Middle East Healthcare Company

(A joint stock company under commercial registration no. 4030149460 with a paid-up capital of SAR 920,400,000 and 92,040,000 total outstanding shares)

السعودي الألماني الصحية
Saudi German Health
Caring like family نرعاكم كأهالينا

SAR 1,500,000,000

Sukuk Issuance Programme

Under the sukuk issuance programme described in this Base Prospectus (the "**Programme**"), Middle East Healthcare Company (the "**Issuer**" or the "**Company**"), subject to compliance with all applicable laws, regulations and directives, may from time to time issue sukuk (the "**Sukuk**").

The Issuer was incorporated as a joint stock company pursuant to Ministerial Resolution number 2554 dated 16/03/1425H (corresponding to 05/05/2004G) issued by the Minister of Commerce and is registered under commercial registration number 4030149460 dated 06/04/1425H (corresponding to 25/05/2004G) and the paid-up share capital of the Issuer is SAR 920,400,000 divided into 92,040,000 ordinary shares with a nominal value of SAR 10 per share. The Issuer's registered head office is at Batterjee Street, Al Zahra District, P.O. Box 2550, Jeddah 21461, the Kingdom of Saudi Arabia. The Issuer's shares were listed on the Saudi Stock Exchange (the "**Exchange**") on 20/06/1437H (corresponding to 29/03/2016G) and currently has 92,040,000 shares listed on the Exchange. Prior to the establishment of the Programme, the Issuer had no debt instruments listed on the Exchange.

Each Series (as defined in the terms and conditions of the Sukuk (the "**Conditions**" and, any reference herein to a numbered Condition is to the corresponding numbered provision thereof)) issued under the Programme will be the subject of, inter alia, a master declaration of agency (the "**Master Declaration of Agency**") dated 14 January 2024G between the Issuer and Al Rajhi Capital Company (in its capacity as agent on behalf of the Sukukholders (as defined below), the "**Sukukholders' Agent**", which expression includes any successor Sukukholders' Agent in relation to the Sukuk), as supplemented by a supplemental declaration of agency between the same parties in relation to each Tranche (as defined in the Conditions) of such Series (each a "**Supplemental Declaration of Agency**" and together with the Master Declaration of Agency, each a "**Declaration of Agency**"), and a payment administration agreement (the "**Payment Administration Agreement**") dated 14 January 2024G between the Issuer, the Sukukholders' Agent, Al Rajhi Capital Company (in its capacity as payment administrator, the "**Payment Administrator**") and the account bank named therein (in its capacity as account bank, the "**Account Bank**"). Sukuk of each Series confer on the holders thereof from time to time (the "**Sukukholders**") the right to receive certain payments (as more particularly described herein) arising from the Sukuk Assets (as defined in the Conditions) in relation to the relevant Series.

Sukuk may only be issued in registered form subject to, and in accordance with, the Conditions. The aggregate nominal amount of the Sukuk from time to time as are current under the Programme will not exceed SAR 1,500,000,000 subject to increase in accordance with the Programme Agreement (as defined herein) and all applicable rules and regulations in the Kingdom.

Each offer period for the relevant Tranche of the Sukuk will be specified in the Applicable Final Terms (as defined below) (each, an "**Offer Period**") and the relevant Tranche of Sukuk will be allocated after the end of the applicable Offer Period and issued on a date (the "**Issue Date**") notified by the Issuer and the relevant Dealer(s) (as defined below) to the relevant prospective investors after the end of the relevant Offer Period. For further details, see the section entitled "*Subscription and Sale*".

The Sukuk may be issued on a continuing basis to one or more dealers (each a "**Dealer**" and together the "**Dealers**") and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Sukuk being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe (or procure the subscription of) such Sukuk.

The Sukuk will be offered to eligible natural persons and legal persons in the Kingdom of Saudi Arabia (the "**Kingdom**") and any other jurisdiction, where it is lawful to offer the Sukuk. Persons wishing to purchase the Sukuk of the relevant Series will be required to submit a duly completed form (an "**Investor Application Form**") to the relevant Dealer(s) or to the receiving bank(s) (the "**Receiving Bank(s)**"), as applicable and as specified in the Applicable Final Terms, in each case before the end of the Offer Period (as defined above) and shall make payment for the Sukuk of such Series as per the instructions contained in the Investor Application Form. Investor Application Forms will be available from the relevant Dealer(s) or the Receiving Bank(s), as applicable, in respect of such Series. The Applicable Final Terms will specify whether Receiving Bank(s), if any, will be appointed in respect of the issuance of each Series of Sukuk.

The Issuer shall not pay any additional amounts in respect of any withholding required by law to any person who holds Sukuk but is not a Qualified Person (as defined below). See Condition 16 (*Taxation*).

The aggregate nominal amount of the Sukuk and any other terms and conditions not contained herein which are applicable to each Tranche will be set out in a final terms document applicable to such Tranche (the "**Applicable Final Terms**"). In respect of each Tranche to be issued under the Programme, the minimum number of Sukuk to be subscribed for is 5 Sukuk, in value of SAR 5,000, unless otherwise specified in the Applicable Final Terms, and the maximum number of Sukuk and maximum value of Sukuk to be subscribed for of each Tranche to be issued under the Programme will be specified in the Applicable Final Terms.

