

**MIDDLE EAST HEALTHCARE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2024**

# Middle East Healthcare Company (A Saudi Joint Stock Company)

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As at 31 December 2024

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

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Middle East Healthcare Company (A Saudi Joint Stock Company) and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

**Report on the Audit of the Consolidated Financial Statements**

| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
| <p><b>Revenue recognition</b></p> <p>During the year ended 31 December 2024, the Group recognised revenue of ₪ 2,882.8 million (2023: ₪ 2,653.2 million).</p> <p>The Group recognizes revenue upon performance of medical and trading service and is measured at the fair value of the consideration received or receivable.</p> <p>Revenue recognition is considered as a key audit matter as there is a risk that revenue may be misstated due to management's override of controls and judgements involved in estimating the related rejections rates. Furthermore, revenue recognition require consideration to determine whether the performance obligations are satisfied overtime or at appoint in time.</p> <p>Refer to note 3.3 for the accounting policy related to revenue recognition, note 5.1 for estimates and assumption used in revenue recognition and note 6 for the revenue disclosure.</p> | <p>In order to evaluate the revenue recorded and reported during the year, we performed, among other audit procedures, the following:</p> <ul style="list-style-type: none"> <li>• Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards.</li> <li>• Discussed the overall policies and procedures and assessed the design of the Group's internal controls over the recognition of revenue.</li> <li>• Assessed the appropriateness of significant accounting judgements, estimates and assumptions made by the management to determine the variable consideration. We also performed a retrospective review of actual claims settled to the original gross claims on a sample basis.</li> <li>• Assessed the design of the process established by the Group in relation to the estimates of rejection rates and tested key inputs of the estimate on a sample basis.</li> <li>• Performed tests (on a sample basis) of settlements, claims and collections made with major clients of the Group.</li> <li>• Performed test of details and substantive analytical procedures to ensure that revenues have been accurately recorded and at the correct price and period.</li> </ul> |

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

**Key Audit Matters (continued)**

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <b>Revenue recognition (continued)</b>   |   |
|  | <ul style="list-style-type: none"> <li>Considered the adequacy of the related disclosures in the Group's consolidated financial statements.</li> </ul>  |
| <b>Expected credit loss on trade receivables</b>   |   |
| <p>As at 31 December 2024, the gross value of trade receivables amounted to ₪ 2,006 million. (2023: ₪ 2,390 million) and the allowance for expected credit losses ("ECL") amounted ₪ 69.5 million (2023: ₪ 98.5 million).</p> <p>The Group assesses at each reporting date whether the financial assets carried at amortized cost are credit impaired. The management determines and recognizes expected credit losses allowance ('ECL') as required by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS9'). Significant judgments, estimates and assumptions have been made by the management in the calculation of ECL impact.</p> <p>We considered this as a key audit matter given the judgements and assumptions regarding the ECL impairment against trade receivables and the potential impact on the Group's consolidated financial statements.</p> <p>Refer to note 3.12 to the consolidated financial statements for the material accounting policy information related to impairment of financial assets, note 5.1 for the critical accounting estimates and judgements and note 10 which details the disclosure of ECL against trade receivables.</p> | <ul style="list-style-type: none"> <li>We assessed the appropriateness of significant judgements, estimates and assumptions made by the management.</li> <li>We obtained and updated our understanding of management's assessment of ECL against trade receivables. We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9- '<i>Financial Instruments</i>'.</li> <li>We involved our specialists to review methodology implemented by the Group in relation to the requirements of IFRS 9. Particularly, we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter.</li> <li>We reviewed the appropriateness of the Group's criteria and judgement for the determination of individually impaired receivable.</li> <li>We tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations.</li> <li>We also assessed the reasonableness and adequacy of disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 '<i>Financial instruments: Disclosure</i>'.</li> </ul> |



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

### **Other Information included in the Group's 2024 annual report**

Other information consists of the information included in the Group's 2024 annual report, other than the consolidated financial statements and our auditor's report there on. The management is responsible for the other information in its annual report. The Group's 2024 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 Group's 2024 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions 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 i.e., the Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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



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

**Auditor's responsibilities for the audit of the consolidated financial statements (continued)**

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- ▶ Conclude on the appropriateness of The Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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.

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

**Auditor's responsibilities for the audit of the consolidated financial statements (continued)**

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

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

for Ernst & Young Professional Services



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



Jeddah: 10 Ramadhan 1446H  
(10 March 2025)

Middle East Healthcare Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

|  |      | 31 December<br>2024  | 31 December<br>2023      | 1 January<br>2023         |
|--|------|----------------------|--------------------------|---------------------------|
|  | Note | س.ع                  | س.ع<br>(Restated-note38) | س.ع<br>(Restated-note 38) |
| <b>ASSETS</b>  |      |                      |                          |                           |
| <b>NON-CURRENT ASSETS</b>                                    |      |                      |                          |                           |
| Property and equipment                                       | 7    | 2,766,958,252        | 2,502,303,692            | 2,471,495,624             |
| Right-of-use assets  | 13   | 80,185,708           | 54,959,783               | 63,079,718                |
| Intangible assets  | 8    | 44,305,999           | 31,029,510               | 7,452,840                 |
| Investment in associate                                      | 9    | 60,476,472           | 10,000,000               | -                         |
| <b>TOTAL NON-CURRENT ASSETS</b>                              |      | <b>2,951,926,431</b> | <b>2,598,292,985</b>     | <b>2,542,028,182</b>      |
| <b>CURRENT ASSETS</b>  |      |                      |                          |                           |
| Inventories  | 11   | 66,263,132           | 75,304,565               | 149,277,849               |
| Trade receivables, net                                       | 10   | 1,946,412,775        | 2,300,554,705            | 1,634,781,967             |
| Prepayments and other current assets                         | 12   | 108,429,461          | 116,043,489              | 157,341,333               |
| Cash on hand and at banks                                    | 14   | 52,282,004           | 44,422,555               | 15,601,613                |
| <b>TOTAL CURRENT ASSETS</b>                                  |      | <b>2,173,387,372</b> | <b>2,536,325,314</b>     | <b>1,957,002,762</b>      |
| <b>TOTAL ASSETS</b>  |      | <b>5,125,313,803</b> | <b>5,134,618,299</b>     | <b>4,499,030,944</b>      |
| <b>EQUITY AND LIABILITIES</b>                                |      |                      |                          |                           |
| <b>EQUITY</b>  |      |                      |                          |                           |
| Share capital  | 15   | 920,400,000          | 920,400,000              | 920,400,000               |
| Statutory reserve  | 16   | 219,163,736          | 219,163,736              | 201,146,095               |
| Retained earnings  |      | 478,188,261          | 177,941,795              | 206,356,928               |
| Foreign currency translations reserve                        |      | 8,357,333            | 2,104,874                | 726,671                   |
| <b>Equity attributable to the shareholders of the Parent</b> |      | <b>1,626,109,330</b> | <b>1,319,610,405</b>     | <b>1,328,629,694</b>      |
| Non-controlling interests                                    | 17   | 47,951,271           | 45,682,417               | 43,199,034                |
| <b>TOTAL EQUITY</b>  |      | <b>1,674,060,601</b> | <b>1,365,292,822</b>     | <b>1,371,828,728</b>      |
| <b>LIABILITIES</b>   |      |                      |                          |                           |
| <b>NON-CURRENT LIABILITIES</b>                               |      |                      |                          |                           |
| Long-term loans and borrowings                               | 18   | 753,361,822          | 1,310,310,501            | 1,180,686,916             |
| Sukuk  | 19   | 989,184,643          | -                        | -                         |
| Other financial liabilities                                  | 26   | 97,727,648           | -                        | 7,059,370                 |
| Lease liability  | 13   | 70,902,624           | 45,731,381               | 56,904,420                |
| Deferred income  | 20   | 8,137,438            | 9,393,213                | 10,724,287                |
| Derivative financial instruments                             | 21   | 26,207,840           | 28,480,769               | 36,331,118                |
| Employees' end of service benefits                           | 22   | 243,830,554          | 240,185,179              | 204,936,471               |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                         |      | <b>2,189,352,569</b> | <b>1,634,101,043</b>     | <b>1,496,642,582</b>      |
| <b>CURRENT LIABILITIES</b>                                   |      |                      |                          |                           |
| Short-term loans and borrowings                              | 18   | 640,182,789          | 1,116,291,383            | 990,972,145               |
| Other financial liabilities                                  | 26   | 6,102,557            | 5,867,954                | 4,755,408                 |
| Lease liability  | 13   | 12,219,053           | 12,900,544               | 11,914,708                |
| Trade payables   | 23   | 321,610,671          | 558,689,151              | 425,750,178               |
| Accrued expenses and other current liabilities               | 24   | 255,538,176          | 271,088,017              | 187,732,004               |
| Zakat payable  | 25   | 26,247,387           | 170,387,385              | 9,435,191                 |
| <b>TOTAL CURRENT LIABILITIES</b>                             |      | <b>1,261,900,633</b> | <b>2,135,224,434</b>     | <b>1,630,559,634</b>      |
| <b>TOTAL LIABILITIES</b>                                     |      | <b>3,451,253,202</b> | <b>3,769,325,477</b>     | <b>3,127,202,216</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>                          |      | <b>5,125,313,803</b> | <b>5,134,618,299</b>     | <b>4,499,030,944</b>      |

Sobhi Abduljalil Batterjee  
Chairman

Ashraf  
Ahmed Mohamed Shebl  
Chief Executive Officer


Madani Hozaien  
Chief Financial Officer

The attached notes from 1 to 40 form an integral part of these consolidated financial statements.

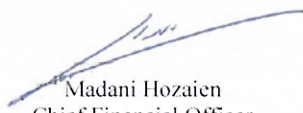
# Middle East Healthcare Company (A Saudi Joint Stock Company)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2024

|   | Note | 2024<br>ﷲ            | 2023<br>ﷲ<br>(Restated-note 38) |
|---|------|----------------------|---------------------------------|
| Revenue   | 6    | 2,882,818,291        | 2,653,170,475                   |
| Cost of revenue   | 28   | (1,768,921,515)      | (1,638,760,165)                 |
| <b>GROSS PROFIT</b>   |      | <b>1,113,896,776</b> | <b>1,014,410,310</b>            |
| Selling and marketing expenses  | 29   | (73,183,454)         | (51,077,197)                    |
| General and administrative expenses   | 30   | (599,781,167)        | (639,365,858)                   |
| <b>OPERATING PROFIT</b>   |      | <b>440,932,155</b>   | <b>323,967,255</b>              |
| Share of loss from associate  | 9    | (523,528)            | -                               |
| Other income, net   | 31   | 91,552,520           | 22,535,763                      |
| Finance cost, net   | 32   | (221,798,257)        | (155,566,360)                   |
| <b>PROFIT BEFORE ZAKAT</b>  |      | <b>310,162,890</b>   | <b>190,936,658</b>              |
| Zakat expense   | 25   | (26,277,245)         | (170,440,112)                   |
| <b>NET PROFIT FOR THE YEAR</b>  |      | <b>283,885,645</b>   | <b>20,496,546</b>               |
| <b>Other comprehensive income / (loss) for the year</b>                             |      |                      |                                 |
| <i>Items that will not be reclassified to profit or loss in subsequent periods:</i> |      |                      |                                 |
| Foreign currency translation reserve  |      | 6,252,459            | 1,378,203                       |
| Re-measurement gain / (loss) on defined benefit obligation                          | 22   | 18,629,675           | (28,410,655)                    |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>                             |      | <b>308,767,779</b>   | <b>(6,535,906)</b>              |
| <b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>   |      |                      |                                 |
| Equity holders of the parent  |      | 282,001,652          | 17,038,421                      |
| Non-controlling interests   |      | 1,883,993            | 3,458,125                       |
|   |      | <b>283,885,645</b>   | <b>20,496,546</b>               |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>            |      |                      |                                 |
| Equity holders of the parent  |      | 306,498,925          | (9,019,289)                     |
| Non-controlling interests   | 17   | 2,268,854            | 2,483,383                       |
|   |      | <b>308,767,779</b>   | <b>(6,535,906)</b>              |
| <b>EARNINGS PER SHARE:</b>  |      |                      |                                 |
| Basic and diluted earnings per share  |      | <b>3.06</b>          | <b>0.19</b>                     |

  
Sobhi Abduljalil Batterjee  
Chairman

  
Ahmed Mohamed Shebl  
Chief Executive Officer

  
Madani Hozaïen  
Chief Financial Officer

The attached notes from 1 to 40 form an integral part of these consolidated financial statements.

