MOUWASAT MEDICAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
together with the Independent Auditor's Report

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

KPMG Professional Services
16th Floor, Al Barghash Tower
6189 Prince Turki Road, Al Corniche
P.O. Box 4803
Al Khobar, 34412 - 3146
Kingdom of Saudi Arabia
Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
الطابق ١٦، برج البرغش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب ٤٨٠٣
الخبر ٣٤٤١٢ - ٣١٤٦
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Mouwasat Medical Services Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of **Mouwasat Medical Services Company ("the Company") and its subsidiaries ("the Group")**, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Mouwasat Medical Services Company (A Saudi Joint Stock Company) (Continued)

Key audit matter (continued)	
Revenue recognition	
Refer Note 4(a)(iii) and 3(e) for the accounting estimate and policy relating to revenue recognition and Note 28 for revenue disclosure.	
The key audit matter	**How the matter was addressed in our audit**
During the year ended 31 December 2023, the Group recognized revenue of SR 2.706 billion (2022: SR 2.334 billion). The Group recognizes revenue upon satisfaction of performance obligation related to medical and related services at the consideration to which the Group expects to be entitled in exchange for those goods or services. Certain contracts with customers include variable consideration such as volume discounts, prompt payment discounts and claims disallowed (rejection of claims). These constitute variable consideration and are considered in the recognition of revenue on an estimated basis in the period in which the related services are rendered. Revenue recognition is considered as a key audit matter because the estimation of the variable consideration involves significant judgement and estimates in determining the amount.	We performed the following among other procedures: - Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards; - Assessed the design and implementation and tested (on a sample basis) the operating effectiveness of the Group's key internal control in relation to the estimates of variable consideration; - Assessed the appropriateness of significant accounting judgments, estimates and assumptions made by management to determine the variable consideration; - Performed a retrospective review (on a sample basis) of actual claims settled to the original gross claims; - Performed tests (on a sample basis) of settlements and claims with major customers of the Group; and - Assessed the adequacy of relevant disclosures and presentation in the consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Mouwasat Medical Services Company (A Saudi Joint Stock Company) (Continued)

Key audit matter (continued)

Valuation of accounts receivables

Refer Note 4(a)(i) and 3(k) for the accounting estimate and policy related to impairment loss based on expected credit losses (ECLs) and Note 14 for accounts receivable disclosure.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2023, the gross carrying amount of accounts receivables amounted to SR 1.316 billion (2022: SR 1.109 billion). The impairment loss based on ECLs on these receivables amount to SR 163.4 million (2022: SR 72.5 million). The Group's management has applied a simplified expected credit loss ("ECL") model to determine the impairment loss of accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. payor groups). The provision matrix is initially based on the Group's historical observed default rates. The Group calibrate the matrix to adjust the historical credit loss experience with forward-looking information. We considered this a key audit matter due to the judgements and estimation involved in assessing the recoverability of outstanding trade receivable and determining the impairment thereon as per the requirement of IFRS 9 Financial Instruments.	We performed the following among other procedures: - Obtained an understanding of management's processes, systems and controls over trade receivables; - Evaluated the appropriateness of the accounting policies of the Group and evaluating these against the requirements of FRS 9 Financial Instruments; - Evaluated the reasonableness of management's key judgements and estimates made, including selection and application of methods, models, significant assumptions, data sources and selection of the point estimate and retrospective testing; - Evaluated the competence of management expert and checked the completeness, accuracy and relevance of data shared with management expert. - Involved our own specialist to assess the working and evaluate the assumptions made by the management expert in the model and working used. - Tested the basis of specific provisions based on historic data, ageing and collection trends; and - Assessed the reasonableness and adequacy of disclosures and presentation in the consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Mouwasat Medical Services Company (A Saudi Joint Stock Company) (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The 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, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Independent Auditor's Report

To the Shareholders of Mouwasat Medical Services Company (A Saudi Joint Stock Company) (Continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Mouwasat Medical Services Company ("the Company") and its subsidiaries ("the Group").**

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services

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Nasser Ahmed Al Shutairy
License No: 454

Al Khobar, 15 Ramadan 1445H
Corresponding to: 25 March 2024G

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Lic No. 46
C.R. 2051062328
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ترخيص رقم ٤٦
س.ت : ٢٠٥١٠٦٢٣٢٨
KPMG
KPMG Professional Services

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
ASSETS			
Non-current assets			
Property and equipment	7	**3,046,129,447**	2,808,394,204
Goodwill	8	**16,371,000**	16,371,000
Intangible assets	9	**20,186,569**	16,389,300
Right-of-use asset	10	**19,683,031**	27,596,156
Investment in an associate	11	**-**	18,788,375
Advances to contractors and suppliers	12	**244,460,781**	200,522,745
Total non-current assets		**3,346,830,828**	3,088,061,780
Current assets			
Inventories	13	**197,164,786**	203,387,227
Accounts receivable	14	**1,152,656,746**	1,036,428,927
Due from related parties	35	**916,431**	2,323,208
Advances, prepayments and other current assets	15	**98,957,277**	76,503,968
Term deposits	16	**100,000,000**	111,000,000
Cash and cash equivalents	17	**49,049,506**	143,876,493
Investment in associate - held for sale	11	**18,971,023**	-
Total current assets		**1,617,715,769**	1,573,519,823
Total assets		**4,964,546,597**	4,661,581,603
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**2,000,000,000**	1,000,000,000
Statutory reserve	20	**365,768,791**	300,000,000
Retained earnings		**911,287,213**	1,622,846,424
Equity attributable to shareholders of the Company		**3,277,056,004**	2,922,846,424
Non-controlling interest	21	**149,790,712**	153,486,781
Total equity		**3,426,846,716**	3,076,333,205
Liabilities			
Non-current liabilities			
Long-term borrowings	22	**500,049,694**	627,750,414
Employees' benefits	23	**153,800,438**	137,079,848
Lease liabilities	24	**18,783,185**	25,394,954
Retention payable	25.1	**34,434,661**	28,063,626
Total non-current liabilities		**707,067,978**	818,288,842
Current liabilities			
Accounts payable	25	**231,706,734**	215,306,911
Due to related parties	35	**5,136,187**	6,672,662
Accruals and other current liabilities	26	**184,304,042**	174,877,913
Refund liability	28.2	**106,084,803**	105,108,775
Current maturity of lease liabilities	24	**3,612,000**	4,300,000
Current portion of long-term borrowings	22	**266,034,059**	234,716,005
Provision for zakat	27	**33,754,078**	25,977,290
Total current liabilities		**830,631,903**	766,959,556
Total liabilities		**1,537,699,881**	1,585,248,398
Total equity and liabilities		**4,964,546,597**	4,661,581,603

Mohammed Al Saleem (Managing Director)	Mohammed Al Saleem (Authorized Board Representative)	Yusuf Sulaiman (Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 53 form an integral part of these consolidated financial statements.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2023	2022
Revenue			
Medical services revenue	28	**2,312,553,391**	2,014,476,950
Pharmaceutical sales	28	**392,954,730**	319,635,334
		2,705,508,121	2,334,112,284
Cost of revenue			
Cost of operations	29	**(1,109,986,629)**	(999,989,100)
Cost of sales		**(282,442,254)**	(232,551,446)
		(1,392,428,883)	(1,232,540,546)
Gross profit		**1,313,079,238**	1,101,571,738
Selling and marketing expenses	30	**(110,215,067)**	(99,061,797)
General and administrative expenses	31	**(337,427,376)**	(318,514,813)
Impairment loss on accounts receivables	14.1	**(117,256,160)**	(18,270,433)
Other income	32	**8,675,713**	6,971,424
Operating profit		**756,856,348**	672,696,119
Finance income		**6,482,135**	575,335
Finance cost	33	**(46,456,505)**	(22,880,351)
Share of result of an associate	11	**10,205,829**	9,880,203
Profit before zakat		**727,087,807**	660,271,306
Zakat expense	27	**(38,699,067)**	(27,583,650)
Profit for the year		**688,388,740**	632,687,656
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement loss on employees' end-of-service benefits obligations	23	**(3,404,169)**	(5,926,191)
Re-measurement loss on employee's retirement benefit obligations of the associate	11	**(171,060)**	164,569
Other comprehensive loss for the year		**(3,575,229)**	(5,761,622)
Total comprehensive income for the year		**684,813,511**	626,926,034
Profit for the year attributable to:			
Shareholders of the Company		**657,687,906**	599,305,261
Non-controlling interest	21	**30,700,834**	33,382,395
Profit for the year		**688,388,740**	632,687,656
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**654,209,580**	593,656,393
Non-controlling interest	21	**30,603,931**	33,269,641
Total comprehensive income for the year		**684,813,511**	626,926,034
Earnings per share:			
Basic and diluted earnings per share for profit attributable to the shareholders of the Company	34	**3.29**	3.00

Mohammed Al Saleem (Managing Director)	Mohammed Al Saleem (Authorized Board Representative)	Yusuf Sulaiman (Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 53 form an integral part of these consolidated financial statements.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

		Attributable to the shareholders of the Company					
	Notes	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
Balance at 1 January 2022		1,000,000,000	300,000,000	1,304,190,031	2,604,190,031	97,881,293	2,702,071,324
Acquisition of a subsidiary		-	-	-	-	56,635,847	56,635,847
Total comprehensive income for the year							
Profit for the year		-	-	599,305,261	599,305,261	33,382,395	632,687,656
Other comprehensive loss for the year		-	-	(5,648,868)	(5,648,868)	(112,754)	(5,761,622)
Total comprehensive income for the year		-	-	593,656,393	593,656,393	33,269,641	626,926,034
Transactions with owners in their capacity as owners							
Dividend	19	-	-	(275,000,000)	(275,000,000)	-	(275,000,000)
Dividend to non-controlling interest	21	-	-	-	-	(34,300,000)	(34,300,000)
Balance at 31 December 2022		1,000,000,000	300,000,000	1,622,846,424	2,922,846,424	153,486,781	3,076,333,205
Balance at 1 January 2023		**1,000,000,000**	**300,000,000**	**1,622,846,424**	**2,922,846,424**	**153,486,781**	**3,076,333,205**
Total comprehensive income for the year							
Profit for the year		-	-	**657,687,906**	**657,687,906**	**30,700,834**	**688,388,740**
Other comprehensive loss for the year		-	-	**(3,478,326)**	**(3,478,326)**	**(96,903)**	**(3,575,229)**
Total comprehensive income for the year		-	-	**654,209,580**	**654,209,580**	**30,603,931**	**684,813,511**
Transfer to statutory reserve	20	-	**65,768,791**	**(65,768,791)**	-	-	-
Transactions with owners in their capacity as owners							
Dividend	19	-	-	**(300,000,000)**	**(300,000,000)**	-	**(300,000,000)**
Dividend to non-controlling interests	21	-	-	-	-	**(34,300,000)**	**(34,300,000)**
Increase in share capital	18	**1,000,000,000**	-	**(1,000,000,000)**	-	-	-
Balance at 31 December 2023		**2,000,000,000**	**365,768,791**	**911,287,213**	**3,277,056,004**	**149,790,712**	**3,426,846,716**

