | 330,840 |

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

As at 31 December 2023, approximately 98% of the Group's accounts receivable's balances are due from various governmental and insurance entities (31 December 2022: 99%).

## 13 PREPAYMENTS AND OTHER DEBIT BALANCES

| | ***2023*** | *2022* |
|---|---|---|
| | **SR** | SR |
| Advances to suppliers | **2,039,560** | 504,266 |
| Prepaid expenses | **906,196** | 492,910 |
| Staff advances | **182,514** | 207,214 |
| Other debit balances | **312,248** | - |
| | **3,440,518** | 1,204,390 |

## 14 BANK BALANCES AND CASH

| | ***2023*** | *2022* |
|---|---|---|
| | **SR** | SR |
| Cash at banks | **5,173,353** | 13,482,978 |
| Cash on hand | **572,192** | 343,353 |
| | **5,745,545** | 13,826,331 |

Cash in bank is held with Saudi local banks and are denominated in Saudi Riyals.

## 15 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Following is the list of related parties of the Group:

| *Name* | *Relationship* |
|---|---|
| Nayef bin Mohammed Hassan bin Abdulla Al-Jishi | Shareholder |
| Nathir bin Mohammed Hassan bin Abdulla Al-Jishi | Shareholder |
| Lesley Mohammed Hassan bin Abdulla Al-Jishi | Shareholder |
| Al-Raja Advanced Investment Group | Shareholder |
| Mohammed Hassan bin Abdulla Al-Jishi | Shareholder |
| Al-Raja Advanced Real Estate Establishment | Affiliate |
| Tafani Consulting | Affiliate |
| Salman Bin Mohammed Hassan bin Abdulla Al-Jishi | Shareholder |
| Fatimah Mohammed Hassan bin Abdulla Al-Jishi | Shareholder |
| Fafa Labelling and Adhesive Industry | Affiliate |

## 15 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) The significant transactions with related parties and their amounts are as follows:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Revenue | **-** | 31,311 |
| Expenses paid on behalf of the Group | **-** | 146,766 |
| Commissions paid | **746,703** | 498,731 |
| Rent paid | **1,400,812** | 1,361,040 |
| Consulting fees | **30,292** | 15,000 |

The pricing policies and terms of payment of transactions with the related parties are approved by the Group's management. The outstanding balances at the year end are unsecured, interest-free and settlement occurs in cash.

b) Amounts due from a related party presented under current assets in the consolidated statement of financial position consist of the following:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Al-Raja Advanced Real Estate Establishment | **365,032** | 494,740 |

c) Compensation of key management personnel

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Salaries and benefits - Executive Board of Directors | **763,500** | 559,864 |
| Salaries and benefits- other key management personnel | **3,277,200** | 2,158,760 |
| | **4,040,700** | 2,718,624 |

## 16 CAPITAL

The Company's paid-up share capital comprise of 10,500,000 shares of SR 10 each (2022: 7,000,000 shares of SR 10 each.

On 16 Shawwal 1445 H (corresponding to 6 May 2023), the Extraordinary General Assembly of the Company approved the increase in share capital from SR 70 million to SR 105 million by capitalizing a portion of its retained earnings amounting to SR 35 milion.

## 17 STATUTORY RESERVE

In accordance with the old Regulations for Companies and the old Company's By-Law, the Company has established a statutory reserve in the previous years by appropriation of 10% of its net income until it reaches 30% of share capital. Saudi Arabia has issued the new Regulations for Companies, which has been in effect from January 2023. The Company has updated its by-law to align it with the new regulations. As per the new Regulations for Companies and the amended by-law for the Company, there is no requirement to maintain a statutory reserve. Consequently, the reserve is subject to the shareholders' resolution whether to transfer it back to retained earnings or maintain it as a general reserve.

## 18 DIVIDEND

On 30 Shaban 1444H (corresponding to 22 March 2023), the Group's Board of Directors approved cash dividends amounting to SR 0.3 per share amounting to SR 2,100,000 for the year ended 31 December 2022. This was approved by the General Assembly in the ordinary meeting held on 4 Dhul Hijjah 1444H (corresponding to 22 June 2023). The dividends were distributed on 22 Dhul Hijjah 1444H (corresponding to 10 July 2023).