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

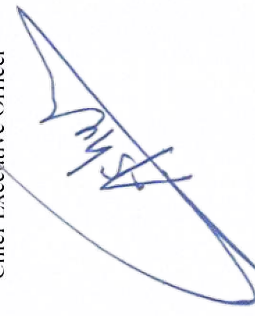
For the year ended 31 December 2024

| Note  | Equity attributable to the shareholders' of the Parent Company |                    |                    |                                      |                      |                           |
|---|--|--------------------|--------------------|--------------------------------------|----------------------|---------------------------|
|   | Share capital  | Statutory reserve  | Retained earnings  | Foreign currency translation reserve | Total                | Non-controlling interests |
|   | س  | س                  | س                  | س                                    | س                    | س                         |
| Balance at 1 January 2023 as previously reported  | 920,400,000  | 201,146,095        | 242,688,046        | 726,671                              | 1,364,960,812        | 43,199,034                |
| Effect of restatement (note 38)                   | -  | -                  | (36,331,118)       | -                                    | (36,331,118)         | -                         |
| Balance at 1 January 2023 (Restated-note 38)      | 920,400,000  | 201,146,095        | 206,356,928        | 726,671                              | 1,328,629,694        | 43,199,034                |
| Net profit for the year (Restated-note 38)        | -  | -                  | 17,038,421         | -                                    | 17,038,421           | 3,458,125                 |
| Other comprehensive (loss)                        | -  | -                  | (27,435,913)       | 1,378,203                            | (26,057,710)         | (974,742)                 |
| Total comprehensive loss for the year             | -  | -                  | (10,397,492)       | 1,378,203                            | (9,019,289)          | 2,483,383                 |
| Transfer to statutory reserve                     | -  | 18,017,641         | (18,017,641)       | -                                    | -                    | -                         |
| Balance as at 31 December 2023 (Restated-note 38) | 920,400,000  | 219,163,736        | 177,941,795        | 2,104,874                            | 1,319,610,405        | 45,682,417                |
| Net profit for the year                           | -  | -                  | 282,001,652        | -                                    | 282,001,652          | 1,883,993                 |
| Other comprehensive income                        | -  | -                  | 18,244,814         | 6,252,459                            | 24,497,273           | 384,861                   |
| Total comprehensive income for the year           | -  | -                  | 300,246,466        | 6,252,459                            | 306,498,925          | 2,268,854                 |
| <b>Balance as at 31 December 2024</b>             | <b>920,400,000</b>   | <b>219,163,736</b> | <b>478,188,261</b> | <b>8,357,333</b>                     | <b>1,626,109,330</b> | <b>47,951,271</b>         |

Sobhi Abduljalil Batterjee  
Chairman



Ahmed Mohamed Shebl  
Chief Executive Officer



Madani Hozaen  
Chief Financial Officer



The attached notes from 1 to 40 form an integral part of these consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

|  | Notes | 2024<br>س.م          | 2023<br>س.م<br>(Restated-note 38) |
|--|-------|----------------------|-----------------------------------|
| <b>OPERATING ACTIVITIES</b>                                    |       |                      |                                   |
| Profit before zakat  |       | 310,162,890          | 190,936,658                       |
| <i>Adjustments for:</i>  |       |                      |                                   |
| Depreciation on property and equipment                         | 7     | 187,884,517          | 173,730,443                       |
| Depreciation on right of use assets                            | 13    | 18,292,162           | 13,360,035                        |
| Amortization of intangible assets                              | 8     | 10,570,547           | 2,722,204                         |
| (Reversal) / charge of allowance for expected credit losses    | 10    | (29,047,204)         | 32,069,738                        |
| Charge for / (Write off) slow moving and obsolete inventories  | 11    | 2,973,335            | (11,499,854)                      |
| Amortization of deferred income                                | 20    | (1,331,075)          | (1,403,828)                       |
| Finance charges related to lease obligations                   | 13    | 6,991,404            | 3,633,015                         |
| Finance charges related to borrowings                          |       | 214,742,663          | 151,603,402                       |
| Winding of other financial liabilities                         |       | 64,097               | 329,943                           |
| (Gain) on zakat liability restructure                          | 25    | (45,450,835)         | -                                 |
| (Gain) on derivative financial instruments                     | 31    | (2,272,929)          | (7,850,350)                       |
| Provision for employees' end of service benefits               | 22    | 49,171,394           | 41,359,778                        |
| (Gain) / loss on disposal of property and equipment            | 31    | (19,063,065)         | 755,348                           |
| Share of loss from associate                                   | 9     | 523,528              | -                                 |
|  |       | <u>704,211,429</u>   | <u>589,746,532</u>                |
| <i>Changes in operating assets and liabilities:</i>            |       |                      |                                   |
| Trade receivables  |       | 383,189,134          | (697,842,475)                     |
| Inventories  |       | 6,068,098            | 85,473,138                        |
| Prepayments and other current assets                           |       | 7,614,028            | 41,297,844                        |
| Trade payables   |       | (237,078,480)        | 132,561,625                       |
| Accrued expenses and other current liabilities                 |       | (44,038,189)         | 90,132,907                        |
| Other financial liabilities                                    |       | (9,108,151)          | (6,276,766)                       |
|  |       | <u>810,857,869</u>   | <u>235,092,805</u>                |
| <b>Cash generated from operating activities</b>                |       | <b>810,857,869</b>   | <b>235,092,805</b>                |
| Employees' end of service benefits paid                        | 22    | (26,896,344)         | (34,521,725)                      |
| Zakat paid   | 25    | (17,960,103)         | (9,487,918)                       |
|  |       | <u>766,001,422</u>   | <u>191,083,162</u>                |
| <b>Net cash flows from operating activities</b>                |       | <b>766,001,422</b>   | <b>191,083,162</b>                |
| <b>INVESTING ACTIVITIES:</b>                                   |       |                      |                                   |
| Additions to property and equipment                            | 7     | (470,823,666)        | (229,611,961)                     |
| Additions to intangible assets                                 | 8     | (8,496,593)          | (2,757,219)                       |
| Proceeds from disposal of property and equipment               |       | 21,496,593           | 380,544                           |
| Advance for investment   |       | (51,000,000)         | (10,000,000)                      |
|  |       | <u>(508,823,666)</u> | <u>(241,988,636)</u>              |
| <b>Net cash flows used in investing activities</b>             |       | <b>(508,823,666)</b> | <b>(241,988,636)</b>              |
| <b>FINANCING ACTIVITIES:</b>                                   |       |                      |                                   |
| Proceeds from loans  |       | 1,596,658,111        | 1,565,878,762                     |
| Repayment of loans   |       | (2,629,715,384)      | (1,310,937,198)                   |
| Proceeds from Sukuk  |       | 989,184,643          | -                                 |
| Finance charges paid   |       | (186,179,015)        | (157,930,204)                     |
| Lease liabilities paid   | 13    | (26,019,739)         | (19,059,048)                      |
|  |       | <u>(256,071,384)</u> | <u>77,952,312</u>                 |
| <b>Net cash flows (used in) / from financing activities</b>    |       | <b>(256,071,384)</b> | <b>77,952,312</b>                 |
| <b>Net change in cash on hand and at banks</b>                 |       | <b>1,106,372</b>     | <b>27,046,838</b>                 |
| Foreign currency translation adjustment                        |       | 6,753,077            | 1,774,104                         |
| Cash on hand and at banks at the beginning of the year         |       | 44,422,555           | 15,601,613                        |
|  |       | <u>52,282,004</u>    | <u>44,422,555</u>                 |
| Cash on hand and at banks at the end of the year               | 14    | <u>52,282,004</u>    | <u>44,422,555</u>                 |
| <b>MAJOR NON-CASH TRANSACTIONS</b>                             |       |                      |                                   |
| Additions to right-of-use assets and lease liabilities         | 13    | 45,046,029           | 5,240,100                         |
| Re-measurement of employees' end-of-service benefits liability | 22    | 18,629,675           | (28,410,655)                      |
| Borrowing costs capitalised during the year                    | 7.1   | 11,739,490           | 8,014,746                         |
| Transfer of assets from CWIP to Property and equipment         | 7     | 116,456,369          | 533,968,154                       |

Sobhi Abduljalil Batterjee  
Chairman

Ahmed Mohamed Shebl  
Chief Executive Officer

Madani Hozaïen  
Chief Financial Officer

The attached notes from 1 to 40 form an integral part of these consolidated financial statements

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

### 1. CORPORATE INFORMATION

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

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

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

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

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

The Company also has investment in the following subsidiary:

| <i>Subsidiary name</i>                                  | <i>Principal activities</i> | <i>Effective holding</i><br><i>2024</i> | <i>Effective holding</i><br><i>2023</i> |
|---|-----------------------------|---|---|
| National Hail Company for Healthcare (NHC) (note below) | Healthcare                  | <b>53.89%</b>                           | 53.89%                                  |

### 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

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

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 2. BASIS OF PREPARATION (continued)

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

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

Certain comparative figures have been reclassified/ represented to conform to current year's presentation. Such reclassifications/ representations have no effect on previously reported profit or total equity of the Group

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

The Group applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

##### *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

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

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

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

At 31 December 2024

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.1 Current versus non-current classification

##### *Assets*

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

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

##### *Liabilities*

A liability is current when:

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

The Group classifies all other liabilities as non-current.

#### 3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Basis of consolidation (continued)

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

#### *Business combinations and goodwill*

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### 3.3 Revenue recognition

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

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

At 31 December 2024

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.3 Revenue recognition (continued)

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

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

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

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

##### *Patient services*

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

##### *Sale of goods*

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

##### *Rental income*

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

All other revenues are recognized on an accrual basis.