Mohammed Al Saleem (Managing Director)	Mohammed Al Saleem (Authorized Board Representative)	Yusuf Sulaiman (Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 53 form an integral part of these consolidated financial statements.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2023	2022
Cash flows from operating activities			
Profit for the year		**688,388,740**	632,687,656
Adjustments for:			
Depreciation on property and equipment	7	**214,957,726**	179,909,562
Depreciation on right-of-use asset	10	**2,811,862**	3,452,233
Amortization of intangible assets	9	**5,703,196**	5,183,315
Impairment loss on accounts receivables	14	**117,256,160**	18,270,433
Share of results of an associate	11	**(10,205,829)**	(9,880,203)
Finance cost	33	**46,456,505**	22,880,351
Interest income on term deposits		**(6,482,135)**	(575,335)
Property and equipment written off		**65,642**	-
Gain on modification of leases	24.2	**(393,525)**	-
Provision for employees' benefits	23	**31,414,774**	23,290,524
Gain on disposal of property and equipment	32	**(292,893)**	(237,957)
Zakat expense	27	**38,699,067**	27,583,650
		1,128,379,290	902,564,229
Changes in:			
Inventories		**6,222,441**	(16,494,982)
Accounts receivable		**(233,483,979)**	(263,666,119)
Due from related parties		**1,406,777**	2,901,564
Advances, prepayments and other current assets		**(21,781,817)**	14,188,166
Retention payable		**6,371,035**	6,552,844
Accounts payable		**16,399,823**	28,523,578
Due to related parties		**(1,536,475)**	(7,806,076)
Accruals and other current liabilities		**10,744,766**	41,795,169
Refund liabilities		**976,028**	69,089,981
Cash generated from operating activities		**913,697,889**	777,648,354
Employees' benefits paid	23	**(18,098,353)**	(16,973,466)
Finance cost paid	37.1	**(50,894,189)**	(28,018,305)
Zakat paid	27	**(30,922,279)**	(25,329,810)
Net cash from operating activities		**813,783,068**	707,326,773
Cash flows from investing activities			
Purchase of property and equipment		**(277,038,015)**	(292,808,341)
Purchase of intangible assets	9	**(9,500,465)**	(5,865,124)
Proceeds from disposal of property and equipment		**791,300**	477,326
Dividend received from an associate	11	**9,852,121**	5,224,772
Advances to contractors		**(215,617,973)**	(67,793,838)
Term deposits		**11,000,000**	(11,000,000)
Interest received on term deposits		**5,810,643**	568,371
Acquisition of a subsidiary, net of cash acquired	38	**-**	(101,654,696)
Net cash used in investing activities		**(474,702,389)**	(472,851,530)

Mohammed Al Saleem	Mohammed Al Saleem	Yusuf Sulaiman
(Managing Director)	(Authorized Board Representative)	(Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 53 form an integral part of these consolidated financial statements.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2023	2022
Cash flows from financing activities			
Dividend paid	19	**(300,000,000)**	(275,000,000)
Proceeds from term loans	22	**180,000,000**	300,000,000
Repayment of term loans	22	**(276,382,666)**	(233,867,538)
Payment of lease liabilities including finance cost	24	**(3,225,000)**	(4,300,000)
Dividend paid to non-controlling interests in subsidiary	21	**(34,300,000)**	(34,300,000)
Net cash outflow from financing activities		**(433,907,666)**	(247,467,538)
Net decrease in cash and cash equivalents		**(94,826,987)**	(12,992,295)
Cash and cash equivalents at beginning of the year		**143,876,493**	156,868,788
Cash and cash equivalents at the end of the year	17	**49,049,506**	143,876,493
Non-cash transactions:			
Finance cost capitalized	7.4	**4,539,066**	9,474,280
Transfer from advances to contractors and suppliers to property and equipment	12	**171,679,937**	110,105,799
Modification of right-of-use asset	10	**(5,101,263)**	-
Modification in lease liability	24	**(5,494,788)**	-
Advance to contractors and suppliers as a result of acquired subsidiary	38	-	9,948,462
Dividend receivable from an associate	11.2	-	5,224,772

Mohammed Al Saleem (Managing Director)	Mohammed Al Saleem (Authorized Board Representative)	Yusuf Sulaiman (Chief Financial Officer)

The accompanying notes 1 through 41 on pages 6 to 53 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1. GENERAL

Mouwasat Medical Services Company ("the Company") is registered in Saudi Arabia under Commercial Registration number 2050032029 dated Ramadan 12, 1417H (corresponding to January 21, 1997). The Company was converted into a Saudi Joint Stock Company in accordance with Ministerial Resolution No. 1880 dated Dhu-al-Hijja 4, 1426H (corresponding to 4 January 2006).

Details regarding the Company's subsidiary are as follows:

Name	Country of incorporation	Activities	Percentage %
Eastern Medical Services Company Limited	Saudi Arabia	Medical services	51%
Jeddah Doctor Company	Saudi Arabia	Medical services	51%

Eastern Medical Services Company Limited is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051023824 dated Ramadan 10, 1420H (corresponding to 18 December 1999). This subsidiary is engaged in construction and operation of hospitals, dispensaries and special clinics.

Jeddah Doctors Company Limited ("JDC") (Saudi Closed Joint Stock Company) is registered in Kingdom of Saudi Arabia under commercial registration number 4030278617 dated Muharram 13, 1436H (corresponding to 6 November 2014). The subsidiary is engaged in general construction of non-residential buildings including (schools, hospitals, hotels etc.), demolition of buildings; purchase, sale and division of land and real estate, and off-plan sales activities; colleges and university institutes, hospitals, medical operation of hospitals. Also see note 38.

The Company through its multiple branches is engaged in the acquisition, management, operation and maintenance of hospitals, medical centers, drug stores, pharmacies and wholesale of medical equipment and drugs.

Branch	Commercial Registration Number	Date
Dammam	2050046891	18/09/1425H
Dammam	2050111494	20/04/1438H
Dammam	2050111780	25/05/1438H
Dammam	2050086573	27/11/1433H
Khobar	2051064380	12/09/1438H
Jubail	2055004626	09/03/1421H
Jubail	2055006727	19/09/1425H
Madinah	4650029967	06/05/1421H
Madinah	4650030759	11/11/1421H
Madinah	4650083001	18/01/1438H
Madinah	4650252425	19/05/1444H
Riyadh	1010295838	09/11/1431H
Yanbu	4700118283	04/06/1444H

The consolidated financial statements include the financial information of the branches mentioned above and its subsidiaries (together referred as 'Group').

2. BASIS OF PREPARATION

2.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) as endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (here and after referring to as "IFRSs as endorsed in KSA")

2. BASIS OF PREPARATION (continued)

2.1. Statement of compliance (continued)

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the Law and will amend its By-Laws for any changes to align the By-Laws to the provisions of the Law. Consequently, the Group shall present the amended By-Laws to the shareholders in their General Assembly meeting for their ratification.

2.2. Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for employees' end-of-service benefits obligation which is measured at the present value of the obligations as explained in the relevant accounting policy, financial assets at fair value through profit or loss which are measure at fair value and financial assets at fair value through other comprehensive income which are measure at fair value.

2.3. Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR) which is the Group's functional currency. All financial information presented in these financial statements have been rounded off to the nearest Saudi Riyals, unless otherwise stated.

3. MATERIAL ACCOUNTING POLICIES

The Group has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information wherever required in line with the amendments. The accounting policies stated below have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

a) Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Company (Parent Company) and its subsidiary as at 31 December 2023. Subsidiaries are all the entities over which the Group has control. 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:

3. MATERIAL ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

- 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 non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries 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 among members of the Group are eliminated in full on consolidation.

Changes in ownership interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Parent. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized within equity attributable to owners of the Parent Company.

Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

Non-Controlling Interests (NCI)
Non-Controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Interests in equity accounted investees
The Group's interest in equity-accounted investees comprise interest in an associate.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income, until the date on which significant influence ceases. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity accounted investment equals or exceeds its investment in the investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has incurred obligation or has made payments on behalf of the investee.

3. MATERIAL ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in the relevant accounting policy.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The acquisition of an asset or a group of assets that does not constitute a business. In such cases the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

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

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. MATERIAL ACCOUNTING POLICIES (continued)

c) Current and 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 it is:

- Expected to be realized or intended to sell or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

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

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 consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

d) Fair value measurement (continued)

External valuers are involved for valuation of significant assets, whenever required. The involvement of external valuer is decided by the Group after discussion and approval by the Company's management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the Company's external valuer, which valuation techniques and inputs to use for each case.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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.

e) Revenue recognition

The Group generates its revenue from sale of pharmaceuticals and rendering of inpatient and outpatient services over time and at a point in time. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The goods and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Operating revenue

Revenues are measured at the transaction price which is the amount of consideration that the Group expects to be entitled to in exchange for the services provided. Revenue primarily comprises fees charged for inpatient and outpatient hospital services. For operating revenues, the revenue is recognized when the treatment is provided, and the invoice is generated (i.e., after satisfaction of performance obligation). Net patient services revenue is recognised at the estimated net realisable amounts from the third-party payers (insurance companies) and others for the services rendered, net of estimated retroactive revenue adjustments (rejection of claims) when the related services are rendered. Unbilled revenue is recorded for the service rendered where the patients are not discharged a nd final invoice is not raised for the services.