The Issuer may agree with any Dealer that Sukuk may be issued with terms and conditions not contemplated by the Conditions, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Sukuk.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Tranche, should be read and construed together with the Applicable Final Terms.

The Issuer has submitted an application for the registration and offer of the Sukuk to the Capital Market Authority (the "**CMA**") and to the Saudi Stock Exchange Company ("**Tadawul**") for the listing of the Sukuk. This Base Prospectus has been approved and all required documents have been submitted to the relevant authorities. All regulatory requirements have been satisfied and all required corporate approvals have been obtained.

This Base Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations of the Capital Market Authority of the Kingdom of Saudi Arabia and the application for listing of securities in compliance with the Listing Rules of the Saudi Stock Exchange Company. The directors, whose names appear in this Base Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Base Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Saudi Stock Exchange Company do not take any responsibility for the contents of this Base Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus.

Prospective investors of the Sukuk offered under the Programme should conduct their own due diligence on the accuracy of the information relating to the Sukuk. If you do not understand the contents of this document, you should consult an authorised financial adviser.

The Securities Depository Center Company ("**Edaa**") will be appointed as registrar (the "**Registrar**", which expression includes any successor registrar) of any Sukuk issued under the Programme (as described in the Conditions and the "*Subscription and Sale*" section of this Base Prospectus, respectively). The Sukuk will be in registered form in Specified Denomination of SAR 1,000 and the aggregate nominal value of each Tranche will be outlined in the Applicable Final Terms. The Sukuk will be collectively represented at all times by interests in a registered form global sak, without coupons attached (the "**Global Sak**"), which will be deposited as the Sukukholders' Agent may direct in accordance with the provisions of the Master Declaration of Agency. The Sukuk may only be held in book entry dematerialised form and definitive sukuk will not be issued to Sukukholders in relation to their holdings of Sukuk.

An investment in the Sukuk issued under the Programme involves certain risks and uncertainties. For a discussion of certain factors to be considered before determining whether to invest in the Sukuk issued under the Programme, see the "*Risk Factors*" and "*Important Notice*" sections of this Base Prospectus.

Where a Series of Sukuk is rated, such rating will be specified in the Applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Any Sukuk to be issued under the Programme may only be offered and sold in the Kingdom in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA pursuant to its Resolution no. 3-123-2017 dated 9/4/1439H (corresponding to 27/12/2017G) as amended by its Resolution no. 8-5-2023 dated 25/6/1444H (corresponding to 18/01/2023G) (the "**ROSCOs**").

The distribution of this Base Prospectus and the offering, sale and delivery of Sukuk issued under the Programme in any jurisdiction other than the Kingdom may be restricted by law. Any persons who come into possession of this Base Prospectus are required by the Issuer, Al Rajhi Capital Company (the "**Sole Arranger**") and the Dealer(s) to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Sukuk issued under the Programme and on distribution of this Base Prospectus and other offering material relating to Sukuk issued under the Programme, see the "*Subscription and Sale*" section of this Base Prospectus.

The transaction structure relating to the Sukuk (as described in this Base Prospectus) has been approved by members of Al Rajhi Capital Company's *Shari'ah* Committee. Prospective Sukukholders should not rely on such approval in deciding whether to make an investment in the Sukuk and should consult their own *Shari'ah* advisers as to whether the proposed transaction described in such approval is in compliance with their individual standards of compliance with *Shari'ah* principles. None of the Issuer, the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator or the Account Bank makes any representation as to the *Shari'ah* compliance of the Sukuk and/or any trading thereof.

Financial Adviser, Sole Arranger and Dealer

الراجحي المالية
alrajhi capital

This Base Prospectus is dated 14 January 2024G

IMPORTANT NOTICE

This Base Prospectus provides certain information relating to the Issuer and the Sukuk being offered. This Base Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Sukuk by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Base Prospectus and the offer or sale of the Sukuk in certain jurisdictions is restricted by law. This Base Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful.

This Base Prospectus contains details and sufficient information related to the Issuer and Sukuk. This Base Prospectus can be obtained by visiting the Issuer's website (https://saudigermanhealth.com), the CMA's website (www.cma.org.sa), Tadawul's website (www.saudiexchange.sa) or the website of the financial adviser, the Sole Arranger and Dealer (https://alrajhi-capital.com).

No person is or has been authorised to give any information or to make any representation about the Issuer, the Programme or the Sukuk (other than as contained in this Base Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been made or authorised by the Issuer, the Sole Arranger and the Dealer(s) or any of their respective affiliates. Neither the publication and/or delivery of this Base Prospectus nor any sale of any Sukuk shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. None of the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator, the Account Bank and each of their respective affiliates expressly undertakes to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor or prospective investor in the Sukuk of any information coming to their attention.

The Issuer accepts full responsibility for the accuracy of the information contained in this Base Prospectus and the Applicable Final Terms and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, the information contained in this Base Prospectus is in accordance with the facts and there are no other facts, the omission of which would make any statement herein misleading. The CMA and Tadawul do not take any responsibility for the contents of this Base Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective investors of the Sukuk offered under the Programme should conduct their own due diligence on the accuracy of the information relating to the Sukuk. If you do not understand the contents of this document, you should consult an authorised financial adviser.