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

#### 3.4 Foreign currencies

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

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

***Transactions and balances***

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

***Foreign operations***

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

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

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

**3.5 Property and equipment**

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

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

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

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

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

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

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### *Capital work-in-progress*

Capital work-in-progress are carried at cost less any recognised impairment loss and is capitalized as property, plant and equipment when ready for the intended use. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

#### *Depreciation*

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

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

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

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

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

#### **3.6 Intangible assets**

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

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

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

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

| <i>Category of intangible assets</i> | <i>Useful lives</i>                                      |
|--------------------------------------|--|
| <i>Licenses</i>                      | <i>Term of the license or 8 years whichever is lower</i> |
| <i>Software</i>                      | <i>3-8 years</i>   |

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.7 Leases**

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

***Group as a lessee***

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

***i) Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

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

***ii) Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

***Group as a lessor***

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

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### 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.8 Borrowing costs

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

#### 3.9 Financial instruments

##### i) Financial assets

###### *Initial recognition and measurement*

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

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

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

###### *Initial recognition and measurement*

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

###### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in following categories:

- a) Financial assets at amortised cost
- b) Financial assets at fair value through OCI (FVOCI)
- c) Financial assets at fair value through profit or loss (FVTPL)

##### a) *Financial assets at amortised cost (debt instruments)*

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

##### b) *Financial assets at fair value through OCI*

###### *Debt instruments*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

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**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.9 Financial instruments (continued)**

**i) Financial assets (continued)**

**b) *Financial assets at fair value through OCI (continued)***

***Debt instruments (continued)***

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

***Equity instruments***

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

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

**c) *Financial assets at fair value through profit or loss***

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

**Business model assessment**

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

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

At 31 December 2024

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.9 Financial instruments (continued)**

**i) Financial assets (continued)**

**c) *Financial assets at fair value through profit or loss (continued)***

**Business model assessment (continued)**

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

**Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)**

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

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

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

**ii) Financial liabilities**

***Initial recognition and measurement***

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

***Subsequent measurement***

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

***Financial liabilities at fair value through profit or loss***

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

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

At 31 December 2024

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.9 Financial instruments (continued)**

**ii) Financial liabilities (continued)**

***Financial liabilities at amortised cost***

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

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

**iii) Derecognition**

***Financial assets***

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

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

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

***Financial liabilities***

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

**iv) Offsetting of financial instruments**

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

***Derivative financial instruments***

Derivative financial instruments including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, swaptions, currency and interest rate options (both written and purchased) are measured at fair value. Fair values are obtained by reference to quoted market prices and/or valuation models as appropriate.

**Derivatives held for trading**

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of profit or loss and comprehensive income for the year and are disclosed in trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting.

**3.10 Cash and cash equivalents**

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

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.11 Inventories**

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

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

**3.12 Impairment of financial and non-financial assets**

***Financial assets***

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

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

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

***Non-financial assets***

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

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

**3.13 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At 31 December 2024

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.13 Provisions (continued)

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

#### 3.14 Contingent assets and liabilities

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

#### 3.15 Employees' end-of-service benefits

##### *Short-term employee benefits*

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

##### *Post-employment benefits*

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

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

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

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

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

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

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

##### *Zakat*

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

##### *Value added tax (VAT)*

Expenses, and assets are recognized net of the amount of VAT, except:

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

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

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

*Value added tax (VAT) (continued)*

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

*Withholding tax*

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

**3.17 Expenses**

*Direct cost*

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

*Selling and distribution expenses*

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

*General and administrative expenses*

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

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

**3.18 Segment reporting**

An operating segment is a component:

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

for which financial information is discretely available.

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

**3.19 Government grants and assistance**

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

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

**3.20 Investment in associate**

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted value or recoverable amount. Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial statements) less impairment, if any. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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#### **4. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

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

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

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

##### ***Lack of exchangeability - Amendments to IAS 21***

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

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

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

##### ***IFRS 18 Presentation and Disclosure in Financial Statements***

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

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

## 5. ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### 5.1 *Estimates and assumptions*

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

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

#### ***Revenue recognition***

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

##### *Satisfaction of performance obligations*

The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

##### *Determination of transaction prices*

The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to insurance claims discount or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

##### *Transfer of control in contracts with customers*

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

##### *Estimating variable consideration for rejections*

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

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

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

##### *Allowance for expected credit losses*

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

##### *Employees' end-of-service benefits*

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

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**5. ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**5.1 Estimates and assumptions (continued)**

***Impairment of non-financial assets***

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

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

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

***Useful lives of property and equipment***

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

***Provision for inventories***

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

***Fair value measurement of financial instruments***

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

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 6. SEGMENT INFORMATION

#### *Operating segments:*

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

|                                      | <i>31 December 2024</i>    |                            |                       |                  |                           |
|--------------------------------------|----------------------------|----------------------------|-----------------------|------------------|---------------------------|
|                                      | <i>In patient services</i> | <i>Outpatient services</i> | <i>Pharmacy sales</i> | <i>Others</i>    | <i>Total</i>              |
|                                      | ﷲ                          | ﷲ                          | ﷲ                     | ﷲ                | ﷲ                         |
| Revenue                              | 1,628,121,094              | 852,682,518                | 393,245,051           | 8,769,628        | 2,882,818,291             |
| Cost of revenue                      | (948,640,481)              | (517,936,377)              | (299,718,049)         | (2,626,608)      | (1,768,921,515)           |
| Gross profit                         | <u>679,480,613</u>         | <u>334,746,141</u>         | <u>93,527,002</u>     | <u>6,143,020</u> | <u>1,113,896,776</u>      |
| <i>Unallocated income (expenses)</i> |                            |                            |                       |                  |                           |
| Operating expenses                   |                            |                            |                       |                  | (672,964,621)             |
| Operating profit                     |                            |                            |                       |                  | <u>440,932,155</u>        |
| Share of loss of associate           |                            |                            |                       |                  | (523,528)                 |
| Other income                         |                            |                            |                       |                  | 91,552,520                |
| Finance charges                      |                            |                            |                       |                  | (221,798,257)             |
| <b>Profit before Zakat</b>           |                            |                            |                       |                  | <u>310,162,890</u>        |
| Zakat expense                        |                            |                            |                       |                  | (26,277,245)              |
| <b>Net profit for the year</b>       |                            |                            |                       |                  | <u><u>283,885,645</u></u> |

|                                      | <i>31 December 2023 (Restated-note 38)</i> |                            |                       |                  |                          |
|--------------------------------------|--|----------------------------|-----------------------|------------------|--------------------------|
|                                      | <i>In patient services</i>                 | <i>Outpatient services</i> | <i>Pharmacy sales</i> | <i>Others</i>    | <i>Total</i>             |
|                                      | ﷲ  | ﷲ                          | ﷲ                     | ﷲ                | ﷲ                        |
| Revenue                              | 1,545,328,661                              | 740,194,376                | 361,060,808           | 6,586,630        | 2,653,170,475            |
| Cost of revenue                      | (902,154,666)                              | (459,109,284)              | (277,055,041)         | (441,174)        | (1,638,760,165)          |
| Gross profit                         | <u>643,173,995</u>                         | <u>281,085,092</u>         | <u>84,005,767</u>     | <u>6,145,456</u> | <u>1,014,410,310</u>     |
| <i>Unallocated income (expenses)</i> |  |                            |                       |                  |                          |
| Operating expenses                   |  |                            |                       |                  | (690,443,055)            |
| Operating profit                     |  |                            |                       |                  | 323,967,255              |
| Other income                         |  |                            |                       |                  | 22,535,763               |
| Finance charges                      |  |                            |                       |                  | (155,566,360)            |
| Profit before Zakat                  |  |                            |                       |                  | <u>190,936,658</u>       |
| Zakat expense                        |  |                            |                       |                  | (170,440,112)            |
| <b>Net profit for the year</b>       |  |                            |                       |                  | <u><u>20,496,546</u></u> |

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

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

7. PROPERTY AND EQUIPMENT

|  | <i>Land</i>        | <i>Buildings</i>     | <i>Medical equipment</i> | <i>Motor vehicles</i> | <i>Furniture and equipment</i> | <i>Non-consumable items</i> | <i>Capital work in progress</i> | <i>Total</i>         |
|--|--------------------|----------------------|--------------------------|-----------------------|--------------------------------|-----------------------------|---------------------------------|----------------------|
|  | ﷲ                  | ﷲ                    | ﷲ                        | ﷲ                     | ﷲ                              | ﷲ                           | ﷲ                               | ﷲ                    |
| <b>Cost:</b>                             |                    |                      |                          |                       |                                |                             |                                 |                      |
| At 1 January 2023                        | 183,944,120        | 1,564,420,612        | 884,628,899              | 13,678,798            | 519,017,462                    | 5,828,949                   | 597,809,354                     | 3,769,328,194        |
| Additions                                | -                  | 12,510,763           | 56,956,491               | 1,038,044             | 13,310,782                     | 713                         | 145,795,167                     | 229,611,960          |
| Disposals                                | -                  | (527,705)            | (25,554,134)             | (536,610)             | (8,669,820)                    | (552,712)                   | -                               | (35,840,981)         |
| Transfers                                | -                  | 453,700,239          | 37,392,634               | -                     | 19,333,625                     | -                           | (533,968,154)                   | (23,541,656)         |
| Foreign currency translation differences | -                  | (116,342)            | -                        | -                     | (465,711)                      | -                           | (18,347)                        | (600,400)            |
| <b>At 31 December 2023</b>               | <b>183,944,120</b> | <b>2,029,987,567</b> | <b>953,423,890</b>       | <b>14,180,232</b>     | <b>542,526,338</b>             | <b>5,276,950</b>            | <b>209,618,020</b>              | <b>3,938,957,117</b> |
| At 1 January 2024                        | 183,944,120        | 2,029,987,567        | 953,423,890              | 14,180,232            | 542,526,338                    | 5,276,950                   | 209,618,020                     | 3,938,957,117        |
| Additions                                | -                  | 185,824,815          | 85,848,845               | 1,934,304             | 14,305,480                     | 3,042                       | 182,907,180                     | 470,823,666          |
| Disposals                                | (1,443,000)        | (103,868)            | (26,685,045)             | (776,043)             | (6,854,536)                    | (570)                       | -                               | (35,863,062)         |
| Transfers                                | -                  | 91,241,662           | 685,970                  | -                     | 9,178,294                      | -                           | (116,456,369)                   | (15,350,443)         |
| Foreign currency translation differences | -                  | (238,704)            | -                        | -                     | (759,299)                      | -                           | (35,832)                        | (1,033,835)          |
| <b>At 31 December 2024</b>               | <b>182,501,120</b> | <b>2,306,711,472</b> | <b>1,013,273,660</b>     | <b>15,338,493</b>     | <b>558,396,277</b>             | <b>5,279,422</b>            | <b>276,032,999</b>              | <b>4,357,533,443</b> |

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

7. PROPERTY AND EQUIPMENT (continued)

|  | <i>Land</i>        | <i>Buildings</i>     | <i>Medical equipment</i> | <i>Motor vehicles</i> | <i>Furniture and equipment</i> | <i>Non-consumable items</i> | <i>Capital work in progress</i> | <i>Total</i>         |
|--|--------------------|----------------------|--------------------------|-----------------------|--------------------------------|-----------------------------|---------------------------------|----------------------|
|  | ﷲ                  | ﷲ                    | ﷲ                        | ﷲ                     | ﷲ                              | ﷲ                           | ﷲ                               | ﷲ                    |
| <b>Accumulated depreciation:</b>         |                    |                      |                          |                       |                                |                             |                                 |                      |
| At 1 January 2023                        | -                  | 541,803,545          | 544,794,004              | 8,637,806             | 196,998,289                    | 5,598,926                   | -                               | 1,297,832,570        |
| Charge during the year                   | -                  | 59,266,448           | 81,764,405               | 971,239               | 31,688,608                     | 39,743                      | -                               | 173,730,443          |
| Disposals                                | -                  | (527,705)            | (25,031,489)             | (452,645)             | (8,167,319)                    | (525,931)                   | -                               | (34,705,089)         |
| Foreign currency translation differences | -                  | (42,856)             | -                        | -                     | (161,643)                      | -                           | -                               | (204,499)            |
| At 31 December 2023                      | -                  | 600,499,432          | 601,526,920              | 9,156,400             | 220,357,935                    | 5,112,738                   | -                               | 1,436,653,425        |
| At 1 January 2024                        | -                  | 600,499,432          | 601,526,920              | 9,156,400             | 220,357,935                    | 5,112,738                   | -                               | 1,436,653,425        |
| Charge during the year                   | -                  | 71,686,172           | 79,773,655               | 1,030,311             | 35,373,470                     | 20,909                      | -                               | 187,884,517          |
| Disposals                                | -                  | (103,521)            | (26,084,874)             | (710,781)             | (6,529,937)                    | (421)                       | -                               | (33,429,534)         |
| Foreign currency translation differences | -                  | (129,796)            | -                        | -                     | (403,421)                      | -                           | -                               | (533,217)            |
| <b>At 31 December 2024</b>               | <b>-</b>           | <b>671,952,287</b>   | <b>655,215,701</b>       | <b>9,475,930</b>      | <b>248,798,047</b>             | <b>5,133,226</b>            | <b>-</b>                        | <b>1,590,575,191</b> |
| <b>Net book value</b>                    |                    |                      |                          |                       |                                |                             |                                 |                      |
| <b>At 31 December 2024</b>               | <b>182,501,120</b> | <b>1,634,759,185</b> | <b>358,057,959</b>       | <b>5,862,563</b>      | <b>309,598,230</b>             | <b>146,196</b>              | <b>276,032,999</b>              | <b>2,766,958,252</b> |
| At 31 December 2023                      | 183,944,120        | 1,429,488,135        | 351,896,970              | 5,023,832             | 322,168,403                    | 164,212                     | 209,618,020                     | 2,502,303,692        |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 7. PROPERTY AND EQUIPMENT (continued)