## 19 LONG TERM LOANS

In 2020, the Group entered into a facility agreement amounted to SR 35 million with a local bank to finance the purchase of a land in Riyadh city for the construction of a new hospital. The said facility bears interest at SAIBOR plus margin. The loan will be fully repaid over five years. Further, the Group entered into two more long term facilities with commercial banks during the year to finance the construction of the new hospital in Riyadh totalling SR 30 million. The facilities carry interest at SAIBOR plus margin and are repayable on unequal instalments over the next seven years. During the year 2023, finance cost amounted to SR 929,872 (2022: SR 1.01 million) were capitalized. The loan is secured by mortgage on properties of the Group and certain properties of some shareholders.

The movement of long term loans is as follows:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Opening balance | **16,000,000** | 27,000,000 |
| Additions during the year | **30,063,187** | - |
| Repaid during the year | **(3,000,000)** | (11,000,000) |
| | **43,063,187** | 16,000,000 |
| Less: non-current portion of loans | **34,313,187** | 7,250,000 |
| Current portion of loans | **8,750,000** | 8,750,000 |

## 20 EMPLOYEES DEFINED BENEFITS OBLIGATIONS

The management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2023 and 31 December 2022 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The following tables summaries the components of net benefit expense recognized in the statement of comprehensive income and balances reported in the statement of financial position:

| | ***2023*** | *2022* |
|---|---|---|
| **Reconciliation of present value of liability** | ***SR*** | *SR* |
| End of service liability at the beginning of the year | **7,999,741** | 6,067,862 |
| Related to acquisition of a subsidiary (note 1) | **4,034,680** | - |
| Current service costs | **1,908,390** | 2,922,461 |
| Interest cost | **417,600** | 134,919 |
| Benefits paid during the year | **(1,618,972)** | (892,500) |
| Actuarial (loss)/gain | **205,464** | (233,001) |
| At end of the year | **12,946,903** | 7,999,741 |

The significant assumptions used in determining employees' end of service liability are shown below:

| | ***2023*** | *2022* |
|---|---|---|
| Discount rate | **4.78%** | 4.30% |
| Future salary increment rate | **1.00%** | 1.00% |

| **Sensitivity analysis** | ***2023*** | | *2022* | |
|---|---|---|---|---|
| | **PVDBL - SR** | **% Change** | PVDBL - SR | % Change |
| + 1% discount rate | **12,524,210** | **-3.26%** | 7,833,604 | -2.08% |
| - 1% discount rate | **13,408,656** | **3.57%** | 8,659,959 | 8.25% |
| + 1% salary increase | **12,475,276** | **-3.64%** | 8,708,290 | 8.86% |
| -1% salary decrease | **13,385,920** | **3.39%** | 7,783,228 | -2.71% |

PVDBL: Present Value of Defined Benefits Liability

## 20 EMPLOYEES DEFINED BENEFITS OBLIGATIONS (continued)

The following are the expected payments of the undiscounted defined benefit plan for the future years:

| | 2023 SR | 2022 SR |
|---|---|---|
| Within one year | **3,380,011** | 1,576,890 |
| After one year but not more than five years | **3,815,481** | 3,664,888 |
| More than five years | **8,417,990** | 5,241,860 |
| Total expected payments | **15,613,482** | 10,483,638 |

## 21 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | 2023 SR | 2022 SR |
|---|---|---|
| Accrued employee costs | **7,513,480** | 1,339,962 |
| Accrued expenses | **1,310,995** | 457,529 |
| Accrued finance cost | **863,841** | - |
| VAT payable | **421,470** | 1,089,900 |
| Other credit balances | **467,867** | 468,300 |
| | **10,577,653** | 3,355,691 |

## 22 ZAKAT PROVISION

The Company used to file its zakat return on standalone basis for all years up to 31 December 2022. The Company intends to file zakat return for itself and its wholly owned subsidiary for the year 2023 on consolidation basis after obtaining the required approval from Zakat, tax and Customs Authority ("ZATCA").