While the Issuer has made all reasonable enquiries as to the accuracy of the information contained in this Base Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while none of the Issuer, the Sole Arranger, the Dealer(s) nor any of their respective advisers or affiliates have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Base Prospectus is subject to change. In particular, the actual financial state of the Issuer and the value of any Sukuk issued under the Programme may be adversely affected by future developments in inflation, financing charges, taxation, calculation of *zakat* or other economic, political and other factors, over which the Issuer has no control, see "*Risk Factors*". The Issuer does not intend to update or otherwise revise any information or forward-looking statements in this Base Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Base Prospectus might not occur in the way they are expected, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward looking statements.

Neither the publication and/or delivery of this Base Prospectus nor any oral, written or printed interaction in relation to the Sukuk is intended to be or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

This Base Prospectus should be read and construed together with any supplements hereto and, in relation to any Tranche, should be read and construed together with the Applicable Final Terms.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Sukuk issued under the Programme: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation on the part of the Issuer, the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator, the Account Bank or any of their respective advisers or affiliates that any recipient of this Base Prospectus should participate in the offering of any Sukuk issued under the Programme. Information provided herein is of a general nature and has been prepared without taking into account any prospective investor's investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Base Prospectus and any other information supplied in connection with the Programme or the issue of any Sukuk issued under the Programme is responsible for obtaining its own independent professional advice from a financial adviser licensed by the CMA in relation to the Issuer and the offering of the relevant Sukuk and for making their own independent investigation, evaluation and appraisal of the financial condition and affairs, as well as the creditworthiness, of the Issuer, an investment in the relevant Sukuk and of the information and assumptions contained herein, using such advice, analysis and projections as they deem necessary in making any investment decision. None of the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator or the Account Bank accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or for any other statement made or purported to be made by the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator or the Account Bank or on its behalf in connection with the Issuer, the Programme or the issuance and offering of the Sukuk.

No representation or warranty is made or implied by the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator, the Account Bank or any of their respective affiliates and, to the fullest extent permitted by law, none of the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator, the Account Bank or any of their respective affiliates makes any representation or warranty or accepts any responsibility (i) for the contents, accuracy or completeness of the information contained in, this Base Prospectus, (ii) for any other statement, made or purported to be made by the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator, the Account Bank or any of their respective affiliates or on their behalf, or (iii) for any acts or omissions of the Issuer or any other person in connection with the Issuer, this Base Prospectus or the issue and offering of any Sukuk. Each of the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator, the Account Bank and each of their respective affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. None of the Issuer, the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator or the Account Bank makes any representation to any investor in the Sukuk regarding the legality of its investment under any applicable laws. Any investor in the Sukuk should be able to bear the economic risk of an investment in the Sukuk for an indefinite period of time.

Prospective investors should note that the Issuer shall not pay any additional amounts in respect of any withholding required by law to any person who holds Sukuk who is not a "Qualified Person". A "**Qualified Person**" means:

(a) a natural person who is considered to be resident in the Kingdom in accordance with the Income Tax Law issued by a Royal Decree no. M/1 dated 15/1/1425H and the implementing regulations thereof (the "**Income Tax Law**"); or

(b) a legal person who is considered to be resident in the Kingdom in accordance with the Income Tax Law and who is holding a current commercial registration number issued by the Ministry of Commerce. However, the requirement for such legal person to hold a current commercial registration number issued by the Ministry of Commerce would not apply to Saudi Arabian governmental entities and mutual funds established in the Kingdom and managed by a person authorised by the CMA or any other entity established in the Kingdom that is not required by the laws of the Kingdom to hold a commercial registration, and who, in each case, has a bank account with a local bank in the Kingdom; or

(c) any other category of person specified as such in the Applicable Final Terms.

If the prospective investor received this document by e-mail, they should not reply by e-mail to this document. Any reply e-mail communications, including those generated by using the "Reply" function on the prospective investor's e-mail software, will be ignored or rejected. If the prospective investor receives this document by e-mail, their use of that e-mail will be at their own risk, and it is their responsibility to take precautions to ensure that it is free from viruses and any other similar items of a destructive nature.

If this Base Prospectus has been sent to a prospective investor in an electronic form, they must be aware that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator, the Account Bank or any person who controls or is a director, officer, employee or agent of any of the Issuer, the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator, the Account Bank or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Base Prospectus distributed to prospective investors in electronic format and the copy made available on the official website of the CMA or the Issuer.

The information provided in this Base Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, the financial situation or particular investment needs of the persons who intend to invest in the Sukuk. Prospective investors are not to construe the contents of this Base Prospectus as constituting tax, *zakat*, investment, legal, regulatory or *Shari'ah* advice. Prior to purchasing any Sukuk, a prospective investor should consult with its own legal, financial, business, tax, *zakat* and *Shari'ah* advisers to determine the appropriateness and consequences of an investment in the Sukuk for such investor and arrive at an independent evaluation and appraisal of such investment.