Some contracts include variable considerations such as claims disallowed (rejection of claims) which is not paid by third-party payor, volume discount and prompt payment discount. Discounts comprise retrospective volume discounts granted to certain insurance companies on attainment of certain levels of business and constitute variable consideration. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted against revenue at the end of the arrangement to reflect actual volumes. The normal business process associated with transactions with insurers includes amount of claims disallowed (disallowance provision) which is not paid by the insurer. These disallowed claims could be for various technica l or medical reasons. Accordingly, the Group expects an amount of consideration that is less than what was originally invoiced. These disallowances constitute a variable consideration and are assessed based on all information (historical, current and forecast) that is reasonably available to the Group and identify a reasonable number of possible consideration amounts. Management estimates variable consideration using the single most likely amount method for prompt payment discount.

Revenue from inpatient services are recognized over a period of time and outpatient services are recognized at the point in time.

3. MATERIAL ACCOUNTING POLICIES (continued)

e) Revenue recognition (continued)

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

Interest income on term deposits
Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income
Rental income is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Dividend
Dividend income from investments is recognized when the shareholders right to receive payment has been established.

f) Foreign currency transactions

Transactions and balances
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income and expense.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

3. MATERIAL ACCOUNTING POLICIES (continued)

g) Property and equipment

Property and equipment excluding land and construction work in progress (CWIP) are carried at cost less accumulated depreciation and any accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land and properties under construction are not depreciated.

The following useful lives are used in the calculation of depreciation:

	Years
Buildings	33 years
Building system and improvements	3 to 10 years
Medical equipment and tools	4 to 10 years
Furniture and fixture	3 to 10 years
Motor Vehicles	4 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Construction work in progress (CWIP)

CWIP is recognized at cost less accumulated impairment, if any. CWIP is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for operational use.

Land is recognised at cost, less impairment, if any.

h) Intangibles assets

Intangible assets represent the software license and operating license of certain hospitals. They are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives ranging between 3 to 10 years. Useful lives are reviewed at each reporting date.

3. MATERIAL ACCOUNTING POLICIES (continued)

h) Intangibles assets (continued)

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets
An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

i) Leases

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

3. MATERIAL ACCOUNTING POLICIES (continued)

i) Leases (continued)

i) Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Currently, Group has no contract which includes lease and non-lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets to restore the underlying assets or the site on which it is located less any lease incentive returned.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability mainly comprise of fixed lease payments.

The lease liability is subsequently carried at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. MATERIAL ACCOUNTING POLICIES (continued)

i) Leases (continued)

ii) Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its building properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

j) Borrowing costs

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

k) Financial instruments

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.

i) Recognition and initial measurement

Accounts receivable and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Accounts receivable without a significant financing component is initially measured at the transaction price.

ii) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through OCI ("FVOCI"); or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3. MATERIAL ACCOUNTING POLICIES (continued)
k) Financial instruments (continued)
ii) Financial assets (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii) Financial assets - Business model and assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3. MATERIAL ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

iv) Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

v) Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVOCI	*Equity instrument at FVOCI:* These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

vi) Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

vii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

viii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

l) Impairment

i) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies the general approach to provide for ECLs on all other financial instruments. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivable and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group assesses all the information available, including past due status, credit ratings, the existence of third party insurance and forward-looking economic factors in the measurement of the expected credit losses associated with its accounts receivable and contract assets.

3. MATERIAL ACCOUNTING POLICIES (continued)

l) Impairment (continued)

i) Impairment of financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held)

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
  the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

3. MATERIAL ACCOUNTING POLICIES (continued)

l) Impairment (continued)

i) Impairment of financial assets (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii) Impairment of non- financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and contract assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each year at the same time. 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 groups 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.

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

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3. MATERIAL ACCOUNTING POLICIES (continued)

m) Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

n) Cash and cash equivalent
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet, if any.

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

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning liability
Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

p) Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, are recorded in the consolidated statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. A contingent asset becomes a realized asset recordable on the consolidated statement of financial position when the realization of cash flows associated with it becomes relatively certain.

q) Zakat and tax

Zakat
The Group is subject to the regulations of the Zakat, Tax and Custom Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is charged to the statement of profit or loss on an accruals basis. The zakat charge is computed on the Saudi shareholders' share of the zakat base or adjusted net profit whichever is higher. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3. MATERIAL ACCOUNTING POLICIES (continued)

q) Zakat and tax (continued)

***Zakat* (continued)**

Value added tax

Expenses and assets are recognised net of the amount of value added tax (“VAT”), except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.
- The net amount of VAT recoverable from, or payable

r) Employees' benefits

Retirement benefit costs and termination benefits

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement.

Curtailment gains and losses are accounted for as past service costs.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in profit or loss in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. MATERIAL ACCOUNTING POLICIES (continued)

s) Segment reporting (continued)

The Group's Board of Directors are considered to be the chief operating decision maker. Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. As the operations of the Group are conducted in the Kingdom of Saudi Arabia, accordingly, for management purposes, the Group is organized into business units based on its products and services.

t) Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

u) Statutory reserves

In accordance with Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

v) Short term investments

Short term investments in the statements position are deposits with having maturity of more than three months but less than a year from date of placement.

w) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

x) Asset held for sale

Non-current assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets (if any), which continued to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statement of profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements in conformity with IFRS, as endorsed in KSA, requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Further, certain estimates and assumptions include the direct and indirect impact of the COVID-19 pandemic on the Group's business, financial condition and results of operations. The economic impact of the pandemic on the Group's business depends on its severity and duration, which in turn depend on highly uncertain factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements, 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 discussed below:

a. Critical accounting estimates

i. Provision for expected credit losses of accounts receivable and contract assets

The Group uses a provision matrix to calculate ECLs for accounts receivable and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. payor groups). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

ii. Employees' end-of-service benefits

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

iii. Revenue recognition – estimating variable consideration

The Group estimates variable considerations to be included in the transaction price in respect of each of its agreement with customers. In making such estimate the Group assess the impact of any variable consideration in the contract, customers' right to volume discounts, prompt payment discounts and claims disallowance of certain services provided to the patients upon submission of invoices to the customers. The Group uses its accumulated historical experience to estimate the percentage. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected adjustments estimated by the Group.

iv. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget and marketing terms forecast 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 CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the growth rate used for extrapolation purposes.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

a. Critical accounting estimates (continued)

v. Useful lives of property and equipment

Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

vi. Useful lives of intangible assets

Management reviews the amortization period and the amortization method for any intangible asset with a finite useful life at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the Company changes the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Group changes the amortization method to reflect the changed pattern.

vii. Zakat

The Group is subject to Zakat in accordance with the Zakat, Tax and Custom Authority (“ZATCA”) regulations. Zakat computation involves relevant knowledge and judgement of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Group retains exposure to additional Zakat liability.

b. Critical judgements in applying accounting standards

i. Incremental borrowing rate for lease agreements

The Group cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

ii. Determining the lease term of contracts

The Group determines the lease term as 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.

5. NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

Amendments to existing standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimate (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction and Amendments to IAS 12 Income Taxes;
- International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12.

However, these amendments did not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to existing standards issued but not yet effective

The amendments to existing standards that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these amendments to existing standards, if applicable, when they become effective:

- Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1, effective for annual periods beginning on or after 1 January 2024;
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16, effective for annual periods beginning on or after 1 January 2024;
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7, effective for annual periods beginning on or after 1 January 2024;
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, effective for annual periods beginning on or after 1 January 2024;
- Lack of Exchangeability – Amendments to IAS 21, effective for annual periods beginning on or after 1 January 2025;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28, effective date deferred indefinitely.

6. OPERATING SEGMENTS

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 revenue & gross profit and is measured consistently in the consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

6. OPERATING SEGMENTS (continued)

The Group's operations consist mainly of the medical services and sale of pharmaceuticals products and accordingly following are selected financial information as at 31 December 2023 and 2022 by business segment:

- Medical Services segment: Inpatient and outpatient services.
- Pharmaceuticals'.

No operating segments have been aggregated to form the above reportable operating segments.

	Medical Services	Pharmaceuticals	Total
For the year ended 31 December 2023			
Revenue from external customers	**2,312,553,391**	**392,954,730**	**2,705,508,121**
Gross profit	**1,202,566,762**	**110,512,476**	**1,313,079,238**
Unallocated income / (expenses)			
Selling and marketing expenses			**(110,215,067)**
General and administrative expenses			**(337,427,376)**
Impairment loss on accounts receivables			**(117,256,160)**
Other income			**8,675,713**
Share of result of an associate			**10,205,829**
Finance income			**6,482,135**
Finance cost			**(46,456,505)**
Profit before zakat			**727,087,807**
Zakat expense for the period			**(38,699,067)**
Profit for the period			**688,388,740**
For the year ended 31 December 2022			
Revenue from external customers	2,014,476,950	319,635,334	2,334,112,284
Gross profit	1,014,487,850	87,083,888	1,101,571,738
Unallocated income / (expenses)			
Selling and marketing expenses			(99,061,797)
General and administration expenses			(318,514,813)
Impairment loss on accounts receivables			(18,270,433)
Other income			6,971,424
Share of result of an associate			9,880,203
Finance income			575,335
Finance cost			(22,880,351)
Profit before zakat			660,271,306
Zakat expense for the period			(27,583,650)
Profit for the period			632,687,656
As at 31 December 2023			
Segment assets	**4,716,319,267**	**248,227,330**	**4,964,546,597**
Segment liabilities	**1,391,618,392**	**146,081,489**	**1,537,699,881**
As at 31 December 2022			
Segment assets	4,428,502,523	233,079,080	4,661,581,603
Segment liabilities	1,434,649,800	150,598,598	1,585,248,398

Geographical segments:
All of the Group's operating assets and principal markets of activity are located in the Kingdom of Saudi Arabia.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of the share of results of associates, central administration costs including directors' salaries, profit from term deposits, non-operating gains and losses in respect of financial instruments and finance costs. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance. Details regarding capital expenditure and investment in associate has been separately disclosed in these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