### *22.1 Charge for the year*

| | 2023 SR | 2022 SR |
|---|---|---|
| For the current year | **2,480,249** | 1,834,361 |
| For the prior years | **-** | 177,217 |
| Charge for the year | **2,480,249** | 2,011,578 |

### *22.2 Components of the Zakat base*

| | 2023 SR | 2022 SR |
|---|---|---|
| Total equity and external sources of funding | **245,198,899** | 146,017,502 |
| Long-term assets | **(147,261,633)** | (94,642,238) |
| Zakat base | **97,937,266** | 51,375,264 |
| Adjusted net profit for the year | **56,979,038** | 23,350,520 |

Zakat is payable at 2.578% of the zakat base excluding adjusted profit for the year, where adjusted profit is subject to zakat at 2.5%.

## 22 ZAKAT PROVISION (continued)

*22.3 Movement in zakat provision*

| | 2023 SR | 2022 SR |
|---|---|---|
| Beginning of the year | **2,398,739** | 2,010,407 |
| Related to acquisition of subsidiary (note 1) | **568,332** | - |
| Charged during the year | **2,480,249** | 2,011,578 |
| Paid during the year | **(2,344,123)** | (1,623,246) |
| At end of the year | **3,103,197** | 2,398,739 |

*22.4 Status of assessments*

*Naba Al Saha Medical Services Company*

The Company has filed its zakat returns and obtained zakat certificates for the years up to December 31, 2022.

During 2021, ZATCA issued zakat assessments for the years from 2015 to 2017 claiming additional liability of approximately SR 0.6 million. The Company has filed appeals against these assessments which is under ZATCA review. However, the Company has provided for the additional claimed zakat liability by ZATCA. The returns for the years from 2019 till 2022 are still under ZATCA review.

*Al Anwar Medical Company*

The company has filed its zakat and tax returns and has obtained certificates for the years till 2022. Till this date, no assessments has been raised by ZATCA for these years.

## 23 REVENUE

| | 2023 SR | 2022 SR |
|---|---|---|
| Revenue recognized over time | **118,012,790** | 81,438,411 |
| Revenue recognized at a point in time | **64,339,701** | 48,246,078 |
| | **182,352,491** | 129,684,489 |

In-patient revenues is recognized over time while all other revenues from outpatient services and sale of drugs are recognized at a point in time.

**Geographic markets**

| | 2023 SR | 2022 SR |
|---|---|---|
| Kingdom of Saudi Arabia | **182,352,491** | 129,684,489 |

For revenue disaggregation by segment, please refer note 27.

## 24 COSTS OF REVENUE

| | 2023 SR | 2022 SR |
|---|---|---|
| Employee costs | **62,445,281** | 45,904,342 |
| Medicines, medical materials and consumables | **25,580,736** | 18,303,563 |
| Depreciation of property and equipment | **7,682,553** | 5,198,042 |
| Government related expenses | **5,350,995** | 3,400,726 |
| Depreciation of right-of-use assets | **1,582,641** | 1,505,034 |
| Utilities | **2,139,704** | 1,583,910 |
| Repair and maintenance | **843,898** | 385,888 |
| Insurance | **263,619** | 130,000 |
| Rent | **329,709** | 177,238 |
| Amortization of intangible assets | **229,137** | 61,936 |
| Others | **2,134,827** | 1,394,507 |
| | **108,583,100** | 78,045,186 |

## 25 GENERAL AND ADMINISTRATIVE EXPENSES

| | *2023* | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Employee costs | **22,713,414** | 16,387,814 |
| Repair and maintenance | **1,990,565** | 1,759,362 |
| Commission | **1,094,263** | 498,731 |
| Donations | **614,275** | 515,000 |
| Professional fees | **491,964** | 177,148 |
| Government related expenses | **678,805** | 1,113,996 |
| Insurance | **199,179** | 138,477 |
| Utilities | **87,788** | 27,730 |
| Stationery | **37,989** | 159,434 |
| Rent | **43,740** | 42,080 |
| Allowance for expected credit losses | **-** | 754,998 |
| Others | **2,850,360** | 1,753,455 |
| | **30,802,342** | 23,328,225 |