The Sukuk may not be a suitable investment for all investors. Each prospective investor in Sukuk must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk, the merits and risks of investing in the Sukuk and the information contained, or incorporated by reference, in this Base Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk and the impact the Sukuk will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk;

(d) understand thoroughly the terms of the Sukuk and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, profit rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain governmental or regulatory authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent: (i) the Sukuk are legal investments for it; (ii) the Sukuk can be used as collateral for various types of borrowing; and (iii) other restrictions apply to their purchase or pledge of any Sukuk. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Sukuk under any applicable risk-based capital or similar rules and regulations to avoid breaching any laws and regulations or the provisions of contracts or agreements to which they are a party.

The Sukuk are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities similar to the Sukuk. There are risks inherent in holding of the Sukuk, including the risks in relation to their subordination and the circumstances in which holders of the Sukuk may suffer loss as a result of holding the Sukuk. See "*Risk Factors*" for a discussion of certain considerations to be taken into account in connection with an investment in the Sukuk. Institutional or qualified clients generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A prospective investor should not invest in Sukuk unless it has the expertise (either alone or with a financial adviser) to evaluate how the Sukuk will perform under changing conditions, the resulting effects on the value of the Sukuk and the impact this investment will have on the prospective investor's overall investment portfolio.

The Issuer reserves the right, to the maximum extent permitted by applicable laws and regulations, to terminate at any time any further participation by any party in the evaluation process and the offering of the Sukuk and/or reject all bids without any liability or responsibility. The Issuer shall have no obligation to inform any investor or bidder of the grounds of such termination or rejection. The cost and expenses incurred by any prospective investor or successful bidder (which includes, but is not limited to, cost of employing the services of financial, accounting, technical, legal and *Shari'ah* advisers, travelling expenses, etc.) will be for their own account and none of the Issuer, the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator or the Account Bank in any way would be held responsible for any such cost, regardless of, without limitation, the conduct or outcome of the bidding, evaluation and selection process.

The Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator and the Account Bank are not responsible for, and take no responsibility for, the movement of funds or securities on settlement of the offering or thereafter. Settlement of any Sukuk issued under the Programme will be through Tadawul's clearing and settlement organisation, Edaa, and in accordance with the procedures and funds settlement as established by the Edaa and in accordance with its procedures. The Issuer, the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator and the Account Bank do not take any responsibility for, or make any representation in connection with, such processes, which investors are expected to complete within the Edaa entirely at their sole responsibility.

Industry and Market Data

In this Base Prospectus, information regarding the healthcare industry and other data regarding the market segment in which the Issuer operates has been obtained from: (i) the Issuer's estimates; and (ii) data and analysis on the healthcare industry, which were obtained from various publicly available third party sources and materials. Such information, sources, and estimates are believed to be reliable, but have not been independently verified by the Issuer, the directors of the Issuer whose names appear in the section entitled "*Description of the Group's Business*" of this Base Prospectus or any of their respective advisers and no representation is made with respect to their accuracy or completeness.

Industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size. None of the publications, reports or other published industry sources referred to in this Base Prospectus were commissioned by the Issuer or prepared at its request and the Issuer has not sought or obtained the consent from any of these sources to include such market data in this Base Prospectus.

NOTICE TO PROSPECTIVE INVESTORS

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Sukuk in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Sukuk may be restricted by law in certain jurisdictions. The Issuer, the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator and the Account Bank require persons in possession of this Base Prospectus to inform themselves about and to observe all such legal or regulatory restrictions in this regard.

The Sukuk have not been nor will be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), nor with any securities regulatory authority of any state or other jurisdiction of the United States and the Sukuk may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state or other jurisdiction of the United States. Each purchaser of the Sukuk is hereby notified that the offer and sale of Sukuk to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical financial statements

The historical financial statements relating to the Company and its subsidiary, National Hail Company for Healthcare ("**NHC**", together with the Company, taken as a whole, the "**Group**") and set forth elsewhere in this Base Prospectus are:

- the unaudited interim condensed consolidated financial statements as at and for the three-month period ended 31 March 2023G including the notes thereto, which also include comparative financial information for the three-month period ended 31 March 2022G (the "**Interim Financial Statements**");
- the audited consolidated financial statements as at and for the year ended 31 December 2022G including the notes thereto, which also include comparative financial information as at and for the year ended 31 December 2021G (the "**2022G Financial Statements**");
- the audited consolidated financial statements as at and for the year ended 31 December 2021G including the notes thereto, which also include restated comparative financial information as at and for the year ended 31 December 2020G (the "**2021G Financial Statements**"); and
- the audited consolidated financial statements as at and for the year ended 31 December 2020G including the notes thereto (the "**2020G Financial Statements**" and, together with the 2022G Financial Statements and the 2021G Financial Statements, the "**Annual Financial Statements**").

The Interim Financial Statements and the Annual Financial Statements (together, the "**Financial Statements**") are presented in Riyals.

The Interim Financial Statements were prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**") ("**IAS-34, as endorsed in Saudi Arabia**").

The Annual Financial Statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (collectively referred to as "**IFRS-KSA**").

The Group's financial year ends on 31 December and references in this Base Prospectus to "2020G", "2021G" and "2022G" are to the 12-month period ending on 31 December in each such year.