7. PROPERTY AND EQUIPMENT

	Land	Buildings	Building system and improvement	Medical equipment and tools	Furniture and fixture	Motor vehicles	Construction work in progress	Total
Cost								
1 January 2022	378,061,632	957,037,955	543,923,560	843,633,059	198,131,042	35,728,548	601,090,925	3,557,606,721
Acquisition of a subsidiary (note 38)	87,600,986	-	-	-	-	-	69,921,514	157,522,500
Additions	51,268,526	12,251,532	36,347,370	129,031,780	30,775,336	4,824,371	147,889,505	412,388,420
Transfers (note 7.3)	-	394,311,365	272,280,148	3,805,113	-	-	(670,396,626)	-
Disposals	-	-	(159,583)	(1,659,559)	(2,728,611)	(2,795,386)	-	(7,343,139)
31 December 2022	516,931,144	1,363,600,852	852,391,495	974,810,393	226,177,767	37,757,533	148,505,318	4,120,174,502
Additions	**200,000**	**10,452,594**	**12,933,060**	**94,916,419**	**17,360,725**	**5,783,335**	**311,610,885**	**453,257,018**
Transfers (note 7.3)	**-**	**117,399,785**	**23,656,443**	**7,084,170**	**-**	**-**	**(148,140,398)**	**-**
Write off	**-**	**(478,281)**	**(36,563,830)**	**(117,781,545)**	**(26,374,173)**	**(473,693)**	**-**	**(181,671,522)**
Disposals	**-**	**-**	**(104,711)**	**(686,354)**	**(1,228,669)**	**(1,927,663)**	**-**	**(3,947,397)**
31 December 2023	**517,131,144**	**1,490,974,950**	**852,312,457**	**958,343,083**	**215,935,650**	**41,139,512**	**311,975,805**	**4,387,812,601**
Accumulated depreciation								
1 January 2022	-	266,218,008	275,685,763	458,417,159	115,331,925	23,321,651	-	1,138,974,506
Depreciation charge for the year	-	30,451,576	58,971,818	67,019,451	18,243,751	5,222,966	-	179,909,562
Disposals	-	-	(157,048)	(1,609,687)	(2,725,560)	(2,611,475)	-	(7,103,770)
31 December 2022	-	296,669,584	334,500,533	523,826,923	130,850,116	25,933,142	-	1,311,780,298
Depreciation charge for the year	-	**38,628,072**	**76,141,686**	**75,918,241**	**19,473,643**	**4,796,084**	-	**214,957,726**
Write off	-	**(478,242)**	**(36,562,922)**	**(117,723,083)**	**(26,367,948)**	**(473,685)**	-	**(181,605,880)**
Disposals	-	-	**(104,695)**	**(395,590)**	**(1,213,954)**	**(1,734,751)**	-	**(3,448,990)**
31 December 2023	**-**	**334,819,414**	**373,974,602**	**481,626,491**	**122,741,857**	**28,520,790**	**-**	**1,341,683,154**
Carrying amount								
As at 31 December 2023	**517,131,144**	**1,156,155,536**	**478,337,855**	**476,716,592**	**93,193,793**	**12,618,722**	**311,975,805**	**3,046,129,447**
As at 31 December 2022	516,931,144	1,066,931,268	517,890,962	450,983,470	95,327,651	11,824,391	148,505,318	2,808,394,204

(All amounts in Saudi Riyals unless otherwise stated)

7. PROPERTY AND EQUIPMENT (continued)

7.1 Depreciation charge for the year has been allocated as follow:

	Note	**2023**	2022
Cost of operations	29	**171,966,180**	143,927,649
General and administration expenses	31	**42,991,546**	35,981,913
		214,957,726	179,909,562

7.2 As at 31 December 2023, plots of land amounting to SR 52.92 million (2022: SR 56.1 million) have been pledged as security against term loans from Ministry of Finance. During 2021, the Group has fully paid the outstanding loan amount related to one region and applied for release of mortgage against land (having carrying amount of SR 3.18 million). During the year, the mortgage on the aforementioned land has been successfully released.

7.3 Construction Work in progress:
Construction work in progress mainly represents costs incurred to construct new hospitals and expansion of existing hospitals, which is currently in work-in-progress.

7.4 In 2023, borrowing costs of SR 4.54 million (2022: SR 9.47 million) have been capitalised.

8. GOODWILL

On 24 July 2006, the Group acquired 51% of the voting shares of EMS, an unlisted company registered in the Kingdom of Saudi Arabia. The Group performed its annual impairment test and compared the carrying value to their estimated recoverable amount based on appropriate method. The results of impairment test at 31 December 2023 indicated no impairment loss.

The recoverable amount of the EMS is also determined based on value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increased demand for services. The pre-tax discount rate applied to the cash flow projections is 11.29% (2022: 12.8%). The long-term growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 2% (2022: 2%). As a result of the analysis, the estimated recoverable amount exceeded its carrying amount by approximately SR 238 million (2022: SR 235 million) and management did not identify an impairment for this CGU.

(All amounts in Saudi Riyals unless otherwise stated)

8. GOODWILL (continued)

Key assumptions used in value in use calculations
The calculation of value in use is most sensitive to the following assumptions:

- Gross margins
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Discount rates represent the current market assessment of the risks specific to cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest- bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Growth rate estimates are based on published industry research.

Management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount. Management believes a reasonable range of increase or decrease in any of the assumptions within the projected cash flows would not change the outcome of the impairment analysis for the goodwill.

9. INTANGIBLE ASSETS

	Softwares	**Operating licenses**	**Total**
Cost			
1 January 2022	25,635,180	11,096,144	36,731,324
Additions during the year	3,176,449	2,688,675	5,865,124
Written off during the year	(1,550)	(2,763,920)	(2,765,470)
31 December 2022	28,810,079	11,020,899	39,830,978
Additions during the year	**5,389,522**	**4,110,943**	**9,500,465**
Written off during the year	**(3,372,927)**	**(570,978)**	**(3,943,905)**
31 December 2023	**30,826,674**	**14,560,864**	**45,387,538**
Accumulated amortization			
1 January 2022	13,178,696	7,845,137	21,023,833
Amortization charge for the year	2,299,646	2,883,669	5,183,315
Written off during the year	(1,550)	(2,763,920)	(2,765,470)
31 December 2022	15,476,792	7,964,886	23,441,678
Amortization charge for the year	**2,672,250**	**3,030,946**	**5,703,196**
Written off during the year	**(3,372,927)**	**(570,978)**	**(3,943,905)**
31 December 2023	**14,776,115**	**10,424,854**	**25,200,969**
Carrying amount			
31 December 2023	**16,050,559**	**4,136,010**	**20,186,569**
31 December 2022	13,333,287	3,056,013	16,389,300

The amortization of intangible assets has been allocated as follows:

	2023	2022
Cost of operations (note 29)	**2,137,801**	1,839,717
General and administration expenses (note 31)	**3,565,395**	3,343,598
	5,703,196	5,183,315

(All amounts in Saudi Riyals unless otherwise stated)

10. RIGHT-OF-USE ASSET

The Group has a contract for lease of building having lease term of 11 years.

During the year ended 31 December 2023, lease rentals were reduced as Company returned certain portion of the leased asset to the lessor, accordingly the right of use assets and lease liabilities are modified as per the requirement of IFRS 16 Leases and resulted gain on modification has been recorded in this condensed consolidated statement of profit or loss and other comprehensive income.

	2023	2022
1 January	**27,596,156**	31,048,389
Effect of modification (note 24.2)	**(5,101,263)**	-
Depreciation expense	**(2,811,862)**	(3,452,233)
31 December	**19,683,031**	27,596,156

The depreciation of right-of-use asset has been allocated as follows:

	2023	2022
Cost of operations (note 29)	**2,249,490**	2,761,786
General and administration expenses (note 31)	**562,372**	690,447
	2,811,862	3,452,233

11. INVESTMENT IN AN ASSOCIATE – HELD FOR SALE

The Group has 50% share in Advance Medical Project Company ("AMPC"), a limited liability company registered in the Kingdom of Saudi Arabia. AMPC is engaged in operating ophthalmology, ears, noses and throats clinics. This investment is accounted for under the equity method and share in result of associate has been recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

Subsequent to the year end, the Company has formally announced its decision to exit its investment in Advanced Medical Projects Co ("AMPC"). Earlier it was agreed to extend the memorandum of association ending on 31 December 2022 to the end of 2025. Subsequently, an amendment was made, and services will continue until the end of January 2024. Starting from 1 February 2024, Mouwasat hospital in Dammam will provide services through their Mouwasat Eye Center. Pursuant to exit, Group will no longer have significant influence over AMPC.

Consequently, as of 31 December 2023, the Group has classified investments in associates as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. This investment is carried at lower of fair value and carrying amount as management consider the fair value of investment approximate to the carrying value.

The movement in the investment during the year was as follows:

	2023	2022
1 January	**18,788,375**	19,193,147
Share in results	**10,205,829**	9,880,203
Dividends (note 11.2)	**(9,852,121)**	(10,449,544)
Other comprehensive loss	**(171,060)**	164,569
Transferred to investment in associate held for sale	**(18,971,023)**	-
31 December	**-**	18,788,375

11.1 The financial information of the associate is not material at the Group level, therefore summarised financial information of the associate has not been presented.

11.2 This includes dividend receivable amounting to SR nil (2022: SR 5,224,772).

(All amounts in Saudi Riyals unless otherwise stated)

12. ADVANCES TO CONTRACTORS AND SUPPLIERS

This represents advances made to contractor and supplier for hospital projects under progress and purchase of medical equipment. The movement in advances to contractors and suppliers was as follows:

	2023	2022
Balance as at 1 January	**200,522,745**	242,834,706
Acquisition of a subsidiary (note 38)	**-**	9,948,462
Payments during the year	**215,617,973**	57,845,376
Transfer to property and equipment	**(171,679,937)**	(110,105,799)
Balance as at 31 December	**244,460,781**	200,522,745

13. INVENTORIES

	2023	2022
Pharmaceuticals and cosmetic materials	**100,165,384**	114,239,924
Surgical and consumable tools	**88,265,344**	82,644,734
Other consumables	**8,734,058**	6,502,569
	197,164,786	203,387,227

No expense or reversal has been recognized in respect of impairment for inventories as expired inventories are recalled by the suppliers before the expiry date as per terms of agreement.

No write downs of inventory to net realisable value and of the reversal of such write-downs have been recognized because sales prices of pharmaceutical inventories are regulated by ministry of health and have not significantly changed subsequent to year end.