## 26 FINANCE COSTS

| | *2023* | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Interest cost on employees' defined benefits obligations | **417,600** | 134,919 |
| Interest on lease liabilities | **206,796** | 211,182 |
| | **624,396** | 346,101 |

## 27 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has the following reportable segments:

Medical services - This segment provides medical services to its customers
Pharmaceutical - The segment provides sales of pharmaceutical products

The Board of directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the consolidated financial statements.

**27 SEGMENT INFORMATION**

The following tables present revenue and profit information for the Group's operating segments for the year ended 31 December 2023 and 2022, respectively:

| | *Medical services* | *Pharmaceuticals* | *Total segments* | *Adjustments* | *Consolidated* |
|---|---|---|---|---|---|
| | *SR* | *SR* | *SR* | *SR* | *SR* |
| **For the year ended 31 December 2023** | | | | | |
| Revenue, net | **170,386,633** | **11,965,858** | **182,352,491** | **-** | **182,352,491** |
| Cost of revenue | **(98,828,960)** | **(9,754,140)** | **(108,583,100)** | **-** | **(108,583,100)** |
| **Segment gross profit** | **71,557,673** | **2,211,718** | **73,769,391** | **-** | **73,769,391** |
| For the year ended 31 December 2022 | | | | | |
| Revenue | 118,863,478 | 10,821,011 | 129,684,489 | - | 129,684,489 |
| Cost of revenue | (70,429,897) | (7,615,289) | (78,045,186) | - | (78,045,186) |
| Segment gross profit | 48,433,581 | 3,205,722 | 51,639,303 | - | 51,639,303 |

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2023 and 31 December 2022, respectively:

| | | | | | |
|---|---|---|---|---|---|
| Total assets | | | | | |
| **31 December 2023** | **305,455,522** | **5,347,428** | **310,802,950** | **(34,084,933)** | **276,718,017** |
| 31 December 2022 | 167,491,061 | 3,005,921 | 170,496,982 | - | 170,496,982 |
| Total liabilities | | | | | |
| **31 December 2023** | **104,951,718** | **2,029,112** | **106,980,830** | **(10,357,100)** | **96,623,730** |
| 31 December 2022 | 38,358,532 | 2,120,948 | 40,479,480 | - | 40,479,480 |

## 28 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit 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 since the Company has no diluted shares issued.

The following reflects the income and ordinary shares outstanding data used in the basic and diluted earning per share calculation of the shareholders of the Company:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Profit before Zakat attributable to equity holders of the Company | **54,862,498** | 28,934,136 |
| Net profit attributable to equity holders of the Company | **52,382,249** | 26,922,558 |
| Weighted average number of ordinary shares outstanding | **10,500,000** | 10,500,000 |
| **Basic and diluted earning per share from profit before zakat for the year** | **5.22** | 2.76 |
| **Basic and diluted earning per share from net profit for the year** | **4.99** | 2.56 |

For the purposes of calculating the weighted average number of shares outstanding in order to calculate earnings per share for the year 2023, the capital increase by way of capitalisation of retained earnings during the year 2023 was considered as if it had occurred since the beginning of the earlier reported period, in accordance with the requirements of the International Accounting standard. No. 33.

## 29 CONTINGENCIES AND COMMITMENTS

The Group has capital commitments amounting to approximately SR 344.7 million as of 31 December 2023 (2022: 2.5 million) representing the construction of a new health care facility in Riyadh .