Auditors and unaudited information

The Interim Financial Statements were reviewed by Ernst & Young Professional Services (Professional LLC) ("**EY**") in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. EY issued an unqualified review report on the Interim Financial Statements.

The 2022G Financial Statements and 2021G Financial Statements were audited by EY in accordance with International Standards on Auditing ("**ISAs**") that are endorsed in Saudi Arabia. EY issued unqualified audit reports on the 2022G Financial Statements and 2021G Financial Statements.

The 2020G Financial Statements were audited by KPMG Al Fozan & Partners (now known as KPMG Professional Services) ("**KPMG**") in accordance with ISAs that are endorsed in Saudi Arabia. KPMG issued an unqualified audit report on the 2020G Financial Statements.

All financial information as at and for the three-month periods ended 31 March 2023G and 31 March 2022G appearing in this Base Prospectus is unaudited and has been derived from the Interim Financial Statements or from management's internal financial and operating records.

All financial information as at and for the years ended 31 December 2022G and 31 December 2021G appearing in this Base Prospectus has been derived from the 2022G Financial Statements or from management's internal financial and operating records.

All financial information as at and for the year ended 31 December 2020G appearing in this Base Prospectus has been derived from the 2021G Financial Statements or from management's internal financial and operating records.

In 2021G, management of the Group conducted a detailed review of certain long outstanding receivables and discovered that certain invoices raised prior to 31 December 2020G had either not been issued in accordance with the applicable contractual terms and conditions or had not been pre-approved by the customer prior to their issuance and were, consequentially, rejected. These errors were primarily due to weaknesses in the Group's internal controls which management has since addressed and will continue to strengthen. Accordingly, management determined that revenues from the rejected and erroneous invoices and related receivables had been erroneously recorded and reflected in the 2020G Financial Statements. The affected financial information for the year ended 31 December 2020G was thus corrected and restated in the 2021G Financial Statements. For more details, see note 35 to the 2021G Financial Statements.

Certain non-IFRS-KSA financial information and Key Performance Indicators

This Base Prospectus includes selected consolidated ratios which have not been prepared in accordance with IFRS-KSA. None of this financial information is subject to any audit or review by the independent auditors. These ratios and key performance measures include EBITDA (SAR), gross profit margin, operating profit margin, EBITDA margin, net profit margin, total debt (SAR) and total debt / equity. See "*Summary of Financial Information – Key performance indicators for the three-month period ended 31 March 2023G and the years ended 31 December 2022G, 2021G, and 2020G*" and "*Management's Discussion and Analysis of the Group's Financial Position and Results of Operations – Key Performance Indicators*", which explain the basis of calculation of each ratio.

The Group believes that the presentation of these ratios is helpful to investors because these and other similar measures are used by the Group for its internal purposes and are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity.

However, these ratios are not measures of financial performance under IFRS-KSA and should not be considered in isolation or as a substitute for operating profit, cash flow from operating or other financial measures of the Group's results of operations or liquidity computed in accordance with IFRS-KSA. Other companies, including those in the Group's industry, may calculate these ratios differently from the Group. As all companies do not calculate these ratios in the same manner, the Group's presentation of these ratios may not be comparable to other similarly titled measures of other companies.

Use of Dates

Dates are referred to in the Hijri ("**H**") calendar and the Gregorian ("**G**") calendar. Unless indicated to the contrary, all references to dates, "**year**" or "**years**" herein are to dates or years in the Gregorian calendar.

PRESENTATION OF OTHER INFORMATION

Currencies

Unless otherwise indicated, in this Base Prospectus, all references to:

- "**Riyal**" and "**SAR**" are to the Saudi Arabian Riyal, the legal currency of Saudi Arabia;
- "**U.S. dollars**" and "**U.S.$**" are to United States Dollar, the legal currency of the United States.

Unless otherwise indicated, the financial information contained in this Base Prospectus has been expressed in Riyal. The functional currency of the Company and its subsidiary is the Riyal. The Group prepares its Financial Statements in Riyal.

Translations of amounts from Riyal to U.S. dollars in this Base Prospectus are solely for the convenience of the reader. The Riyal has been pegged to the U.S. dollar since 1986G at a fixed rate of SAR 3.75 = U.S.$1.00 and, unless otherwise stated, all conversions of Riyal amounts to U.S. dollar amounts in this Base Prospectus have been converted at this rate. No representation is made that Riyal amounts referred to could have been or could be converted into U.S. dollars at any particular rate on any date.

Third party and market share data

This Base Prospectus contains information regarding the Group's business and the industry in which it operates and competes, which the Group has obtained from third party sources. The Group and other service providers operating in the healthcare industry in Saudi Arabia make available a wide range of financial and operational information to regulatory and market bodies. These bodies use certain of the data supplied to publish statistical information, amongst other matters. However, no assurance can be made that the information reported to these bodies by different market participants is, in all cases, directly comparable. Where third party information has been used in this Base Prospectus, it has been accurately reproduced and the source of such information has been identified.