7.1 Capital work in progress (CWIP) represents the progress work for the Digitalization Projects and hospitals expansion projects. The amount of borrowing costs capitalized during the year ended 31 December 2024 was ~~ﷲ~~ 11.7 million (2023: ~~ﷲ~~ 8.0 million). The rate used to determine the amount of borrowing costs eligible for capitalization was 1.90% to 5.50%, which is the effective profit rate of the specific borrowing.

7.2 Land and buildings with a net book value amounting to ~~ﷲ~~ 683 million (2023: ~~ﷲ~~ 688 million) are pledged to secure loan from Ministry of Finance (note 18).

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

|   | 2024               | 2023               |
|---|--------------------|--------------------|
|   | <del>ﷲ</del>       | <del>ﷲ</del>       |
| Cost of revenue (note 28)                     | 157,066,721        | 144,710,706        |
| General and administrative expenses (note 30) | 30,817,796         | 29,019,737         |
|   | <u>187,884,517</u> | <u>173,730,443</u> |

#### 8. INTANGIBLE ASSETS

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

|  | 2024              | 2023              |
|--|-------------------|-------------------|
|  | <del>ﷲ</del>      | <del>ﷲ</del>      |
| <b>Cost</b>                                    |                   |                   |
| At 1 January                                   | 48,175,642        | 21,876,767        |
| Additions during the year                      | 8,496,593         | 2,757,219         |
| Transfers from Property and Equipment (note 7) | 15,350,443        | 23,541,656        |
| Written off during the year                    | (193,608)         | -                 |
| At 31 December                                 | <u>71,829,070</u> | <u>48,175,642</u> |
| <b>Amortization</b>                            |                   |                   |
| At the beginning of the year                   | 17,146,132        | 14,423,927        |
| Charge for the year (note 30)                  | 10,570,547        | 2,722,205         |
| Written off during the year                    | (193,608)         | -                 |
| At the end of the year                         | <u>27,523,071</u> | <u>17,146,132</u> |
| <b>Net book value</b>                          | <u>44,305,999</u> | <u>31,029,510</u> |

#### 9. INVESTMENT IN ASSOCIATE

On 30 September 2022, the Group signed agreement with Al Sobah Investment Holding Limited to invest a total amount of ~~ﷲ~~ 70 million in Al Sobah New Medical Company for 24% ownership in the Company.

On 21 August 2023, the Group paid ~~ﷲ~~ 10 million which represent an advance payment for first subscription.

During the year ended 31 December 2024, the Group made an additional payment of ~~ﷲ~~ 51 million in account for investment in associate.

On 14 April 2024, the Company issued 10,666 shares in the name of Middle East Health Care Company, representing 15.8% equity interest in Al Sobah New Medical Company by which the group assessed they exercises significant influence over the investee company. The 10,666 shares issued amounted to ~~ﷲ~~ 40 million and 5,600 shares amounting to ~~ﷲ~~ 21 million under the issuance process. The previous advance for investment has been accounted for as an investment in an associate in the current year.

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 9. INVESTMENT IN ASSOCIATE (continued)

The movement of the investment in associates during the period is as follows:

|                                      | 2024              | 2023              |
|--------------------------------------|-------------------|-------------------|
|                                      | S                 | S                 |
| Transfer from Advance for investment | 10,000,000        | -                 |
| Additions                            | 51,000,000        | 10,000,000        |
| Share of loss from associate         | (523,528)         | -                 |
|                                      | <u>60,476,472</u> | <u>10,000,000</u> |

The associate Company is in construction of a general hospital in Kingdom of Saudi Arabia and operation not yet started.

### 10. TRADE RECEIVABLES, NET

|                              | 2024                 | 2023                 |
|------------------------------|----------------------|----------------------|
|                              | S                    | S                    |
| Third party customers        | 2,006,049,467        | 2,390,288,924        |
| Related parties (note 27)    | 9,845,415            | 8,795,092            |
|                              | <u>2,015,894,882</u> | <u>2,399,084,016</u> |
| Less: expected credit losses | (69,482,107)         | (98,529,311)         |
|                              | <u>1,946,412,775</u> | <u>2,300,554,705</u> |

Trade receivables are non-interest bearing and are generally on terms of 90 days. It is not the practice of the Group to obtain collateral over receivables and the vast majority of these are, therefore, unsecured. For terms and conditions with related parties, refer to (note 26).

As at 31 December 2024, approximately 92% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2023: 98%).

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

|                           | At 31 December 2024 |                    |                    |                    |                   |                      |
|---------------------------|---------------------|--------------------|--------------------|--------------------|-------------------|----------------------|
|                           | Current             | <90 days           | 90–180 days        | 181–365 days       | >1 year           | Total                |
|                           | S                   | S                  | S                  | S                  | S                 | S                    |
| Total exposure at default | 804,937,574         | 574,407,330        | 246,718,149        | 318,971,331        | 61,015,083        | 2,006,049,467        |
| Expected loss rate        | 2.41%               | 2.64%              | 2.55%              | 4.67%              | 22.47%            | 3.46%                |
| Expected credit loss      | (19,392,789)        | (15,192,528)       | (6,287,720)        | (14,895,980)       | (13,713,090)      | (69,482,107)         |
|                           | <u>785,544,785</u>  | <u>559,214,802</u> | <u>240,430,429</u> | <u>304,075,351</u> | <u>47,301,993</u> | <u>1,936,567,360</u> |
|                           | At 31 December 2023 |                    |                    |                    |                   |                      |
|                           | Current             | <90 days           | 90–180 days        | 181–365 days       | >1 year           | Total                |
|                           | S                   | S                  | S                  | S                  | S                 | S                    |
| Total exposure at default | 626,413,496         | 546,229,730        | 489,396,020        | 617,584,789        | 110,664,889       | 2,390,288,924        |
| Expected loss rate        | 3.08%               | 3.18%              | 3.18%              | 4.98%              | 13.99%            | 4.12%                |
| Expected credit loss      | (19,323,391)        | (17,389,581)       | (15,580,243)       | (30,757,453)       | (15,478,643)      | (98,529,311)         |
|                           | <u>607,090,105</u>  | <u>528,840,149</u> | <u>473,815,777</u> | <u>586,827,336</u> | <u>95,186,246</u> | <u>2,291,759,613</u> |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 10. TRADE RECEIVABLES (continued)

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

|   | 2024              | 2023              |
|---|-------------------|-------------------|
|   | ﷲ                 | ﷲ                 |
| At 1 January                                  | 98,529,311        | 66,459,573        |
| (Reversal) / charge during the year (note 30) | (29,047,204)      | 32,069,738        |
| At 31 December                                | <u>69,482,107</u> | <u>98,529,311</u> |

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

#### 11. INVENTORIES

|   | 2024              | 2023              |
|---|-------------------|-------------------|
|   | ﷲ                 | ﷲ                 |
| Consumable medical and non-medical items                        | 40,049,163        | 46,878,679        |
| Pharmacy items  | 35,284,519        | 34,651,702        |
| Kitchen items   | 905,655           | 777,054           |
|   | <u>76,239,337</u> | <u>82,307,435</u> |
| Less: provision for slow moving and obsolete inventories        | (9,976,205)       | (7,002,870)       |
| Total inventories at the lower of cost and net realisable value | <u>66,263,132</u> | <u>75,304,565</u> |

Cost of inventories recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 amounted to ﷲ 482,235,489 (2023: ﷲ 452,278,907) (note 27).

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

|                             | 2024             | 2023             |
|-----------------------------|------------------|------------------|
|                             | ﷲ                | ﷲ                |
| At 1 January                | 7,002,870        | 18,502,724       |
| Charge during the year      | 2,973,335        | -                |
| Written off during the year | -                | (11,499,854)     |
| At 31 December              | <u>9,976,205</u> | <u>7,002,870</u> |

#### 12. PREPAYMENTS AND OTHER CURRENT ASSETS

|   | 2024               | 2023               |
|---|--------------------|--------------------|
|   | ﷲ                  | ﷲ                  |
| Receivable from ZATCA (note a)                              | 11,522,871         | 18,256,233         |
| Advances to suppliers                                       | 22,356,424         | 44,705,745         |
| Prepayments   | 36,260,035         | 26,323,406         |
| Margins against letter of guarantees and deposits (note 34) | 19,363,691         | 16,968,546         |
| Advances to staff   | 1,916,582          | 2,599,340          |
| Advances to a related party supplier (note 27)              | 8,605,113          | 2,397,623          |
| Others  | 8,404,745          | 4,792,596          |
|   | <u>108,429,461</u> | <u>116,043,489</u> |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 12. PREPAYMENTS AND OTHER CURRENT ASSETS (continued)

a) This balance represents amounts paid for ZATCA against assessment as below:

- Refundable debit balance with ZATCA amounting to ٺ 11.5 million for closed assessments that will be utilized against any further finalized assessments with ZATCA related to income tax paid on behalf of foreign entity who is exempted from tax for the year 2010.