14. ACCOUNTS RECEIVABLE

	2023	2022
Accounts receivable	**1,316,142,867**	1,108,930,209
Less: Impairment loss (note 14.1)	**(163,486,121)**	(72,501,282)
	1,152,656,746	1,036,428,927

The Group's credit terms require receivables to be repaid within 30-60 days of the claim date depending on the type of customer, which is in line with healthcare industry. It is not the practice of the Group to obtain collateral over receivables and therefore are unsecured. No interest is charged on outstanding balance. As at 31 December 2023, approximately 95% of the Group's accounts receivable balance was due from various governmental and insurance entities (31 December 2022: 93%)

The Group always measures the loss allowance for accounts receivable at an amount equal to lifetime ECL. The expected credit losses are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

(All amounts in Saudi Riyals unless otherwise stated)

14. ACCOUNTS RECEIVABLE (continued)

The following table details the risk profile of accounts receivable based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss pattern for different customer segments.

	Accounts receivable – days past due					
	Not past due	**30-90**	**90 -180**	**180-360**	**>360**	**Total**
31 December 2023	**240,985,980**	**382,895,698**	**163,024,018**	**207,130,504**	**158,620,546**	**1,152,656,746**
31 December 2022	197,932,339	228,036,153	112,956,355	202,002,724	295,501,356	1,036,428,927

14.1 Following is the movement of impairment loss on accounts receivable:

	2023	2022
Balance at 1 January	**72,501,282**	57,510,112
Impairment loss on accounts receivables	**117,256,160**	18,270,433
Write offs	**(26,271,321)**	(3,279,263)
Balance at 31 December	**163,486,121**	72,501,282

15. ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

	2023	2022
Prepaid expenses	**51,003,045**	49,057,460
Advances to suppliers	**22,974,918**	16,058,089
Contract assets (note 28.1)	**8,610,772**	4,212,160
Other assets	**16,368,542**	7,176,259
	98,957,277	76,503,968

16. TERM DEPOSITS

As at 31 December 2023, Islamic term deposits of SR 100 million (2022: SR 111 million) were placed with a local bank with maturities of more than three months and earn commission income at fixed agreed rate specified in the placement letter. The agreed rate was prevailing market interest rate at the time of its placement.

17. CASH AND CASH EQUIVALENTS

	2023	2022
Cash in hand	**409,514**	542,771
Bank balances	**48,639,992**	143,333,722
	49,049,506	143,876,493

Cash and cash equivalents comprise cash at banks and cash in hand which are subject to an insignificant risk of changes in value.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

(All amounts in Saudi Riyals unless otherwise stated)

18. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 200 million shares (2022: 100 million shares) of SR 10 each.

During the year 2022, the Company's board of directors recommended in its meeting held on 22 December 2022 for capital increase by granting free shares to the Company's shareholders, with one share for each of the shares owned on the day of the extra ordinary general meeting and registered in the Company's shareholder register. The share capital increase was proposed by way of capitalization of SR 1 billion from retained earnings. The proposed bonus shares issuance was approved by the Company's shareholders in an Extraordinary General Assembly Meeting held on 7 August 2023. During the year ended 31 December 2023, bonus shares were distributed, share capital was increased and accordingly all the legal formalities have been finalised.

19. DIVIDENDS

The Board of Directors at their meeting held on 12 Jumada Al-Akhirah 1445H (corresponding to 25 December 2023G) proposed a cash dividend of SR 1.75 per share amounting to SR 350 million for the year ended 31 December 2023G. The approval of the shareholders of the Group for the dividend shall be obtained in their forthcoming Annual General Meeting. The consolidated financial statements for the year ended 31 December 2023 do not include the effect of the aforementioned proposed dividend, which will be accounted for in the consolidated financial statements for the year ending 31 December 2024.

The Board of Directors at their meeting held on 28 Jumada Al-Awwal1444H (corresponding to 22 December 2022G) proposed a cash dividend of SR 3 per share amounting to SR 300 million for the year ended 31 December 2022G, which was subsequently approved by shareholders in General Assembly Meeting held on 17 Shawwal 1444H (corresponding to 7 May 2023G), which has been accounted for in the consolidated financial statements for the year ended 31 December 2023.

The Board of Directors at their meeting held on 14 Jumada Al-Akhirah 1443H (corresponding to 17 January 2022G) proposed a cash dividend of SR 2.75 per share amounting to SR 275 million for the year ended 31 December 2021G, which was subsequently approved by shareholders in General Assembly Meeting held on 8 Shawwal 1443H (corresponding to 9 May 2022G), which has been accounted for in the consolidated financial statements for the year ended 31 December 2022.

20. STATUTORY RESERVE

In accordance with the By-laws of the Company, 10% of the profit for the year is required to be transferred to the statutory reserve until the balance in the reserve equals 30% of the capital.

21. NON-CONTROLLING INTERESTS

The following table summarises the information relating to the Group’s subsidiaries (Eastern Medical Services Company “EMS” and Jeddah Doctor Company “JDC”) that has material non-controlling interests (NCI), before any intra group eliminations.

Summarized statements of financial positions

31 December 2023	**EMS**	**JDC**	**Total**
Non-current assets	**113,896,827**	**172,974,581**	**286,871,408**
Current assets	**132,451,789**	**5,051,743**	**137,503,532**
Non-current liabilities	**(20,099,128)**	**(10,553)**	**(20,109,681)**
Current liabilities	**(34,227,167)**	**(64,342,748)**	**(98,569,915)**
Net assets	**192,022,321**	**113,673,023**	**305,695,344**
Attributable to:			
Equity holder of parent	**97,931,393**	**57,973,239**	**155,904,632**
Non-controlling interests	**94,090,928**	**55,699,784**	**149,790,712**

(All amounts in Saudi Riyals unless otherwise stated)

21. NON-CONTROLLING INTERESTS (continued)

Summarized statements of financial positions (continued)

31 December 2022	EMS	JDC	Total
Non-current assets	108,351,764	116,012,334	224,364,098
Current assets	144,948,837	10,443,185	155,392,022
Non-current liabilities	(18,498,076)	(5,185,488)	(23,683,564)
Current liabilities	(36,923,716)	(5,910,496)	(42,834,212)
Net assets	197,878,809	115,359,535	313,238,344
Attributable to:			
Equity holder of parent	100,918,202	58,833,361	159,751,563
Non-controlling interests	96,960,607	56,526,174	153,486,781

Summarized statements of profit or loss and other comprehensive income for the year ended 31 December:

31 December 2023	**EMS**	**JDC**	Total
Revenue	**255,509,638**	-	**255,509,638**
Cost of sales	**(119,372,507)**	-	**(119,372,507)**
Selling and distribution expenses	**(11,593,995)**	-	**(11,593,995)**
General and administration expenses	**(53,748,819)**	**(1,298,749)**	**(55,047,568)**
Impairment loss on accounts receivables	**(6,200,000)**	-	**(6,200,000)**
Other income	**8,255**	-	**8,255**
Finance income	**751,767**	-	**751,767**
Profit before zakat	**65,354,339**	**(1,298,749)**	**64,055,590**
Zakat for the year	**(1,013,065)**	**(387,762)**	**(1,400,827)**
Net profit for the year	**64,341,274**	**(1,686,511)**	**62,654,763**
Other comprehensive loss for the year	**(197,762)**	-	**(197,762)**
Total comprehensive income for the year	**64,143,512**	**(1,686,511)**	**62,457,001**
Profit attributable to non-controlling interest	**31,527,224**	**(826,390)**	**30,700,834**
Total comprehensive income attributable to non-controlling interests	**31,430,321**	**(826,390)**	**30,603,931**
Dividends to non-controlling interest	**34,300,000**	**-**	**34,300,000**

31 December 2022	EMS	JDC	Total
Revenue	256,675,879	-	256,675,879
Cost of sales	(120,462,125)	-	(120,462,125)
Selling and distribution expenses	(11,048,680)	-	(11,048,680)
General and administration expenses	(53,021,247)	(223,826)	(53,245,073)
Impairment loss on accounts receivables	-	-	-
Other income	35,935	-	35,935
Finance income	100,425	-	100,425
Profit before zakat	72,280,187	(223,826)	72,056,361
Zakat for the year	(3,929,027)	-	(3,929,027)
Net profit for the year	68,351,160	(223,826)	68,127,334
Other comprehensive loss for the year	(230,110)	-	(230,110)
Total comprehensive income for the year	68,121,050	(223,826)	67,897,224
Profit attributable to non-controlling interest	33,492,068	(109,673)	33,382,395
Total comprehensive income attributable to non-controlling interests	33,379,314	(109,673)	33,269,641
Dividends to non-controlling interest	34,300,000	-	34,300,000

(All amounts in Saudi Riyals unless otherwise stated)

21. NON-CONTROLLING INTERESTS (continued)

Summarised cash flow information for the year ended 31 December:

31 December 2023	**EMS**	**JDC**	Total
Cash from operating activities	**67,020,236**	**39,217,081**	**106,237,317**
Cash used in investing activities	**(262,458)**	**(39,251,600)**	**(39,514,058)**
Cash used in financing activities	**(70,000,000)**	**-**	**(70,000,000)**
Net decrease in the cash and cash equivalents	**(3,242,222)**	**(34,519)**	**(3,276,741)**

31 December 2022	EMS	JDC	Total
Cash from operating activities	70,860,798	1,640,249	72,501,047
Cash used in investing activities	(12,001,249)	(1,542,320)	(13,543,569)
Cash used in financing activities	(70,000,000)	-	(70,000,000)
Net decrease in the cash and cash equivalents	(11,140,451)	97,929	(11,042,522)

Non-controlling interest percentage	**2023**	2022
Eastern Medical Services Company	**49%**	49%
Jeddah Doctor Company	**49%**	49%

22. LONG-TERM BORROWINGS

	2023	2022
Current		
Loans from commercial banks (a)	**259,443,829**	228,769,065
Loans from Ministry of Finance (b)	**6,590,230**	5,946,940
	266,034,059	234,716,005
Non-Current		
Loans from commercial banks (a)	**430,458,956**	551,569,446
Loans from Ministry of Finance (b)	**69,590,738**	76,180,968
	500,049,694	627,750,414

Movement in bank loans and borrowings is as follows:

	2023	2022
Balance at 1 January	**862,466,419**	796,333,957
Additions	**180,000,000**	300,000,000
Payments made during the year	**(276,382,666)**	(233,867,538)
Balance at 31 December	**766,083,753**	862,466,419

a) The Group obtained Islamic loans facilities from various local commercial banks. These loans are secured by promissory notes and assignment of insurance and contract proceeds. The facilities are subject to commission at SIBOR plus an agreed margin.

b) The Group obtained loans facility of SR 147.3 million from Ministry of Finance for expansions and building of new hospitals and purchase of medical equipment. The loans are secured by a mortgage on the Group's plots of land (refer note 7.2) and are repayable on equal annual installments. These loans do not carry any financial charges.

c) The Group had SR 2,007 million of unutilized facilities available for drawdown from total facilities of SR 3,396 million (2022: SR 1,995 million of unutilized facilities available for drawdown from total facilities of SR 3,500 million).