In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Base Prospectus is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. The Group believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and the Group's knowledge of the market within which it operates, the Group cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Saudi Arabia included in this Base Prospectus has been derived from official public sources, including the General Authority for Statistics ("**GASTAT**"), the Ministry of Health ("**MOH**"), the Ministry of Tourism, and the Organisation for Petroleum Exporting Countries ("**OPEC**"). All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased Sukuk issued under the Programme.

Where information has not been independently sourced, it is the Group's own information.

No incorporation of website information

The Group's website is https://saudigermanhealth.com. The information on this website or any other website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Prospectus, and investors should not rely on it.

Rounding

Certain financial data in this Base Prospectus has been rounded to the nearest million, thousand, whole number or the nearest decimal. As a result of such rounding, the totals of financial statement data presented in tables in this Base Prospectus may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item.

In addition, certain percentages presented in this Base Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

FORECASTS AND FORWARD-LOOKING STATEMENTS

Forecasts set forth in this Base Prospectus have been prepared on the basis of assumptions based on the Group's information as derived from its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Some statements in this Base Prospectus may be deemed to be forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position of the Group, or the business strategy, management plans and objectives for future operations of the Group, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are contained in sections of this Base Prospectus entitled "*Risk Factors*", "*Description of the Group's Business*", "*Management's Discussion and Analysis of the Group's Financial Position and Results of Operations*" and other sections of this Base Prospectus. The Group has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These forward-looking statements are based on numerous assumptions regarding the Group's present, and future, business strategies and the environment in which the Group expects to operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements are discussed in this Base Prospectus in the section entitled "*Risk Factors*".

Forward-looking statements speak only as at the date of this Base Prospectus and, without prejudice to any requirements under applicable laws and regulations, the Group, and the Sole Arranger and Dealer expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Base Prospectus to reflect any change in the expectations of the Group or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Group cannot assure potential investors that projected results or events will be achieved and the Group cautions potential investors not to place undue reliance on these statements.

Pursuant to the requirements of the ROSCOs, the Group must submit a supplementary Base Prospectus to the CMA if, at any time after the publication of this Base Prospectus (and before completion of any offer of Sukuk), the Group becomes aware that:

(i) there has been a significant change in material matters contained in this Base Prospectus; or

(ii) additional significant matters have become known which would have been required to be included in this Base Prospectus.

With the exception of these two cases, the Group does not intend to update or change any sector or market information or the forward-looking-statements included in this Base Prospectus, whether as a result of new information, future events or otherwise. As a result, the forward-looking events and circumstances discussed in this Base Prospectus might not occur in the way the Group expects, or at all. Therefore, Sukukholders should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Parties and Advisers

ISSUER
Middle East Healthcare Company Batterjee Street Al Zahra District P.O. Box 2550, Jeddah 21461 Kingdom of Saudi Arabia Tel: +966 12 2606000 Fax: +966 12 6835874 Website: https://saudigermanhealth.com Email: president@sghgroup.net
Issuer Representatives **Eng. Sobhi Abduljaleel Batterjee** Chairman Saudi German Hospital – Al Batterjee St. Al Zahra District – Jeddah Kingdom of Saudi Arabia Tel: +966 12 260 6000 Fax: +966 12 683 5874 Website: www.saudigermanhealth.com Email: president@sghgroup.net **Chief Financial Officer** **Mr. Madani Bahyeldin Abbas Hozaien** King's Road Tower – King Abdulaziz Road 23412 Jeddah Kingdom of Saudi Arabia Tel: +966 12 260 6000 Fax: +966 12 683 5874 Website: www.saudigermanhealth.com Email: mbhozaien@sghgroup.net

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SUKUKHOLDERS' AGENT AND PAYMENT ADMINISTRATOR
Al Rajhi Capital Company Al Rajhi Capital Head Office, King Fahd Road P.O. Box 5561, Riyadh 11432 Kingdom of Saudi Arabia Tel: +966 920005856 Fax: +966 (11) 460 00625 Email: InvestmentBankingTeam@alrajhi-capital.com Website: https://www.alrajhi-capital.com/
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REGISTRAR AND TRANSFER AGENT
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Kingdom of Saudi Arabia
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AUDITOR FOR THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2020G

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Fax: +966 (12) 230 3111
Email: ebaeshen@kpmg.com
Website: www.kpmg.com.sa

Table of Contents

1. SUMMARY OF THE PROGRAMME

The following is a summary of the principal features of the Programme. This summary does not contain all of the information that a prospective investor should consider before investing in Sukuk and is qualified in its entirety by the remainder of this Base Prospectus and the Applicable Final Terms. Each investor should read this entire Base Prospectus and the Applicable Final Terms carefully, before making an investment decision. In particular, prospective investors should consider carefully the factors set forth under the heading "Risk Factors" and the section entitled "Important Notice". Capitalised terms used but not defined in this summary have the meanings given to them in the "Terms and Conditions of the Sukuk" section of this Base Prospectus and any reference herein to a specified "Condition" shall be construed accordingly.