#### 13. RIGHT OF USE ASSETS AND LEASE LIABILITIES

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

|   | 2024                     | 2023                     |
|---|--------------------------|--------------------------|
|   | ٺ                        | ٺ                        |
| <b>Right of use assets</b>                |                          |                          |
| <b>Cost:</b>                              |                          |                          |
| At 1 January                              | 92,760,731               | 92,562,751               |
| Addition during the year                  | 45,046,029               | 5,240,100                |
| Lease contract terminated during the year | (12,272,660)             | (5,042,120)              |
|   | <u>125,534,100</u>       | <u>92,760,731</u>        |
| <b>Depreciation:</b>                      |                          |                          |
| Accumulated depreciation                  | 37,800,948               | 29,483,033               |
| Depreciation for the year                 | 18,292,162               | 13,360,035               |
| Relating to terminated contract           | (10,744,718)             | (5,042,120)              |
|   | <u>45,348,392</u>        | <u>37,800,948</u>        |
| Accumulated depreciation                  | 45,348,392               | 37,800,948               |
| Net value as at 31 December               | <u><u>80,185,708</u></u> | <u><u>54,959,783</u></u> |
|   | 2024                     | 2023                     |
|   | ٺ                        | ٺ                        |
| <b>Lease liabilities</b>                  |                          |                          |
| At the beginning of the year              | 58,631,925               | 68,819,128               |
| Interest expense for the year (note 32)   | 6,991,404                | 3,631,745                |
| Addition for the year                     | 45,046,029               | 5,240,100                |
| Relating to terminated contract           | (1,527,942)              | -                        |
| Payments made during the year             | (26,019,739)             | (19,059,048)             |
|   | <u>83,121,677</u>        | <u>58,631,925</u>        |
| As at 31 December                         | <u><u>83,121,677</u></u> | <u><u>58,631,925</u></u> |
| Non-current                               | 70,902,624               | 45,731,381               |
| Current                                   | 12,219,053               | 12,900,544               |
|   | <u><u>83,121,677</u></u> | <u><u>58,631,925</u></u> |

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

|  | 2024                     | 2023                     |
|--|--------------------------|--------------------------|
|  | ٺ                        | ٺ                        |
| Cost of revenue (note 28)                    | 2,464,866                | 2,464,880                |
| General and administrative expense (note 30) | 15,827,296               | 10,895,155               |
|  | <u><u>18,292,162</u></u> | <u><u>13,360,035</u></u> |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 13. RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

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

|   | 2024              | 2023              |
|---|-------------------|-------------------|
|   | ﷲ                 | ﷲ                 |
| Depreciation on right of use assets                                 | 18,292,162        | 13,360,035        |
| Interest expense on lease liabilities                               | 6,991,404         | 3,631,745         |
| Expense relating to short term leases (included in cost of revenue) | 4,845,367         | 4,260,248         |
|   | <u>30,128,933</u> | <u>21,252,028</u> |

#### 14. CASH ON HAND AND AT BANKS

|                                 | 2024              | 2023              |
|---------------------------------|-------------------|-------------------|
|                                 | ﷲ                 | ﷲ                 |
| Cash at bank – current accounts | 50,699,095        | 42,595,603        |
| Cash in hand                    | 1,582,909         | 1,826,952         |
|                                 | <u>52,282,004</u> | <u>44,422,555</u> |

The cash is held in accounts with banks having sound credit ratings. The fair value of bank balances and cash equivalent approximates the carrying value at 31 December 2024 and 31 December 2023.

At 31 December 2024, the Group had available ﷲ 1,516 million (31 December 2023: ﷲ 486 million) of undrawn committed borrowing facilities.

#### 15. SHARE CAPITAL

As at the statement of financial position date, the Parent Company's authorized, issued and fully paid share capital is ﷲ 920.4 million (2023: ﷲ 920.4 million) which is divided into 92.04 million (2023: 92.04 million) shares of ﷲ 10 par value each (2023: ﷲ 10 par value each).

#### 16. STATUTORY RESERVE

In accordance with the previous Companies' Law and Group's By-laws, the Group was required to set aside 10% of its net income in each year as a statutory reserve until such reserve equals to 30% of the share capital. According to the new Companies' Law, the mandatory statutory reserve requirement had been removed. On 7 Dhu al-hijjah 1445H (corresponding to 13 June 2024) the Group's extraordinary general assembly ("EGA") approved the amendment of the Company's Bylaws to comply with the new Companies' Law, and the Group's Bylaws has been amended accordingly.

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 17. NON-CONTROLLING INTEREST

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

|                                     | 2024               | 2023               |
|-------------------------------------|--------------------|--------------------|
|                                     | ﷲ                  | ﷲ                  |
| Non-current assets                  | 148,893,856        | 152,837,602        |
| Current assets                      | 83,866,682         | 106,197,234        |
| Non-current liabilities             | (51,350,825)       | (54,158,834)       |
| Current liabilities                 | (77,416,501)       | (105,803,315)      |
| Net assets                          | <u>103,993,212</u> | <u>99,072,687</u>  |
| Attributable to:                    |                    |                    |
| Shareholders of the parent Company  | 56,041,941         | 53,390,270         |
| Non-controlling interest            | <u>47,951,271</u>  | <u>45,682,417</u>  |
| Revenue                             | <u>184,927,267</u> | <u>177,269,470</u> |
| Profit for the year                 | 4,085,867          | 7,499,728          |
| Other comprehensive income / (loss) | 834,659            | (2,113,949)        |
| Total comprehensive income          | <u>4,920,526</u>   | <u>5,385,779</u>   |
| Attributable to:                    |                    |                    |
| Shareholders of the parent Company  | 2,651,672          | 2,902,396          |
| Non-controlling interest            | <u>2,268,854</u>   | <u>2,483,383</u>   |

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

|   | 2024              | 2023              |
|---|-------------------|-------------------|
|   | ﷲ                 | ﷲ                 |
| Balance at 1 January                    | 45,682,417        | 43,199,034        |
| Total comprehensive profit for the year | 2,268,854         | 2,483,383         |
| <b>Balance as at 31 December</b>        | <u>47,951,271</u> | <u>45,682,417</u> |

### 18. LOANS AND BORROWINGS

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

|   | 2024                 | 2023                 |
|---|----------------------|----------------------|
|   | ﷲ                    | ﷲ                    |
| Loan from Ministry of Finance                 | 316,836,737          | 332,162,421          |
| Less: Unamortised portion of transaction cost | (9,393,213)          | (10,724,287)         |
| Loan from Ministry of Finance, net (note a)   | <u>307,443,524</u>   | <u>321,438,134</u>   |
| Long term loans (note b)                      | 540,881,663          | 1,138,991,811        |
| Short term loans (note c)                     | 545,219,424          | 966,171,939          |
|   | <u>1,393,544,611</u> | <u>2,426,601,884</u> |

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 18. LOANS AND BORROWINGS (continued)

|                               | 2024                        | 2023                        |
|-------------------------------|-----------------------------|-----------------------------|
|                               | S                           | S                           |
| <b>Current portion:</b>       |                             |                             |
| Long term loans               | 75,736,640                  | 136,968,019                 |
| Short-term borrowings         | 545,219,424                 | 966,171,939                 |
| Loan from Ministry of Finance | 19,226,725                  | 13,151,425                  |
|                               | <u>640,182,789</u>          | <u>1,116,291,383</u>        |
| <b>Non-current portion:</b>   |                             |                             |
| Long term loans               | 465,145,023                 | 1,002,023,792               |
| Loan from Ministry of Finance | 288,216,799                 | 308,286,709                 |
|                               | <u>753,361,822</u>          | <u>1,310,310,501</u>        |
|                               | <u><u>1,393,544,611</u></u> | <u><u>2,426,601,884</u></u> |

a) The outstanding balance comprise of:

- Interest free loan support construction of a hospital by the Subsidiary. The loan is to be repaid in 20 equal annual instalments started from year 2018. The net amount payable as at 31 December 2023 is S 45.27 million (2023: S 48.75 million).
- Murabaha facility for the construction of Dammam Hospital. The loan is repayable in 16 semi-annual instalments starting from February 2023. The net amount payable as at 31 December 2024 is S 135.3 million (2023: S 143.8 million).
- Murabaha facility for the construction of Makkah Hospital. The loan is repayable after completion of complete draw down of facility which is 172.31 million. The net amount payable as at 31 December 2024 is S 143.2 million (2023: S 139.6 million).
- Long-term loans from Ministry of Finance (MOF) are borrowed at SIBOR plus agreed mark ups except for the interest free loan mentioned above.
- The loans from the Ministry of Finance (MOF) are secured by the mortgage of certain lands and buildings (note 7) of the Group

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

- Murabaha term facility from a commercial bank for part funding the construction of hospital project at Dammam and Makkah, amounting to S 500 million. The loan was available for draw down over a period of three years started from December 2017. The first repayment was due in June 2021 and the last will be in December 2026. This loan is secured by promissory note from the Company. As at 31 December 2024, the net amount payable is S nil million (2023: S 283.96 million).
- A long-term loan amounting to S 185 million was approved during the year ended 31 December 2021. The net amount payable as at 31 December 2024 is S nil is S million (2023: S 92.69 million). This loan is secured by promissory note from the Company.
- A long-term loan amounting to S 200 million was approved during the year ended 31 December 2023. The net amount payable as at 31 December 2024 is S 104.86 is S million (2023: S 77.04 million). This loan is secured by promissory note from the Company.
- In July 2018, the Company secured a Murabaha facility from a commercial bank amounting to S 500 million for part funding the construction of hospital project at Makkah, expansion project and medical tower project at SGH Riyadh. The loan was to draw down over a period of three years started from July 2018. The first repayment was in September 2021 and last payment in March 2028. This loan is secured by promissory note from the Company. The net amount payable as at 31 December 2024 S 136.78 million (2023: S 431.25 million).

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 18. LOANS AND BORROWINGS (continued)

- A long-term loan amounting to ₪ 100 million was approved during the year ended 31 December 2019 by a commercial bank. The net amount payable as at 31 December 2024 is ₪ nil million (2023: ₪ 35.85 million). This loan is secured by promissory note from the Company.
  - A long-term loan amounting to ₪ 200 million was approved during the year ended 31 December 2022 by a commercial bank. The net amount payable as at 31 December 2024 is ₪ 183.09 million (2023: ₪ 193.60 million). This loan is secured by promissory note from the Company.
  - A long-term loan amounting to ₪ 300 million was approved during the year ended 31 December 2023 by a commercial bank. The net amount payable as at 31 December 2024 is ₪ 113.75 million (2023: ₪ 68.88 million). This loan is secured by promissory note from the Company.
  - A long-term loan amounting to ₪ 200 million was approved during the year ended 31 December 2024 by a commercial bank. The net amount payable as at 31 December 2024 is ₪ 4.02 million (2023: ₪ nil). This loan is secured by promissory note from the Company.
- c) The followings are the details of short-term loans obtained from various banks. These loans are secured by promissory notes from the Company:
- The Group obtained a short-term loan amounting to ₪ 120 million in December 2020 for the working capital management. The net amount as on 31 December 2024 is ₪ 60.00 million (2023: ₪ 80.00 million).
  - In December 2018, the Group signed an amendment to an Islamic financing agreement with a commercial bank to increase its revolving working capital facility from ₪ 35 million to ₪ 150 million. The net amount payable as at 31 December 2024 is ₪ nil million (2023: ₪ 130.93 million).
  - A loan facility amounting to ₪ 250 million received in October 2018 from a commercial bank. The net amount payable as at 31 December 2024 is ₪ 50.0 million (2023: ₪ 214.72 million).
  - A short-term loan amounting to ₪ 100 million was approved during the year ended 31 December 2020 from a commercial bank for working capital. The net amount payable as at 31 December 2024 is ₪ nil million (2022: ₪ 89.00 million).
  - A loan amount of ₪ 350 million from which ₪ 150 million was approved during the year ended 31 December 2023 from a commercial bank. The net amount payable as at 31 December 2024 is ₪ 116.79 million (2023: ₪ 257.34 million).
  - A loan amount of ₪ 150 million was approved during the year ended 31 December 2019 from a commercial bank. The net amount payable as at 31 December 2024 is ₪ 134.0 million (2023: ₪ 107.13 million).
  - A loan amount of ₪ 45.50 million was approved during the year ended 31 December 2022 from a commercial bank. The net amount payable as at 31 December 2024 is ₪ 72.67 million (2022: ₪ 46.79).
  - A loan amount of ₪ 200 million was approved during the year ended 31 December 2024 from a commercial bank. The net amount payable as at 31 December 2024 is ₪ 109.14 million (2023: ₪ nil).
  - A loan amount of ₪ 50 million was approved during the year ended 31 December 2024 from a commercial bank. The net amount payable as at 31 December 2024 is ₪ 2.62 million (2023: ₪ nil).
- d) Short term and long-term loans from commercial banks are borrowed at SIBOR plus agreed mark ups.
- e) These loan agreements with the banks contain covenants, which, among other things, require the Group to maintain a minimum current, gearing and debt service coverage ratio.