(All amounts in Saudi Riyals unless otherwise stated)

22. LONG-TERM BORROWINGS (continued)

The Group is required to comply with certain covenant under the loan facility agreements mentioned above. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by management, in case of potential breach, actions are taken by management to ensure compliance. The Group was in compliance with financial covenants as of 31 December 2023 and 31 December 2022.

Following are the combined aggregate amounts of future maturities representing principal amounts of the term loans as at 31 December:

	2023	2022
Within one year	**266,034,059**	234,716,005
Later than one year but not later than five years	**417,547,612**	530,568,615
Later than five years	**82,502,082**	97,181,799
	766,083,753	862,466,419

23. EMPLOYEES' BENEFITS

The Group operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plan.

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income
The amounts recognised in the consolidated statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

Total amount recognized in profit or loss:

	2023	2022
Current service cost	**24,878,169**	20,449,338
Interest cost on benefit obligation	**6,536,605**	2,841,186
	31,414,774	23,290,524

Total amount recognised in other comprehensive income

Remeasurement loss arising from:	**2023**	2022
Actuarial loss due to change in experience adjustments	**1,867,710**	6,928,796
Actuarial loss / (gain) due to change in financial assumptions	**1,536,459**	(1,002,605)
	3,404,169	5,926,191

Movement in the present value of defined benefit obligation:

	2023	2022
As at 1 January	**137,079,848**	124,821,994
Acquisition of a subsidiary (note 38)	**-**	14,605
Current service cost	**24,878,169**	20,449,338
Interest cost	**6,536,605**	2,841,186
Remeasurement losses on the obligation	**3,404,169**	5,926,191
Benefits paid during the year	**(18,098,353)**	(16,973,466)
As at 31 December	**153,800,438**	137,079,848

(All amounts in Saudi Riyals unless otherwise stated)

23. EMPLOYEES' BENEFITS (continued)

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2023	2022
Discount rate	**4.60%**	4.65%
Future salary increases	**4.85%**	4.90%
Mortality rates	**WHO SA19**	WHO SA19
Rates of employee turnover	**Heavy**	Heavy

Assumptions regarding future mortality have been based on published statistics and mortality tables. For current year World Health Organization "WHO" 19 mortality table has been used (2022: World Health Organization "WHO" 19 mortality table was used) for Kingdom of Saudi Arabia. There is no major deviation in the mortality tables used.

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December is shown below:

Assumptions	**Discount rate**	
Sensitivity analysis	**0.5% increase**	**0.5% decrease**
Defined benefit obligation as at 2023	**149,889,898**	**(158,024,344)**
Defined benefit obligation as at 2022	134,540,382	(141,920,931)

	Future salary increase	
	0.5% increase	**0.5% decrease**
Defined benefit obligation as at 2023	**157,993,805**	**(149,880,664)**
Defined benefit obligation as at 2022	141,893,229	(134,532,009)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following payments are expected against the defined benefit liability in future years:

	2023	2022
Year 1	**21,792,960**	18,922,444
Year 2	**38,713,633**	34,664,578
Year 3	**25,363,086**	20,597,126
Year 4	**24,038,507**	24,401,359
Year 5	**25,573,426**	22,603,312
Beyond 5 years	**123,216,031**	113,354,350
	258,697,643	234,543,169

(All amounts in Saudi Riyals unless otherwise stated)

24. LEASE LIABILITIES

The Group has contracted for lease of building having lease period of 11 years from the date of agreement with an option to renew thereafter on mutual consent. Lease payments agreed at the time of inception of lease, may change during the tenure of agreement based on mutual consent of both parties.

During the year ended 31 December 2023, lease rentals were reduced as Group returned certain portion of the leased asset to the lessor, accordingly the right of use assets and lease liabilities are modified as per the requirement of IFRS 16 Leases and resulted gain on modification has been recorded in this condensed consolidated statement of profit or loss and other comprehensive income.

Information about leases for which the Group is a lessee is presented below:

24.1 Lease liabilities

	2023	2022
1 January	**29,694,954**	32,528,235
Effect of modification (note 24.2)	**(5,494,788)**	-
Interest expense	**1,420,019**	1,466,719
Payments	**(3,225,000)**	(4,300,000)
Balance as at 31 December	**22,395,185**	29,694,954

	2023	2022
Current portion	**3,612,000**	4,300,000
Non-current portion	**18,783,185**	25,394,954
Balance as at 31 December	**22,395,185**	29,694,954

24.2 Amounts recognized in profit or loss

Leases under IFRS 16

	2023	2022
Interest on lease liabilities (note 33)	**1,420,019**	1,466,719
Depreciation on right-of-use assets (note 10)	**2,811,862**	3,452,233

	2023	2022
Effect of modification of lease liability (note 24.1)	**5,494,788**	-
Effect of modification of right-of-use asset (note 10)	**(5,101,263)**	-
Gain on modification of leases	**393,525**	-

24.3 Leases as lessor

The Group has rented out outlets for a period of less than one year and has no material finance lease contract as a lessor.

25. ACCOUNTS PAYABLE

	2023	2022
Accounts payable	**230,222,076**	213,202,860
Retention payable (note 25.1)	**1,484,658**	2,104,051
	231,706,734	215,306,911

The average credit period on purchases of goods is three months. No interest is charged on the accounts payable outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

25.1 Non- current retention payable amounting to SR 34,434,661 (2022: SR 28,063,626) represents retention amount payable to contractors, in accordance with contractual agreements for long term projects.

(All amounts in Saudi Riyals unless otherwise stated)

26. ACCRUALS AND OTHER CURRENT LIABILITIES

	2023	2022
Accrued employee cost	**47,947,613**	46,800,782
Value added tax (VAT)	**43,647,676**	37,881,572
Accrued management incentives	**39,145,119**	50,678,712
NPHIES accrual	**25,352,553**	15,172,491
Accrued material and services cost	**19,765,845**	17,496,688
Accrued finance cost	**1,825,754**	3,144,391
Other payables	**6,619,482**	3,703,277
	184,304,042	174,877,913

27. ZAKAT

The principle elements of zakat base are as follows:

	2023	2022
Non-current assets	**(3,346,830,828)**	(3,088,061,780)
Non-current liabilities	**707,067,978**	818,288,842
Opening shareholders' equity	**3,076,333,205**	2,702,071,324
Profit before zakat	**727,087,807**	660,271,306
Dividend paid	**(300,000,000)**	(275,000,000)

Some of the above amounts have been adjusted in arriving at approximate zakat base and the zakat charge for the year.

Movement of zakat provision as follow:

	2023	2022
Balance at 1 January	**25,977,290**	23,723,450
Charge		
Current year	**33,754,078**	25,977,290
Prior year	**4,944,989**	1,606,360
	38,699,067	27,583,650
Payments during the year	**(30,922,279)**	(25,329,810)
Balance at 31 December	**33,754,078**	25,977,290

Status of assessment:

Mouwasat Medical Services Company

The Company has submitted its zakat returns up to year ended December 31, 2022, settled zakat as per the return and obtained the required certificates and official receipts. The assessments for the years up to 2016 were finalized and settled in 2018. Zakat, Tax and Custom Authority ("ZATCA") raised queries for years 2017 and 2018 and the Company has provided the relevant information. According to ZATCA portal, the inquiry case for these years were closed and ZATCA did not raise any Zakat differences. ZATCA raised assessments for years 2019 and 2020 with a total liability of SR 7.3 million. Company has submitted an objection against ZATCA's assessment for the year 2019 and 2020 and subsequent to the objection, ZATCA issued a revised assessment with a total liability of SR 6.3 million, on which the Company filed an appeal against the rejection with the Committee for Resolution of Tax Violations and Disputes "CRTVD" through the General Secretariat of Tax Committees "GSTC" portal. The CRTVD has issued its decision where it has rejected the Company appeal. Subsequently, the Company has appeal the CRTVD's decision with the Appellate Committee of Tax Violations and Dispute Resolution (ACTVDR), and the lawsuit is still under study by the ACTVDR. The management is confident that the outcome of the claim when finally determined by ACTVDR will not be significant. The assessment for the year 2021 and 2022 is still under review by the ZATCA.

(All amounts in Saudi Riyals unless otherwise stated)

27. ZAKAT (continued)

Status of assessment (continued):

Eastern Medical Services Company Limited

The subsidiary has submitted its zakat returns up to year ended 31 December 2022, settled zakat as per the returns and obtained the required certificates and official receipts. The assessments for the years from 2013 to 2016 and for the year 2018 were finalized and settled in 2018. ZATCA raised an assessment for the year 2019 amounting to SR 0.663 million and the Company has submitted an objection against ZATCA's assessment for the year 2019 and the objection is currently under review by ZATCA. ZATCA issued a revised assessment rejecting the Company appeal; the Company filed an appeal against the rejection with the Committee for Resolution of Tax Violations and Disputes "CRTVD" through the General Secretariat of Tax Committees "GSTC" portal. The case is still under study with the CRTVD. The management is confident that the outcome of the claim will not be significant. The assessment for the years 2020, 2021 and 2022 are still under review by the ZATCA.

Jeddah Doctor Company

The subsidiary has submitted the zakat return up to year ended 31 December 2022, settled zakat as per the returns and obtained the required certificates and official receipts. The subsidiary has not received any assessments from Zakat, Tax and Customs Authority ("ZATCA") since inception.

28. REVENUE

The Group generates revenue primarily from:

- Services relating to inpatient and outpatient; and
- Sale of pharmaceutical goods.