## 30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks including currency risk, credit risk and liquidity risk.

**Financial instruments by categories**

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| **Financial assets measured at amortized cost** | | |
| Accounts receivable | **106,939,048** | 57,540,779 |
| Amounts due from a related party | **365,032** | 494,740 |
| Bank balances and cash | **5,745,545** | 13,826,331 |
| **Total financial assets measured at amortized cost** | **113,049,625** | 71,861,850 |
| **Financial liabilities measured at amortized cost** | | |
| Accounts payable | **21,803,549** | 4,654,217 |
| Accrued expenses and other credit balances | **10,577,653** | 3,355,691 |
| Long term loans | **43,063,187** | 16,000,000 |
| Lease liabilities | **5,129,241** | 6,071,092 |
| **Total financial liabilities measured at amortized cost** | **80,573,630** | 30,081,000 |

**30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**

The main financial risks arising from the Group's financial instruments are market risk, liquidity risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarized below:

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates may affect the Group's income. The Group was exposed to market risk, in the form of foreign currency risk, commodity risk and commission rate risk as described below, during the year under review. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

*Currency risk*

Currency risk is the risk of changes in the value of financial instruments due to changes in foreign exchange rates. Most of the Group's transactions are in Saudi Riyals. The management monitors changes in currency exchange rates and management believes that the currency risk is not material to the Group.

Consequently, no foreign currency sensitivity analysis has been presented. The Group is not exposed to foreign currency risk as all financial assets and liabilities are denominated in Saudi Riyals

*Commodity risk*

The Group is exposed to the impact of market fluctuations of the price of different products to be consumed and sold. The Group prepares annual budgets including sensitivity analyses in respect of various price levels of such materials to manage the risk.

*Commission rate risk*

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The Group is exposed to commission rate risks on its commission bearing liabilities. To manage the commission rate risk on the loans and borrowings, the Group monitors market commission rate movements and its cost of funding on a regular basis.

Commission rate risk sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of the assets or liability outstanding at the end of the reporting period and was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in commission rates.

| | Increase/decrease in basis points of commission rates | Effect on expense/(income) for the year |
|---|---|---|
| **31 December 2023** | **+50** | **31,220** |
| | **-50** | **(31,220)** |
| 31 December 2022 | +50 | 17,305 |
| | -50 | (17,305) |

**30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter the necessary liquidity to meet its obligations associated with financial liabilities. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by ensuring periodically that sufficient liquidity is available to meet any obligations as they arise.

*Contractual maturity analysis for financial liabilities*

The following table has been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables represent discounted cash flows:

| **31 December 2023** | **Less than 1 year** | **More than 1 year but less than 5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|
| | **SR** | **SR** | **SR** | **SR** |
| Accounts payable | **21,803,549** | **-** | **-** | **21,803,549** |
| Accrued expenses and other credit balances | **10,577,653** | **-** | **-** | **10,577,653** |
| Employees defined benefits obligations | **3,380,011** | **3,815,481** | **8,417,990** | **15,613,482** |
| Long term loans | **8,750,000** | **34,313,187** | **-** | **43,063,187** |
| Lease liabilities | **1,673,215** | **3,456,026** | **-** | **5,129,241** |
| | **46,184,428** | **41,584,694** | **8,417,990** | **96,187,112** |

| 31 December 2022 | Less than 1 year | More than 1 year but less than 5 years | More than 5 years | Total |
|---|---|---|---|---|
| | SR | SR | SR | SR |
| Accounts payable | 4,654,217 | - | - | 4,654,217 |
| Accrued expenses and other credit balances | 3,355,691 | - | - | 3,355,691 |
| Employees defined benefits obligations | 1,576,890 | 3,664,888 | 5,241,860 | 10,483,638 |
| Long term loans | 8,750,000 | 7,250,000 | - | 16,000,000 |
| Lease liabilities | 1,521,213 | 4,549,879 | - | 6,071,092 |
| | 19,858,011 | 15,464,767 | 5,241,860 | 40,564,638 |