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 18. LOANS AND BORROWINGS (continued)

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

|   | 2024                 | 2023                 |
|---|----------------------|----------------------|
|   | ﷲ                    | ﷲ                    |
| <b>Current portion:</b>                     |                      |                      |
| Within one year                             | 640,182,789          | 1,116,291,383        |
| After one year but not more than five years | 497,241,611          | 1,068,671,784        |
| More than five years                        | 256,120,211          | 241,638,717          |
|   | <u>1,393,544,611</u> | <u>2,426,601,884</u> |

#### 19. SUKUK

|   | 2024               | 2023     |
|---|--------------------|----------|
|   | ﷲ                  | ﷲ        |
| Sukuk   | 1,000,000,000      | -        |
| Less: Unamortised portion of transaction cost | (10,815,357)       | -        |
| Non-current portion                           | <u>989,184,643</u> | <u>-</u> |

On 14 January 2024, the Group issued its first Sukuk – Series I amounting to ﷲ 1,000 million out of ﷲ 1,500 million Sukuk Programme with minimum purchase of 5 Sukuk with par value ﷲ 5,000. The Sukuk Issuance bears a return of 7.2% per annum payable quarterly in arrears. The Sukuk will be redeemed at par on its date of maturity after 5 years. These Sukuk are registered with Saudi stock Exchange (Tadawul).

#### 20. DEFERRED INCOME

As stated in note 18, the Group obtained interest free loan from Ministry of Finance. The movement in deferred income in lieu of government grants, is as follows:

|  | 2024             | 2023              |
|--|------------------|-------------------|
|  | ﷲ                | ﷲ                 |
| Balance at the beginning of the year                 | 10,724,287       | 12,128,116        |
| Transferred to statement of profit or loss (note 32) | (1,331,075)      | (1,403,829)       |
|  | <u>9,393,212</u> | <u>10,724,287</u> |
| Current portion (note 24)                            | (1,255,774)      | (1,331,074)       |
| Non-current portion                                  | <u>8,137,438</u> | <u>9,393,213</u>  |

#### 21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into different derivative instruments with local banks to manage some of its transaction exposures. The derivative instruments are designated as derivative financial instruments, The tables below show the negative fair values of derivatives, together with the notional amounts and fair value as of reporting date. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value and notional amount of the derivative is as follows:

|  | 2024                 | 2023                          | 2022                          |
|--|----------------------|-------------------------------|-------------------------------|
|  | SAR                  | SAR<br>(Restated-<br>note 38) | SAR<br>(Restated-<br>note 38) |
| Notional amount  | <u>1,800,000,000</u> | <u>1,800,000,000</u>          | <u>1,050,000,000</u>          |
| Negative Fair value of derivative financial instrument | <u>(26,207,840)</u>  | <u>(28,480,769)</u>           | <u>(36,331,118)</u>           |

The term to maturity for all derivative instruments entered by the group falls within years 2027 and 2028.

The derivative financial instruments gain recognised in profit or loss is equal to the change in fair.

### 22. EMPLOYEES' END OF SERVICE BENEFITS

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

|   | 2024               | 2023               |
|---|--------------------|--------------------|
|   | SAR                | SAR                |
| Balance at the beginning of the year                              | 240,185,179        | 204,936,471        |
| <b><i>Included in statement of profit or loss</i></b>             |                    |                    |
| Current service cost  | 36,402,921         | 29,677,360         |
| Interest cost (included in employee cost)                         | 12,768,473         | 11,682,418         |
|   | <u>49,171,394</u>  | 41,359,778         |
| <b><i>Included in statement of other comprehensive income</i></b> |                    |                    |
| Re-measurement (gain) / loss on defined benefit obligation        | (18,629,675)       | 28,410,655         |
| Benefits paid   | (26,896,344)       | (34,521,725)       |
| Balance at the end of the year                                    | <u>243,830,554</u> | <u>240,185,179</u> |

#### ***Actuarial assumptions***

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

|  | 2024        | 2023       |
|--|-------------|------------|
| Discount rate  | 5.47%       | 4.85%      |
| Future salary growth / expected rate of salary increases | 3.00%       | 3.00%      |
| Employee turnover / withdrawal rates                     | 10%         | 10%        |
| Retirement age   | 60          | 60         |
| Average duration of defined benefit obligation           | 10.82 years | 11.4 years |

#### ***Sensitivity analysis***

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

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 22. EMPLOYEES' END OF SERVICE BENEFITS (continued)

#### *Sensitivity analysis (continued)*

The quantitative sensitivity analysis for principal assumptions is as follows:

|  | <i>Impact on EOSB Increase / (decrease)</i> |                    |                    |
|--|---|--------------------|--------------------|
|  | <i>Change in assumption by</i>              | <i>Increase by</i> | <i>Decrease by</i> |
| <b>31 December 2024</b>                                  |   | ﷲ                  | ﷲ                  |
| Discount rate  | 1%  | (23,766,379)       | 26,066,712         |
| Future salary growth / expected rate of salary increases | 1%  | 38,128,990         | (31,568,684)       |
| <b>31 December 2023</b>                                  |   |                    |                    |
| Discount rate  | 1%  | (24,644,878)       | 27,462,773         |
| Future salary growth / expected rate of salary increases | 1%  | 39,152,670         | (32,312,365)       |

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

|  | 2024        | 2023        |
|--|-------------|-------------|
|  | ﷲ           | ﷲ           |
| Within the next 12 months (next annual reporting period) | 38,376,674  | 32,233,157  |
| Between 2 and 5 years                                    | 103,732,655 | 99,020,746  |
| Beyond 5 years   | 233,854,312 | 219,026,218 |

### 23. TRADE PAYABLES

|                                  | 2024               | 2023               |
|----------------------------------|--------------------|--------------------|
|                                  | ﷲ                  | ﷲ                  |
| Third party suppliers            | 299,099,488        | 461,145,256        |
| Due to related parties (note 27) | 22,511,183         | 97,543,895         |
|                                  | <u>321,610,671</u> | <u>558,689,151</u> |

Trade payables are non-interest bearing and are normally settled on 90-day terms. For terms and conditions with related parties, refer to Note 26.

### 24 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

|   | 2024               | 2023               |
|---|--------------------|--------------------|
|   | ﷲ                  | ﷲ                  |
| Payroll related accrued expenses                  | 125,678,486        | 184,813,113        |
| Cost related accrued expenses                     | 69,088,203         | 47,011,266         |
| Provision for claims (note a)                     | 38,531,203         | 38,531,203         |
| Advance payment for provision for claims (note a) | (38,531,203)       | (38,531,203)       |
| Value added tax (VAT) payable                     | 18,251,719         | 25,405,006         |
| Deferred income (note 20)                         | 1,255,774          | 1,331,074          |
| Other liabilities                                 | 41,263,994         | 12,527,558         |
|   | <u>255,538,176</u> | <u>271,088,017</u> |

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

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 25. ZAKAT PAYABLE

The Company and its subsidiary files the zakat returns on an individual basis. The Group's Zakat provision for the year ended 31 December 2024 amounted to ₪ 27,052,769 (2023(Restated): ₪ 170,440,112) which is charged to the consolidated statement of income in accordance with the ZATCA regulations.

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

##### A. Zakat provision

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

|   | 2024              | 2023                        |
|---|-------------------|-----------------------------|
|   | ₪                 | ₪<br>(Restated-<br>note 38) |
| At 1 January                                    | 170,387,385       | 9,435,191                   |
| Charged to the year                             | 26,277,245        | 170,440,112                 |
| Paid during the year                            | (17,960,103)      | (9,487,918)                 |
| Transfer to other financial liability (note 26) | (152,457,140)     | -                           |
| At 31 December                                  | <u>26,247,387</u> | <u>170,387,385</u>          |

##### Zakat assessments status

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

##### The Parent Company:

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

ZATCA issued a Zakat assessment for the years ended 31 December 2015 to 2018 and claimed additional Zakat differences of ₪ 104,116,626. Following the objection, ZATCA issued a revised assessment showing a reduction of the Zakat differences to ₪ 97,391,676. The case was escalated to the General Secretariat of Zakat, Tax and Customs Committee (GSTC). A preliminary decision was issued showing a reduction of the Zakat due to ₪ 83,369,470. Following the Appeal a decision was issued showing a reduction of the Zakat differences to ₪ 72,885,846. The Company filed a plea against the Appeal decision. which is still under study to date.

ZATCA issued a withholding tax assessment for the years ended 31 December 2015 to 2018 and claimed withholding tax and penalties differences of ₪ 52,741,685. The case was escalated to the Appeal Committee at the GSTC. A decision was issued supporting ZATCA. The Company filed a petition against the Appeal decision. which is still under study to date. The Company benefited from the ZATCA's initiative and waived the delay fines of ₪ 14,210,681 through the payment of ₪ 38,531,203 in advance (note 24).

ZATCA issued the assessment for the years ended 31 December 2019 and 2020 and claimed additional Zakat differences of ₪ 71,030,487. Following the objection, ZATCA issued a revised assessment showing a reduction of the Zakat differences to ₪ 67,589,953 The case was escalated to the Appeal Committee at the GSTC. A decision was issued supporting ZATCA. The Company filed a plea against the Appeal decision. which is still under study to date.

The management performed an assessment and in accordance with the Group's accounting policy and the requirements of IAS 8, it has been determined that an additional provision of ₪ 171 million has been recognized for the total additional claims related to the mentioned years, which includes a restatement of the previously recognized provision of ₪ 20 million in 2023 (note 38).

The Company filed the Zakat/tax returns for the years ended 31 December 2021 to 2023 and obtained the Zakat/tax certificate for the said years. The ZATCA did not finalize the review of the Company's returns neither issued the Zakat/tax assessment for the said years till date.

##### The Subsidiary

The subsidiary has finalized its Zakat assessment up to the year ended 31 December 2013.

The Subsidiary filed the Zakat/tax returns for the years ended 31 December 2019 to 2023 and obtained the Zakat/tax certificate for the said years. The ZATCA did not finalize the review of the Company's returns neither issued the Zakat/tax assessment for the said years till date.

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 26. OTHER FINANCIAL LIABILITIES

It represents financial liabilities which are payable on account of procuring medical equipment on instalments within one year or more, additionally during year ended 31 December 2024, the Company entered into an agreement for instalment plan to settle the Zakat and withholding tax differences for the years 2015 to 2020 (note 24) over 12 years on 48 instalments. The Company measured the liability at fair value, discounted to net present value using 6.25% discounting factor.