Disaggregation of revenue

In the following table, revenue from contracts with customers is disaggregated by service lines and timing of revenue recognition. All revenues are generated within Kingdom of Saudi Arabia.

Revenue by service lines	**2023**	2022
Medical services	**2,312,553,391**	2,014,476,950
Pharmaceuticals	**392,954,730**	319,635,334
	2,705,508,121	2,334,112,284

Timing of revenue recognition	**2023**	2022
Medical services and pharmaceuticals sales transferred at a point in time	**1,639,043,858**	1,347,105,551
Medical services transferred over time	**1,066,464,263**	987,006,733
	2,705,508,121	2,334,112,284

As at 31 December	**2023**	2022
Contract assets (note 28.1 and 15)	**8,610,772**	4,212,160
Refund liability (note 28.2)	**106,084,803**	105,108,775

28.1 Contract assets:

Contract assets are related to in-patients who were provided services during the reporting period but were not discharged or billed as of the reporting date.

28.2 Refund liability:

Certain contracts provide for discounts comprise retrospective volume discounts granted to insurance companies on attainment of certain admission levels / certain levels of patient visits. The retrospective volume discounts give rise to variable consideration. Variable consideration is recognised as a revenue to the extent that it is highly probable that it will not reverse. Discounts are accrued over the course of the period based on the estimates of the level of business expected using single most likely amount method. This is adjusted at the end of the period to reflect actual volumes. Volume discounts are recorded as a reduction in revenue and liabilities are created based on these estimates.

(All amounts in Saudi Riyals unless otherwise stated)

28. REVENUE
28.2 Refund liability (continued):

	2023	2022
Balance at 1 January	**105,108,775**	36,018,794
Addition during the year	**103,407,470**	74,086,273
Adjusted during the year	**(102,431,442)**	(4,996,292)
Balance at 31 December	**106,084,803**	105,108,775

29. COST OF OPERATIONS

	2023	2022
Employees' cost	**525,284,082**	495,594,538
Material consumption	**198,021,119**	166,941,447
Depreciation (note 7)	**171,966,180**	143,927,649
Drug consumption	**100,333,146**	90,434,678
Repair and maintenance	**42,903,114**	39,182,996
Support services	**28,891,224**	28,372,386
Utilities	**18,586,186**	17,132,686
Depreciation on right-of-use of asset (note 10)	**2,249,490**	2,761,786
Amortization of intangible assets (note 9)	**2,137,801**	1,839,717
Others	**19,614,287**	13,801,217
	1,109,986,629	999,989,100

30. SELLING AND MARKETING EXPENSES

	2023	2022
Employee's cost	**75,040,584**	70,799,220
Advertisement and promotion	**35,174,483**	28,262,577
	110,215,067	99,061,797

31. GENERAL AND ADMINISTRATION EXPENSES

	2023	2022
Employees' cost	**151,251,671**	141,672,204
Depreciation (note 7)	**42,991,546**	35,981,913
NPHIES fee accrual (note 31.1)	**25,230,061**	15,172,491
Repair and maintenance	**18,391,589**	16,792,712
Executives' salaries	**14,550,000**	14,550,000
Management bonus	**13,825,149**	29,676,854
Support services	**12,382,220**	12,196,593
Utilities	**7,971,549**	7,381,320
Office stationery and supplies	**6,559,275**	7,613,758
Board of directors' remuneration	**4,150,003**	4,699,996
Amortization of intangible assets (note 9)	**3,565,395**	3,343,598
Legal and professional fees	**2,913,070**	1,784,746
Depreciation on right-of-use of asset (note 10)	**562,372**	690,447
Others	**33,083,476**	26,958,181
	337,427,376	318,514,813

31.1 NPHIES fee accrual represents fee accrued during the year 2023 for using NPHIES portal which is a unified electronic service platform for health and insurance exchange services.

(All amounts in Saudi Riyals unless otherwise stated)

32. OTHER INCOME

	2023	2022
Rental income	**1,895,722**	1,810,755
Gain on disposal of property and equipment	**292,893**	237,957
Others	**6,487,098**	4,922,712
	8,675,713	6,971,424

33. FINANCE COST

	2023	2022
Interest on Islamic loans	**45,036,486**	21,413,632
Interest on lease liabilities (note 24)	**1,420,019**	1,466,719
	46,456,505	22,880,351

34. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net income for the period attributable to the shareholders of the Company by the weighted average number of outstanding shares during the period as follows:

	2023	2022
Profit for the period attributable to the shareholders of the Company	**657,687,906**	599,305,261
Weighted average number of outstanding shares during the year	**200,000,000**	200,000,000
Basic and diluted earnings per share attributable to the shareholders of the Company	**3.29**	3.00

The weighted average number of outstanding shares have been retrospectively adjusted for prior year to reflect the distribution of 100 million bonus shares during the year ended 31 December 2023.

35. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated companies and their shareholders, key management personnel, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. Terms and conditions of these transactions are approved by the Group's management. During the year, the Group transacted with the following related parties:

Related Party	**Relationship**
Advance Medical Project Company ("AMPC")	Associate
Al-Mouwasat International Company	Owned by shareholder
AdVision Media Solution	Entity with significant influence

Related Party	**Nature of transaction**	**2023**	2022
Advance Medical Project Company ("AMPC")	- Revenue	**(3,318,258)**	(3,125,988)
	- Share in result	**(10,205,829)**	(9,880,203)
	- Purchase of services	**5,564,459**	6,780,306
	- Other services	**4,437,356**	752,754
Al-Mouwasat International Company	- Purchases	**33,611,630**	35,350,640
	- Rent expense	**2,676,000**	2,676,000
	- Other services	**(87,889)**	(85,913)
AdVision Media Solution	- Advertisement services	**29,996,015**	28,190,660

(All amounts in Saudi Riyals unless otherwise stated)

35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The breakdown of the amounts due to / due from related parties are as follows:

a) Due to related parties

	2023	2022
Al-Mouwasat International Company	**5,094,362**	5,881,147
AdVision Media Solution	**41,825**	791,515
	5,136,187	6,672,662

b) Due from related parties

	2023	2022
Advance Medical Project Company ("AMPC")	**916,431**	2,323,208

Amounts due to and due from related parties as at 31 December 2023 principally include balances related to the above mentioned transactions. Outstanding balances at the reporting date are unsecured, interest free and payable within 12 months in ordinary course of business. Prices and terms of payment of the above transactions are approved by the Group's management.

c) Compensation to key management personnel

The remuneration of directors and other members of key management personnel during the period was as follows:

	2023	2022
Salary and allowances	**19,640,000**	19,740,000
Incentives and other benefits	**18,879,348**	17,145,307
	38,519,348	36,885,307

The remuneration of directors and key executives is determined by the remuneration committee considering the performance of individuals and market trends. Board of Directors' fee of SR 3.85 million (2022: SR 3.95 million) have been included as part of key management personnel remuneration.

On 20 March 2023, the Board of Directors of Zakat, Tax, and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia (KSA) approved the amendments to the Transfer Pricing Bylaws (TP Bylaws) to bring the following into effect: a) extend applicability of the Transfer Pricing (TP) provisions to Zakat paying entities; and b) introduced Advance Pricing Agreements (APA) provisions for Tax payers and Zakat payers and these amendments were subsequently approved by Ummul Qura on 14 April 2023. The amendments will be applicable for Financial Years (FYs) starting on or after 1 January 2024. Under these new requirements, Zakat paying entities will need to ensure that their transactions with related parties are priced at arm's length and will be required to submit a TP disclosure form and TP Affidavit with their Zakat returns along with other compliances as stipulated in the TP Bylaws. Currently management is assessing the impact of these amendments on transactions with related parties and will make necessary changes in policies, procedures and agreements with its related parties to comply with the requirement of TP By-laws.

36. CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees

As of 31 December 2023, the Group's bankers have given guarantees, on behalf of the Group, amounting to SR 0.5 million (2022: SR 17.8 million) mainly in respect of performance guarantees to customers and others.

Capital commitments

As of 31 December 2023, the Group's capital commitments amounted to SR 484.24 million (2022: SR 364.15 million) relating to certain expansion projects.

As of 31 December 2023, the Group has outstanding letter of credits amounting to SR 7.88 million (2022: SR 18.16 million).

(All amounts in Saudi Riyals unless otherwise stated)

37. FINANCIAL INSTRUMENTS

37.1 Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise loans, lease liability, accounts payable, accrual and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, term deposits and cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into any hedging activities. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term debt obligations with floating interest rates. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group’s profit before Zakat is affected through the impact on floating rate borrowings, as follows:

	2023	2022
Increase by 50 basis points	**(3,401,079)**	(2,512,986)
Decrease by 50 basis points	**3,401,079**	2,512,986

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expense is denominated in a different currency from the Group’s functional currency).

The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyal is on a fixed parity with the US Dollar, the management believes that the Group does not have any significant exposure to currency risk.

Commodity price risk

The Group is exposed to the impact of market fluctuations of the prices of various inputs to cost of revenues including pharmaceuticals supplies. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of such materials to manage the risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for accounts receivable) and from its investing activities, including deposits with banks and financial institutions.

(All amounts in Saudi Riyals unless otherwise stated)

37. FINANCIAL INSTRUMENTS (continued)

37.1 Financial instruments risk management objectives and policies (continued)

Credit risk (continued)

	2023	2022
Cash in bank	**48,639,992**	143,333,722
Term deposits (note 16)	**100,000,000**	111,000,000
Accounts receivable (note 14)	**1,152,656,746**	1,036,428,927
Due from related parties (note 35)	**916,431**	2,323,208
Contract asset (28.1)	**8,610,772**	4,212,160
Other current assets	**16,368,542**	7,176,259
	1,327,192,483	1,304,474,276

Accounts receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Accounts receivable of the Group are spread across large number of customers comprising of Ministries, insurance companies, semi-government companies and individual patients. The Group holds the accounts receivable with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow ups. The management has established a credit policy under which each new insurance company is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Group evaluates the concentration of risk with respect to accounts receivable as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. Accounts receivable and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, management has fully exhausted recoveries through legal means and a failure to make contractual payments.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks having rating "Baa1" or better. The stated rating is as per the global bank ratings by Moody's Investors Service. At the reporting date, no significant concentration of credit risk were identified by the management.

Due from related parties

The Group is not significantly exposed to any credit risk on its receivables balance which are due from its related parties as all the balances are originated and settled between the Group companies on regular basis.