Change in liabilities arising from financing activities

| **31 December 2023** | **Opening balance** | **Cash inflow** | **Cash outflow** | **Closing balance** |
|---|---|---|---|---|
| | **SR** | **SR** | **SR** | **SR** |
| Long term loans | **16,000,000** | **30,063,187** | **(3,000,000)** | **43,063,187** |
| Lease liabilities | **6,071,092** | **639,517** | **(1,788,165)** | **5,129,241** |
| | **22,071,092** | **30,702,704** | **(4,788,165)** | **48,192,428** |

**30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**

**Liquidity risk (continued)**

Change in liabilities arising from financing activities (continued)

| 31 December 2022 | Opening balance | Cash inflow | Cash outflow | Closing balance |
|---|---|---|---|---|
| | SR | SR | SR | SR |
| Long term loans | 27,000,000 | - | (11,000,000) | 16,000,000 |
| Lease liabilities | 6,293,387 | 1,251,563 | (1,685,040) | 6,071,092 |
| | 33,293,387 | 1,251,563 | (12,685,040) | 22,071,092 |

Lease liabilities are adjusted for the accretion of interest amounting to SR 206,796 (2022: SR 211,182), which is considered a non-cash transaction.

**Credit risk**

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, account receivables and amounts due from related parties.

The maximum exposure to credit risk at the reporting date was:

| Description | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Bank balances and cash | **5,745,545** | 13,826,331 |
| Accounts receivable | **106,939,048** | 57,540,779 |
| Amounts due from a related party | **365,032** | 494,740 |

The following table represents information on the exposure of the Group to the credit risk and ECL for account receivable for customers:

| **31 December 2023** | **Gross carrying amount** | **Weighted average loss** | **Loss allowance (%)** |
|---|---|---|---|
| 0-30 Days | **15,697,724** | **20,978** | **0.13%** |
| 31-60 Days | **14,352,349** | **18,184** | **0.13%** |
| 61-90 Days | **15,653,884** | **22,145** | **0.14%** |
| 91-120 Days | **14,349,160** | **30,064** | **0.21%** |
| 121-180 Days | **44,143,008** | **334,396** | **0.76%** |
| 151-180 Days | **2,455,239** | **107,375** | **4.37%** |
| 181-240 Days | **425,640** | **40,825** | **9.59%** |
| More than 240 Days | **933,578** | **497,567** | **53.30%** |
| | **108,010,582** | **1,071,534** | |

**30 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**

**Credit risk (continued)**

| 31 December 2022 | Gross carrying amount | Weighted average loss | Loss allowance (%) |
|---|---|---|---|
| 0-30 Days | 16,923,817 | 26,076 | 0.15% |
| 31-60 Days | 4,718,048 | 5,506 | 0.12% |
| 61-90 Days | 7,077,071 | 9,304 | 0.13% |
| 91-120 Days | 9,802,887 | 15,637 | 0.16% |
| 121-180 Days | 8,610,703 | 16,102 | 0.19% |
| 151-180 Days | 5,740,469 | 74,626 | 1.30% |
| 181-240 Days | 4,783,724 | 299,529 | 6.26% |
| More than 240 Days | 639,058 | 308,218 | 48.23% |
| | 58,295,777 | 754,998 | |

**Capital management**

The Group manages its capital to ensure that the Group will be able to continue as going concern while maximizing the return to the shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year. The capital structure of the Group consists of equity and debt comprising capital, the statutory reserve, retained earnings and other reserves. The Group is not subject to any externally imposed capital requirements.

**Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. The Group has receivable from governmental agencies and insurance companies representing 98% of the total receivables (2022: Representing 99% of the total receivables).

The Group operates two hospitals and a pharmacy located in Qatif and Hail, Kingdom of Saudi Arabia, which consist of geographical risk concentration.

**Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction and the same conditions of dealing with other parties. As the accompanying financial statements are prepared under the historical cost method difference may arise between the book values and the fair value estimates.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- 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.

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 categorised 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 recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between Levels 1, 2 or 3 during the years ended 31 December 2023 and 31 December 2022.

## 31 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2023 that would have a material impact on the financial position of the Company as reflected in these financial statements.

## 32 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issuance by board of directors on 16 Ramadan 1445H (corresponding to 26 March 2024G).