The present value of the instalments as follows:

|   |                    |
|---|--------------------|
| Total liability as per instalment plan        | <b>152,457,140</b> |
| Discount factor                               | <b>6.25%</b>       |
| NPV   | <b>107,006,395</b> |
| Gain on zakat liability restructure (note 31) | <b>45,450,835</b>  |

The breakup of current portion and non-current portion is as follows:

|                     | 2024                      | 2023                    |
|---------------------|---------------------------|-------------------------|
|                     | ﷲ                         | ﷲ                       |
| Non-current portion | <b>97,727,648</b>         | -                       |
| Current portion     | <b>6,102,557</b>          | 5,867,954               |
|                     | <b><u>103,830,205</u></b> | <b><u>5,867,954</u></b> |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 27. RELATED PARTY TRANSACTIONS AND BALANCES

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

| <i>Related party</i>   | <i>Relationship type</i>    | <i>Nature of transactions</i>          | <i>Transactions for the year</i> |                     | <i>Balance as 31 December</i> |             |
|--|-----------------------------|--|----------------------------------|---------------------|-------------------------------|-------------|
|  |                             |  | <i>2024</i>                      | <i>2023</i>         | <i>2024</i>                   | <i>2023</i> |
|  |                             |  | <i>ﷲ</i>                         | <i>ﷲ</i>            | <i>ﷲ</i>                      | <i>ﷲ</i>    |
| <b>a) Amounts due from related parties</b>                               |                             |  |                                  |                     |                               |             |
| Emirates Healthcare Development Company                                  | Entity under common control | Management fee                         | -                                | 4,588,831           | <b>7,007,103</b>              | 7,306,420   |
| Egypt Healthcare Company   | Entity under common control | Management fee                         | <b>3,872,752</b>                 | 2,165,040           | <b>2,641,048</b>              | 1,276,526   |
| Bait Al Batterjee Medical College  | Entity under common control | Training fee                           | <b>374,487</b>                   | 200,600             | <b>62,220</b>                 | 77,718      |
| Bait Al Batterjee Fitness Company  | Entity under common control | Medical services                       | <b>616</b>                       | 11,756              | <b>135,044</b>                | 134,428     |
|  |                             |  |                                  |                     | <b>9,845,415</b>              | 8,795,092   |
| <b>Prepayments and other current assets</b>                              |                             |  |                                  |                     |                               |             |
| <b>b)</b>  |                             |  |                                  |                     |                               |             |
| Megamind IT Solution Company   | Entity under common control | Advance against outsourced IT services | <b>(93,216,718)</b>              | <b>(97,219,759)</b> | <b>842,178</b>                | 2,020,275   |
| Bait Al Batterjee Medical Company  | Entity under common control | Advisory fee                           | <b>(6,300,895)</b>               | <b>6,300,895</b>    | <b>5,929,366</b>              | 377,348     |
| Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company | Entity under common control | Repair of medical instruments          | <b>(1,676,430)</b>               | <b>1,103,468</b>    | <b>1,833,569</b>              | -           |
|  |                             |  |                                  |                     | <b>8,605,113</b>              | 2,397,623   |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 27. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

| Related party  | Relationship type           | Nature of transactions             | Transactions for the year |            | Balance as 31 December |            |
|--|-----------------------------|------------------------------------|---------------------------|------------|------------------------|------------|
|  |                             |                                    | 2024                      | 2023       | 2024                   | 2023       |
|  |                             |                                    | ﷲ                         | ﷲ          | ﷲ                      | ﷲ          |
| <i>c) Amounts due to related parties</i>                                 |                             |                                    |                           |            |                        |            |
| Bait Al Batterjee Pharmaceutical Company                                 | Entity under common control | Supplies of certain pharmaceutical | <b>45,343,173</b>         | 45,464,391 | <b>10,650,232</b>      | 31,030,977 |
| Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company | Entity under common control | Repair of medical instruments      | <b>(1,676,430)</b>        | 1,103,468  |                        | 740,291    |
| International Hospital Construction Company                              | Entity under common control | Construction and renovation        | <b>224,565,029</b>        | 86,256,738 | <b>9,129,206</b>       | 63,969,968 |
| Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)  | Entity under common control | Janitorial services                | <b>32,920,990</b>         | 26,217,429 | <b>2,731,745</b>       | 1,802,659  |
|  |                             |                                    |                           |            | <b>22,511,183</b>      | 97,543,895 |

#### Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2024 and 2024, the amounts owed by related parties are not impaired.

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

Amount due from / to related parties are shown in notes 10, 12 and 23, respectively.

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 27. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

##### d) Compensation of key management personnel of the Group:

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

|  | 2024<br>س.م       | 2023<br>س.م      |
|--|-------------------|------------------|
| Short-term employee benefits           | 7,744,362         | 7,257,473        |
| Employees' defined benefit liabilities | 1,369,983         | 397,307          |
| Board of Directors remuneration        | 2,100,000         | 2,040,000        |
|  | <u>11,214,345</u> | <u>9,694,780</u> |

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

#### 28. COST OF REVENUE

|   | 2024<br>س.م          | 2023<br>س.م          |
|---|----------------------|----------------------|
| Staff salaries and benefits                     | 985,820,268          | 905,980,243          |
| Medicines and disposal supplies                 | 482,235,489          | 452,278,907          |
| Depreciation of property and equipment (note 7) | 157,066,721          | 144,710,706          |
| Janitorial expenses                             | 40,297,404           | 37,530,707           |
| Utilities                                       | 28,538,617           | 27,230,462           |
| Maintenance                                     | 22,055,360           | 22,484,764           |
| Stationary                                      | 4,762,677            | 4,395,254            |
| Depreciation on right of use assets (note 13)   | 2,464,866            | 2,464,880            |
| Other expenses                                  | 45,680,113           | 41,684,242           |
|   | <u>1,768,921,515</u> | <u>1,638,760,165</u> |

#### 29. SELLING AND MARKETING EXPENSES

|                             | 2024<br>س.م       | 2023<br>س.م       |
|-----------------------------|-------------------|-------------------|
| Advertisement and marketing | 56,793,363        | 41,340,407        |
| Sales promotion expenses    | 16,390,091        | 9,736,790         |
|                             | <u>73,183,454</u> | <u>51,077,197</u> |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 30. GENERAL AND ADMINISTRATIVE EXPENSES

|   | 2024<br>ﷲ          | 2023<br>ﷲ<br>(Restated-note 38) |
|---|--------------------|---------------------------------|
| Staff salaries and benefits                                 | 407,726,372        | 395,109,416                     |
| Professional services                                       | 55,332,656         | 45,557,898                      |
| Depreciation (note 7)                                       | 30,817,796         | 29,019,737                      |
| Depreciation on right of use assets (note 13)               | 15,827,296         | 10,895,155                      |
| Repair and maintenance                                      | 11,864,579         | 10,678,087                      |
| Postage, telephone and internet                             | 11,087,421         | 11,320,219                      |
| Amortization of intangible assets (note 8)                  | 10,570,547         | 2,722,205                       |
| Security and safety   | 10,480,161         | 10,360,043                      |
| Travelling expenses   | 8,221,291          | 7,836,157                       |
| Bank charges  | 4,365,756          | 5,644,339                       |
| Director's remuneration                                     | 2,100,000          | 2,040,000                       |
| Insurance   | 1,721,549          | 1,498,180                       |
| Government taxes and fees                                   | 785,032            | 520,967                         |
| Provision for claims  | -                  | 38,531,203                      |
| (Reversal) / allowance for expected credit losses (note 10) | (29,047,204)       | 32,069,738                      |
| Other expenses  | 57,927,915         | 35,562,514                      |
|   | <u>599,781,167</u> | <u>639,365,858</u>              |

#### 31. OTHER INCOME, NET

|   | 2024<br>ﷲ         | 2023<br>ﷲ<br>(Restated-note 38) |
|---|-------------------|---------------------------------|
| Gain on zakat liability restructure (note 26)       | 45,450,835        | -                               |
| Gain / (Loss) on disposal of property and equipment | 19,063,065        | (755,348)                       |
| Rental income                                       | 7,152,831         | 6,147,443                       |
| Fair value gain on derivative financial instruments | 2,272,929         | 7,850,350                       |
| Training and symposium                              | 4,760,385         | 2,751,596                       |
| Others  | 12,852,475        | 6,541,722                       |
|   | <u>91,552,520</u> | <u>22,535,763</u>               |

#### 32. FINANCE COST, NET

|  | 2024<br>ﷲ          | 2023<br>ﷲ          |
|--|--------------------|--------------------|
| Finance cost on borrowings                                 | 213,597,049        | 149,547,547        |
| Finance income from government grants (note 20)            | (1,331,075)        | (1,403,829)        |
| Interest expense on lease liability for the year (note 13) | 6,991,404          | 3,631,745          |
| Others   | 2,540,879          | 3,790,897          |
|  | <u>221,798,257</u> | <u>155,566,360</u> |

#### 33. EARNINGS PER SHARE

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

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 33. EARNINGS PER SHARE (continued)

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

*Basic and diluted earnings per share from total income.*

|  | 2024        | 2023                    |
|--|-------------|-------------------------|
|  | ﷲ           | ﷲ<br>(Restated-note 38) |
| Net profit for the year                    | 282,001,652 | 17,038,421              |
| Weighted average number of ordinary shares | 92,040,000  | 92,040,000              |
| Basic and diluted earnings per share       | <u>3.06</u> | <u>0.19</u>             |

### 34. COMMITMENTS AND CONTINGENCIES

- a) Various employees have filed cases against the Group for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to ﷲ 0.3 million (31 December 2023: ﷲ 20.3 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard
- b) The Company and its Subsidiary is also contesting various cases on account of alleged non-compliance of regulations. The total amount under consideration is ﷲ nil (31 December 2023: ﷲ 0.3 million). Most of the cases are under hearing. The management is confident that the outcome will be in favour of the Group and no provision is required in this regard.
- c) On 31 December 2024, the Group had commitments of ﷲ 654.8 million (31 December 2023: ﷲ 298.3 million) relating to capital expenditures.

### 35. FAIR VALUE OF ASSETS AND LIABILITIES

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

In the principal market for the asset or liability; or

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 35. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred. During the year ended 31 December 2024, there were no movements between the levels.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| <b>As at 31 December 2024</b>                                 | <b>Level 2</b>    | <b>Total</b>      |
|---|-------------------|-------------------|
|   | ⌘                 | ⌘                 |
| <i>Financial assets at fair value through profit or loss:</i> |                   |                   |
| Derivative financial instruments                              | <b>26,207,840</b> | <b>26,207,840</b> |
|   | <hr/> <hr/>       | <hr/> <hr/>       |
| <b>As at 31 December 2023 (Restated-note 38)</b>              | <b>Level 2</b>    | <b>Total</b>      |
|   | ⌘                 | ⌘                 |
| <i>Financial assets at fair value through profit or loss:</i> |                   |                   |
| Derivative financial instruments                              | 28,480,769        | 28,480,769        |
|   | <hr/> <hr/>       | <hr/> <hr/>       |
| <b>As at 31 December 2022 (Restated-note 38)</b>              | <b>Level 2</b>    | <b>Total</b>      |
|   | ⌘                 | ⌘                 |
| <i>Financial assets at fair value through profit or loss:</i> |                   |                   |
| Derivative financial instruments                              | 36,331,118        | 36,331,118        |
|   | <hr/> <hr/>       | <hr/> <hr/>       |

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred. During the year ended 31 December 2024, there were no movements between the levels.

As at 31 December 2024 and 31 December 2023, the fair values of the Group's financial instruments are estimated to approximate their carrying values except for interest free loans.

#### 36. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

##### **Market risk**

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

##### **Commission rate risk**

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

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

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

#### Commission rate risk (continued)

##### Sensitivity Analysis

|             | <i>Increase/decrease<br/>in base points</i> | <i>Impact on losses before<br/>Zakat<br/>ﷲ</i> |
|-------------|---|--|
| <b>2024</b> | <b>+1</b>                                   | <b>23,827,293</b>                              |
|             | <b>-1</b>                                   | <b>(23,827,293)</b>                            |
| 2023        | +1  | 24,203,754                                     |
|             | -1  | (24,203,754)                                   |

#### Currency risk

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk.