1.1 Summary of the Issuer

Name	Middle East Healthcare Company (the "**Issuer**" or the "**Company**", and together with its subsidiary, the "**Group**").
Description and incorporation	The Issuer was incorporated as a joint stock company pursuant to Ministerial Resolution number 2554 dated 16/03/1425H (corresponding to 05/05/2004G) issued by the Minister of Commerce and is registered under commercial registration number 4030149460 dated 06/04/1425H (corresponding to 25/05/2004G). The Issuer's registered head office is at Batterjee Street, Al Zahra District, P.O. Box 2550, Jeddah 21461, the Kingdom of Saudi Arabia. The Issuer's shares were listed on the Exchange on 20/06/1437H (corresponding to 29/03/2016G).
Issuer's Activities	In accordance with its bylaws, the main activities of the Issuer are: 1- establishing, managing, operating and maintaining hospitals, infirmaries, centers, institutes, health qualification and natural treatment centers, test and x-ray laboratories and pharmacies; 2- purchasing lands for the purpose of establishing buildings and investing, in the interest of the Issuer, in medical projects, establishing factories necessary for the Issuer, importing the necessary machines including drug factories and equipments, and owning patents to help achieve the Issuer's objectives both inside and outside the Kingdom; 3- wholesale and retail trade in drugs, medical tools and equipments, health qualification tools, natural treatment, and whatever is relevant to hospitals and medical centers; 4- wholesale and retail trade in computers and their spare parts and programs related to healthcare, hospitals, and medical centers; 5- commercial agencies in healthcare and drug fields; 6- establishing training centers for employment related to the Issuer's activities; and 7- establishing, managing and organizing the Issuer's own fairs and conference. Further details of the Group's history, strategy, business and other information can be found below under the "*Description of the Group's Business*" section of this Base Prospectus.
Substantial shareholders (ownership percentages and number of shares)	Bait Al-Batterjee Medical Co. Ltd. (approximately 54.692% representing 50,338,127 shares as at 30 June 2023)
Capital of the Issuer	SAR 920,400,000
Total outstanding shares	92,040,000

1.2 Parties

Issuer, Mudareb and Purchaser	Middle East Healthcare Company acting as the issuer of the Sukuk and *mudareb* under the Master Mudaraba Agreement and as purchaser under the Master Murabaha Agreement.
Sole Arranger	Al Rajhi Capital Company.
Dealers	Al Rajhi Capital Company together with any other Dealer appointed in accordance with the Programme Agreement (together, the "**Dealers**").
Sukukholders' Agent	Al Rajhi Capital Company with its registered address at Al Rajhi Capital, Head Office, King Fahd Road, P.O. Box 5561, Riyadh 11432, Kingdom of Saudi Arabia.
Payment Administrator	Al Rajhi Capital Company with its registered address at Al Rajhi Capital, Head Office, King Fahd Road, P.O. Box 5561, Riyadh 11432, Kingdom of Saudi Arabia.
Account Bank	Al Rajhi Banking and Investment Corporation with its registered address at Al Rajhi Head Office, 8467 King Fahd Road, Al Muruj District, Riyadh 12263 – 2743, Kingdom of Saudi Arabia.
On-Sale Agent	Al Rajhi Capital Company with its registered address at Al Rajhi Capital, Head Office, King Fahd Road, P.O. Box 5561, Riyadh 11432, Kingdom of Saudi Arabia
Registrar and Transfer Agent	Securities Depository Center Company ("**Edaa**") with its registered address at Tawuniya Towers, Unit Number: 15, King Fahd Road – Olaya 6897, Riyadh 12211 – 3388, Kingdom of Saudi Arabia.

1.3 Summary of the terms of Sukuk of each Series and the rights of the Sukukholders

Terms of each Series	The specific terms of each Series will be set out in the Applicable Final Terms.
Issuance in Series	The Sukuk will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Sukuk of each Series will have the same terms and conditions or terms and conditions which are the same in all respects, save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which the Periodic Distribution Amounts start to accrue.
Issue Date	The Issue Date of each Tranche will be set out in the Applicable Final Terms.
Master Mudaraba Agreement	The Mudaraba in respect of each Series will be constituted by a master mudaraba agreement (the "**Master Mudaraba Agreement**") dated 14 January 2024G between the Company (as Issuer and as Mudareb) and the Sukukholders' Agent (acting as *rab-al-maal*) as agent on behalf of the Sukukholders.
Master Murabaha Agreement	Pursuant to the Master Murabaha Agreement entered into between the Sukukholders' Agent (as "**Seller**") and the Company (as "**Purchaser**"), the Seller will make available to the Purchaser a murabaha-based financing facility under which the Seller agrees to enter into Murabaha Transactions whereby it agrees to sell, on a murabaha basis, to the Purchaser, on the applicable Settlement Date, certain Commodities purchased by the Seller from nominated Supplier(s) at a price negotiated between the Purchaser and the Seller. Once the Seller has acquired the Commodities from the Supplier(s), the Seller will sell the Commodities to the Purchaser on deferred payment terms, providing for the Purchaser to pay to the Seller the Deferred Sale Price in accordance with the terms of the Master Murabaha Agreement and the Conditions.
Transaction Structure	Each Series issued under the Programme shall utilise the following *Shari'ah* structure: a- Pursuant to the Master Murabaha Agreement, the Seller and the Purchaser shall enter into a single Murabaha Transaction with a Deferred Sale Price owed by the Purchaser to the Seller that is equal to 95 per cent. of the Aggregate Nominal Amount of the Sukuk of such Tranche on the Issue Date; and b- the Mudaraba Capital of such Tranche shall be invested on the Issue Date as follows: i- the Mudareb shall ensure that an amount of such Mudaraba Capital which (together with, if applicable, the Mudaraba Capital of each other Tranche of such Series) is equal to the Available Amount in respect of the relevant Series will (for so long as the Sukuk of such Series are current) be invested in the Mudaraba as immediately available funds, which are available to the Mudareb in accordance with the Master Mudaraba Agreement; and ii- the Mudareb shall invest the remainder of such Mudaraba Capital in the Business Portfolio.