Contract asset and other current assets

Contract assets are not more than six months. The Group is not significantly exposed to any credit risk on these balances.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realise financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's term of sales and services provided require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Accounts payable are normally settled within 60 to 90 days of the date of purchase.

(All amounts in Saudi Riyals unless otherwise stated)

37. FINANCIAL INSTRUMENTS (continued)
37.1 Financial instruments risk management objectives and policies (continued)
Liquidity risk *(continued)*

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.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

		Contractual undiscounted cash flows			
As at 31 December 2023	**Carrying amount**	**Within 12 months**	**2 to 5 years**	**> 5 years**	**Total**
Accounts payable	**231,706,734**	**231,706,734**	**-**	**-**	**231,706,734**
Due to related parties	**5,136,187**	**5,136,187**	**-**	**-**	**5,136,187**
Retention payable	**34,434,661**	**-**	**34,434,661**	**-**	**34,434,661**
Accruals and other payable	**184,304,042**	**184,304,042**	**-**	**-**	**184,304,042**
Refund liability	**106,084,803**	**106,084,803**	**-**	**-**	**106,084,803**
Loans and borrowings	**766,083,753**	**303,411,804**	**468,531,088**	**84,037,121**	**855,980,013**
Lease liabilities	**22,395,185**	**3,612,000**	**15,507,750**	**8,058,000**	**27,177,750**
	1,350,145,365	**834,255,570**	**518,473,499**	**92,095,121**	**1,444,824,190**

		Contractual undiscounted cash flows			
As at 31 December 2022	Carrying amount	Within 12 months	2 to 5 years	> 5 years	Total
Accounts payable	215,306,911	215,306,911	-	-	215,306,911
Due to related parties	6,672,662	6,672,662	-	-	6,672,662
Retention payable	28,063,626	-	28,063,626	-	28,063,626
Accruals and other payable	174,877,913	174,877,913	-	-	174,877,913
Refund liability	105,108,775	105,108,775	-	-	105,108,775
Loans and borrowings	862,466,419	266,858,693	575,709,165	98,401,878	940,969,736
Lease liabilities	29,694,954	4,300,000	18,285,000	14,220,000	36,805,000
	1,422,191,260	773,124,954	622,057,791	112,621,878	1,507,804,623

(All amounts in Saudi Riyals unless otherwise stated)

37. FINANCIAL INSTRUMENTS (continued)

37.1 Financial instruments risk management objectives and policies (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

		Liabilities		Equity				
	Note	Long term loan (including related accrued finance cost)	Lease liabilities	Share capital	Statutory reserve	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2023		865,610,810	29,694,954	1,000,000,000	300,000,000	1,622,846,424	153,486,781	3,971,638,969
Changes from financing cash flows								
Proceeds from long-term loans	22	180,000,000	-	-	-	-	-	180,000,000
Repayment of long-term loans	22	(276,382,666)	-	-	-	-	-	(276,382,666)
Payment of lease liabilities		-	(1,804,981)	-	-	-	-	(1,804,981)
Interest paid		(50,894,189)	(1,420,019)	-	-	-	-	(52,314,208)
Total changes from financing cash flows		(147,276,855)	(3,225,000)	-	-	-	-	(150,501,855)
Other change								
Interest expense	33	45,036,486	1,420,019	-	-	-	-	46,456,505
Interest capitalised		4,539,066	-	-	-	-	-	4,539,066
Effect of modification	24	-	(5,494,788)	-	-	-	-	(5,494,788)
Total liability related changes		49,575,552	(4,074,769)	-	-	-	-	45,500,783
Total equity related changes		-	-	1,000,000,000	65,768,791	(711,559,211)	(3,696,069)	350,513,511
Balance at 31 December 2023		767,909,507	22,395,185	2,000,000,000	365,768,791	911,287,213	149,790,712	4,217,151,408

(All amounts in Saudi Riyals unless otherwise stated)

37. FINANCIAL INSTRUMENTS (continued)
37.1 Financial instruments risk management objectives and policies (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

		Liabilities		Equity				
	Note	Long term loan (including related accrued finance cost)	Lease liabilities	Share capital	Statutory reserve	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2022		796,608,741	32,528,235	1,000,000,000	300,000,000	1,304,190,031	97,881,293	3,531,208,300
Changes from financing cash flows								
Proceeds from long-term loans	22	300,000,000	-	-	-	-	-	300,000,000
Repayment of long-term loans	22	(233,867,538)	-	-	-	-	-	(233,867,538)
Payment of lease liabilities		-	(2,833,281)	-	-	-	-	(2,833,281)
Interest paid		(28,018,305)	(1,466,719)	-	-	-	-	(29,485,024)
Total changes from financing cash flows		38,114,157	(4,300,000)	-	-	-	-	33,814,157
Other change								
Interest expense	33	21,413,632	1,466,719	-	-	-	-	22,880,351
Interest capitalised		9,474,280	-	-	-	-	-	9,474,280
Total liability related changes		30,887,912	1,466,719	-	-	-	-	32,354,631
Total equity related changes		-	-	-	-	318,656,393	55,605,488	374,261,881
Balance at 31 December 2022		865,610,810	29,694,954	1,000,000,000	300,000,000	1,622,846,424	153,486,781	3,971,638,969

(All amounts in Saudi Riyals unless otherwise stated)

37. FINANCIAL INSTRUMENTS (continued)

37.1 Financial instruments risk management objectives and policies (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to negotiation. There have been no breaches of the financial covenants of any loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2023 and 31 December 2022.

Accounting classifications and fair values

The following table shows the carrying value of financial assets and financial liabilities. As at 31 December 2023 and 2022, all financial assets and financial liabilities of the Group are categorized as held at amortized cost. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

37.2 Financial assets

	2023	2022
Accounts receivable (note 14)	**1,152,656,746**	1,036,428,927
Due from related parties (note 35)	**916,431**	2,323,208
Contract asset (note 15)	**8,610,772**	4,212,160
Term deposits (note 16)	**100,000,000**	111,000,000
Cash and cash equivalents (note 17)	**49,049,506**	143,876,493
Other current assets	**16,368,542**	7,176,259
Total financial assets not measured at fair value	**1,327,601,997**	1,305,017,047

37.3 Financial liabilities

	2023	2022
Loans and borrowings (note 22)	**766,083,753**	862,466,419
Lease liabilities (note 24)	**22,395,185**	29,694,954
Accounts payable (note 25)	**231,706,734**	215,306,911
Due to related parties (note 35)	**5,136,187**	6,672,662
Retention payable (note 25.1)	**34,434,661**	28,063,626
Refund liability (note 28.2)	**106,084,803**	105,108,775
Other current liabilities	**88,918,486**	100,623,885
Total financial liabilities not measured at fair value	**1,254,759,809**	1,347,937,232

37.4 Measurement of fair values

The Group's principal financial assets include cash and cash equivalents, accounts receivable and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise long-term borrowings and accounts payable, due to related parties and other payables. The main purpose of these financial liabilities is to finance the Group's operations. Due to the short-term nature of the financial assets and financial liabilities classified as current assets and current liabilities, their carrying amounts are approximate to be the same as their fair values. For non-current financial liabilities, management consider that the fair values not significantly different from their carrying amounts.

(All amounts in Saudi Riyals unless otherwise stated)

38. ACQUISITION OF SUBSIDIARY

During the year 2022, Mouwasat Medical Services Company (Mouwasat) entered into Share Purchase Agreement (SPA) with the Jeddah Doctors Company Limited ("JDC") (Saudi Closed Joint Stock Company) duly registered in Kingdom of Saudi Arabia, to acquire 51% equity interest in the JDC against purchase consideration amounting to SR 102 million.

As per the agreement, the Group undertook management and operation of JDC effective from 1 October 2022, such management and operation includes, but not limited to, all operating, financial, administrative and marketing affairs. Accordingly, the closing financial statements of JDC were prepared on 30 September 2022.

The sale agreement was consummated on 1 October 2022 i.e. the acquisition date. Identified assets, liabilities assumed or incurred have been recorded at their fair values as at the acquisition date. The fair values of identifiable assets acquired, liabilities assumed and excess consideration paid as a result of such acquisition are as follows:

Identifiable net assets	**Amount**
Property and equipment	**114,470,014**
Cash and cash equivalents	**345,304**
Advances to contractors and suppliers	**9,948,462**
Other receivable	**315,268**
Trade payables	**(57,938)**
Accruals and other payables	**(5,661,541)**
Due to related parties	**(3,761,603)**
Employees`benefits	**(14,605)**
Net identifiable net assets	**115,583,361**
Percentage acquired	**51%**
Net identifiable assets acquired	**58,947,514**
Excess of consideration paid on acquisition (allocated to property and equipment)*	**43,052,486**
Total assets acquired	**102,000,000**
Represented by:	
Cash paid	**102,000,000**
Less: cash and cash equivalents acquired	**(345,304)**
	101,654,696

*During the year, the management has made the reclassification entry from goodwill to property and equipment as per the requirement of IFRS 3 as this represents the excess of consideration paid on acquisition of subsidiary over the net fair value of the acquired assets and liabilities which has been allocated to property and equipment (2022: this excess consideration was recorded as goodwill). Management has reclassified the last year numbers to match current year presentation. Synergies will result from building new hospital in the Jeddah as the Company has no presence in Jeddah.

The final purchase price allocation was based on the independent valuation of certain assets. The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Property and equipment
The carrying value of property and equipment is based on the present condition of the asset, the level of maintenance, deterioration as well as functional and economic obsolescence. It mainly includes Land and project under construction and management considered fair value of property and equipment acquired approximate to their carrying value and excess consideration paid on acquisition allocated to property and equipment.

Current assets and current liabilities
Due to the short maturity of these assets and liabilities, their fair values closely approximate their carrying values; therefore, their fair values are deemed to be their respective carrying values.

Although the acquisition was legally completed on 30 September 2022, for the purpose of consolidation, JDC financials were combined with effect from 1 October 2022.

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

39. SUBSEQUENT EVENTS

There are no significant subsequent events occurred since 31 December 2023 that would have a material impact on the financial position or financial performance of the Group.

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the current period presentation of the consolidated financial statements.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 14 Ramadan 1445H, corresponding to 24 March 2024G.