#### Credit risk

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

#### Trade receivables

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

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

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

|   | <i>2024</i>          | <i>2023</i>   |
|---|----------------------|---------------|
|   | <i>ﷲ</i>             | <i>ﷲ</i>      |
| <b>Financial assets</b>                         |                      |               |
| Trade receivables, net                          | <b>1,936,567,360</b> | 2,291,759,613 |
| Amount due from related parties                 | <b>9,845,415</b>     | 8,795,092     |
| Margin against letter of guarantee and deposits | <b>19,363,691</b>    | 16,968,546    |
| Cash on hand and at banks                       | <b>52,282,004</b>    | 44,422,555    |
|   | <b>2,018,058,470</b> | 2,361,945,806 |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

##### Credit risk (continued)

##### *Short-term deposits with banks and cash at banks*

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

##### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

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

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

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

| <b>As at 31 December 2024</b>    | <i>Up to 12<br/>months</i> | <i>One to five<br/>years</i> | <i>More than<br/>five years</i> | <i>Total</i>         |
|----------------------------------|----------------------------|------------------------------|---------------------------------|----------------------|
|                                  | ﷲ                          | ﷲ                            | ﷲ                               | ﷲ                    |
| Loans and borrowings             | 640,182,789                | 493,025,622                  | 260,336,200                     | <b>1,393,544,611</b> |
| Sukuk                            | -                          | 989,184,643                  | -                               | <b>989,184,643</b>   |
| Trade payables                   | 321,610,671                | -                            | -                               | <b>321,610,671</b>   |
| Lease liabilities                | 12,219,053                 | 24,493,823                   | 46,408,801                      | <b>83,121,677</b>    |
| Derivative financial instruments | -                          | 26,207,840                   | -                               | <b>26,207,840</b>    |
| Other financial liabilities      | 6,102,557                  | 28,754,457                   | 68,973,191                      | <b>103,830,205</b>   |
|                                  | <b>980,115,070</b>         | <b>1,561,666,385</b>         | <b>375,718,192</b>              | <b>2,917,499,647</b> |
|                                  | <u>980,115,070</u>         | <u>1,561,666,385</u>         | <u>375,718,192</u>              | <u>2,917,499,647</u> |
| <b>As at 31 December 2023</b>    | <i>Up to 12<br/>months</i> | <i>One to five<br/>years</i> | <i>More than five<br/>years</i> | <i>Total</i>         |
|                                  | ﷲ                          | ﷲ                            | ﷲ                               | ﷲ                    |
| Loans and borrowings             | 1,116,291,383              | 1,068,671,784                | 241,638,717                     | 2,426,601,884        |
| Trade payables                   | 558,689,151                | -                            | -                               | 558,689,151          |
| Lease liabilities                | 12,900,544                 | 22,829,371                   | 22,902,010                      | 58,631,925           |
| Derivative financial instruments | -                          | 28,480,769                   | -                               | 28,480,769           |
| Other financial liabilities      | 5,867,954                  | -                            | -                               | 5,867,954            |
|                                  | <b>1,693,749,032</b>       | <b>1,119,981,924</b>         | <b>264,540,727</b>              | <b>3,078,271,683</b> |
|                                  | <u>1,693,749,032</u>       | <u>1,119,981,924</u>         | <u>264,540,727</u>              | <u>3,078,271,683</u> |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

##### Liquidity risk (continued)

Changes in liabilities arising from financing activities are as follows:

|                      | <i>1 January<br/>2023</i> | <i>Cash flows</i>    | <i>New lease</i>  | <i>Others</i> | <i>31 December<br/>2024</i> |
|----------------------|---------------------------|----------------------|-------------------|---------------|-----------------------------|
|                      | ﷲ                         | ﷲ                    | ﷲ                 | ﷲ             | ﷲ                           |
| Loans and borrowings | 2,426,133,004             | (1,032,588,393)      | -                 | -             | <b>1,393,544,611</b>        |
| Sukuk                | -                         | 989,184,643          | -                 | -             | <b>989,184,643</b>          |
| Lease liabilities    | 58,631,925                | (20,556,276)         | 45,046,028        | -             | <b>83,121,677</b>           |
|                      | <u>2,484,764,929</u>      | <u>1,053,144,669</u> | <u>45,046,028</u> | <u>-</u>      | <u>2,465,850,931</u>        |
|                      | <u>2,484,764,929</u>      | <u>1,053,144,669</u> | <u>45,046,028</u> | <u>-</u>      | <u>2,465,850,931</u>        |
|                      | <i>1 January<br/>2022</i> | <i>Cash flows</i>    | <i>New lease</i>  | <i>Others</i> | <i>31 December<br/>2023</i> |
|                      | ﷲ                         | ﷲ                    | ﷲ                 | ﷲ             | ﷲ                           |
| Loans and borrowings | 2,171,659,061             | 254,473,943          | -                 | -             | 2,426,133,004               |
| Lease liabilities    | 68,819,128                | (15,426,036)         | 5,238,833         | -             | 58,631,925                  |
|                      | <u>2,240,478,189</u>      | <u>239,047,907</u>   | <u>5,238,833</u>  | <u>-</u>      | <u>2,484,764,929</u>        |
|                      | <u>2,240,478,189</u>      | <u>239,047,907</u>   | <u>5,238,833</u>  | <u>-</u>      | <u>2,484,764,929</u>        |

#### 37. CAPITAL MANAGEMENT

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

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

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

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

|                                 | <i>2024</i>          | <i>2023</i>          |
|---------------------------------|----------------------|----------------------|
|                                 | ﷲ                    | ﷲ                    |
| Loans and borrowings            | <b>1,393,544,611</b> | 2,420,375,351        |
| Sukuk                           | <b>989,184,643</b>   | -                    |
| Lease liabilities               | <b>83,121,677</b>    | 58,631,925           |
| Other financial liabilities     | <b>103,830,205</b>   | 5,867,954            |
| Trade and other payables        | <b>576,373,324</b>   | 829,777,169          |
| Less: Cash and cash equivalents | <b>(52,282,004)</b>  | (44,422,555)         |
|                                 | <u>3,093,772,456</u> | <u>3,270,229,844</u> |
|                                 | <u>3,093,772,456</u> | <u>3,270,229,844</u> |
| Equity                          | <b>1,674,060,601</b> | 1,365,292,822        |
|                                 | <u>1,674,060,601</u> | <u>1,365,292,822</u> |
| Capital and net debt            | <b>4,767,833,057</b> | 4,635,522,666        |
|                                 | <u>4,767,833,057</u> | <u>4,635,522,666</u> |
|                                 | <u>4,767,833,057</u> | <u>4,635,522,666</u> |
| Gearing ratio                   | <b>65%</b>           | 71%                  |
|                                 | <u>65%</u>           | <u>71%</u>           |

# Middle East Healthcare Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

### 38. RESTATEMENT OF PRIOR PERIOD

38.1 During prior years, Zakat, Tax and Customs Authority (ZATCA) issued Zakat and withholding tax assessment claiming additional Zakat and withholding tax liabilities in respect of the years from 2015 to 2018 with a final exposure of ﷲ 123 million, and Zakat assessment for the years 2019 to 2020 with a final exposure of ﷲ 68 million against which a provision of ﷲ 20 million recorded on the year ended 31 December 2023. Final rulings from the Appellate Committee for Tax, and Customs Violations and Disputes (ACTVD) were issued in December 2023 for the years 2015 to 2018 and in February 2024 for the years 2019 and 2020. The Group filed a plea for reconsideration against the decisions taken by ACTVD, which is still under study.

However, based on management's assessment and in accordance with the Group's accounting policy and requirements of IAS 8, it was determined that a provision should have been recognized during the year ended 31 December 2023, for an additional amount of SAR 171 million to cover the total additional claims for the aforementioned years, This recognition reflects the reassessment of the likelihood of an economic outflow in light of developments in the plea process, as per management assessment this determination reflects a conservative approach given the increased probability of an economic outflow related to these claims to provide transparency and comparability of the financial information.

38.2 During the preparation of the consolidated financial statements for the year ended 31 December 2024, management conducted a comprehensive review of the fair value measurement of the Company's derivative instruments. This review identified that the fair value of these financial instruments had not been recognized in the financial statements for the years ended 31 December 2023 and 31 December 2022, as required under IFRS 9 "Financial instruments".

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the omission has been classified as a prior period error. Consequently, the comparative financial statements for the years ended 31 December 2023 and 31 December 2022 have been restated to reflect the fair value of the derivative instruments appropriately.

|  | Note | As of 31 December 2023-Prior Year |                         |                                |
|--|------|-----------------------------------|-------------------------|--------------------------------|
|  |      | Balance before restatement<br>ﷲ   | Restatement effect<br>ﷲ | Balance after restatement<br>ﷲ |
| <b><u>Effect on Statement of Financial Position:</u></b>                           |      |                                   |                         |                                |
| Current Liabilities:   |      |                                   |                         |                                |
| Accrued expenses and other current liabilities                                     | 38.1 | 291,088,019                       | 18,531,203              | 309,619,222                    |
| Zakat payable and provision for claims   | 38.1 | 17,930,245                        | 152,457,140             | 170,387,385                    |
| Non-current Liabilities:   |      |                                   |                         |                                |
| Derivative financial instruments   | 38.2 | -                                 | 28,480,769              | 28,480,769                     |
| EQUITY:  |      |                                   |                         |                                |
| Retained Earnings  |      | 377,410,906                       | (199,469,112)           | 177,941,794                    |
| <b><u>Effect on Statement of Profit or loss and other comprehensive Income</u></b> |      |                                   |                         |                                |
| General and Admin Expenses:  |      |                                   |                         |                                |
| Provision for claims   | 38.1 | (20,000,000)                      | (18,531,203)            | (38,531,203)                   |
| Other income   |      |                                   |                         |                                |
| Fair value gain on equity instruments at fair value through profit or loss         | 38.2 | -                                 | 7,850,350               | 7,850,350                      |
| PROFIT BEFORE ZAKAT  |      | 201,617,511                       | (10,680,853)            | 190,936,658                    |
| Zakat Expense and provision for claims   | 38.1 | (17,982,972)                      | (152,457,140)           | (170,440,112)                  |
| Net profit for the year  |      | 183,634,539                       | (163,137,993)           | 20,496,546                     |
| <b><u>Effect on Earning per share:</u></b>   |      |                                   |                         |                                |
| Basic and diluted earnings per share   |      | 1.96                              | (1.77)                  | 0.19                           |

## Middle East Healthcare Company (A Saudi Joint Stock Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

#### 38. RESTATEMENT OF PRIOR PERIOD (continued)

|  | <i>Note</i> | <i>Balance before<br/>restatement</i> | <i>As of 1 January 2023,<br/>Restatement effect</i> | <i>Balance after<br/>restatement</i> |
|--|-------------|---------------------------------------|---|--------------------------------------|
|  |             | ﷲ                                     | ﷲ   | ﷲ                                    |
| <b><u>Effect on Statement of Financial Position:</u></b> |             |                                       |   |                                      |
| Non-current Liabilities:                                 |             |                                       |   |                                      |
| Derivative financial instruments                         | 38.2        | -                                     | (36,331,118)  | (36,331,118)                         |
| EQUITY:  |             |                                       |   |                                      |
| Retained earnings  | 38.2        | 242,688,046                           | (36,331,118)  | 206,356,928                          |

#### 39. SUBSEQUENT EVENTS

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2024 that would have a material impact on the financial position or financial performance of the Group.

#### 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the Board of Directors on 02 March 2025 (corresponding to 2 Ramadan 1446H).