Mudaraba Assets	In respect of each Tranche, on the relevant Issue Date, the Mudareb shall invest the Mudaraba Capital of such Tranche as follows: a- an amount of the Mudaraba Capital which (together with, if applicable, the Mudaraba Capital of each other Tranche of such Series) is equal to the Available Amount in respect of the relevant Series will (for so long as the Sukuk of such Series are current) be invested in the Mudaraba as immediately available funds, which are available to the Mudareb in accordance with the terms of the Master Mudaraba Agreement; and b- the remainder of the Mudaraba Capital will be invested by the Mudareb in the Business Portfolio. "**Business Portfolio**" means the total *Shari'ah* compliant assets of the Issuer including the investment of the Mudareb (for the benefit of the Sukukholders' Agent) and any other investments made pursuant to the Master Mudaraba Agreement. "**Mudaraba Assets**" means, in relation to each Series (i) the Sukukholders' Agent's share (held by the Mudareb for the benefit of the Sukukholders' Agent on behalf of the Sukukholders) in the Business Portfolio; and (ii) the Available Amount, in each case, representing the investment of the Mudaraba Capital by the Mudareb.
Mudaraba Income	In relation to each Series, the income received by the Mudareb in respect of the Mudaraba Assets, less total costs (consisting of direct costs and allocated costs of such activities) relating thereto.
Mudaraba Income Sharing	The proportional profit shares of the Sukukholders' Agent (being the "**Mudaraba Profit**") and the Mudareb (being the "**Mudareb Profit**") in any Mudaraba Income calculated as described above shall be calculated using the ratios set out in the Applicable Final Terms.
Murabaha Transaction	In respect of each Tranche, the Murabaha Capital (specified as such in the Applicable Final Terms) will be applied in a Murabaha Transaction to be entered into by the Sukukholders' Agent (as "**Seller**") on behalf of the Sukukholders and the Company (as "**Purchaser**") pursuant to the Master Murabaha Agreement, as described in further detail in Condition 6 (*Sukuk*).
Programme Size	The aggregate nominal amount of the Sukuk from time to time as are current under the Programme will not exceed SAR 1,500,000,000 and number of Sukuk not exceeding 1,500,000 Sak, subject to increase in accordance with the Programme Agreement and all applicable laws and regulations in the Kingdom.
Issuance Size/ nominal value for offered debt instrument	The aggregate nominal amount of each Series of Sukuk will be set out in the Applicable Final Terms.
Minimum number of Sukuk to be subscribed for	The minimum number of Sukuk to be subscribed for is 5 Sukuk of each Tranche of Sukuk to be issued under the Programme, unless otherwise specified in the Applicable Final Terms.
Maximum number of Sukuk to be subscribed for	The aggregate maximum number of Sukuk to be subscribed for under the Programme will be 1,500,000 Sak. The Applicable Final Terms will specify the maximum number of Sukuk to be subscribed for in respect of each Tranche.
Minimum value of Sukuk to be subscribed for	The minimum value for subscription is SAR 5,000 in relation to each Tranche of Sukuk issued under the Programme, unless otherwise specified in the Applicable Final Terms.
Maximum value of Sukuk to be subscribed for	The aggregate maximum value of the Sukuk of all series to be subscribed for is SAR 1,500,000,000. The Applicable Final Terms will specify the maximum value of Sukuk to be subscribed for in respect of each Tranche.
Targeted Participants	The Sukuk will be offered to eligible natural and legal persons in the Kingdom and any other relevant jurisdiction.
Offer Period	Each offer period for the relevant Tranche of the Sukuk will be specified in the Applicable Final Terms (each, an "**Offer Period**") and the relevant Tranche of Sukuk will be allocated after the end of the applicable Offer Period and issued on a date (each, an "**Issue Date**") notified by the Issuer and the relevant Dealer(s) or the Receiving Bank(s), as applicable, after the end of the relevant Offer Period. For further details, see "*Subscription and Sale*".
Subscription Method	Prospective investors wishing to purchase the Sukuk of the relevant Series will be required to submit a duly completed form (an "**Investor Application Form**") to the relevant Dealer(s) or to the receiving bank(s) (each, a "**Receiving Bank**"), as applicable and as specified in the Applicable Final Terms, in each case before the end of the Offer Period (as defined above) and shall make payment for the Sukuk of such Series as per the instructions contained in the Investor Application Form. Investor Application Forms will be available from the relevant Dealer(s) or the Receiving Bank(s), as applicable, in respect of such Series. Applications to purchase Sukuk for less than the Specified Denomination will not be accepted. For further details, please see "*Subscription and Sale*".

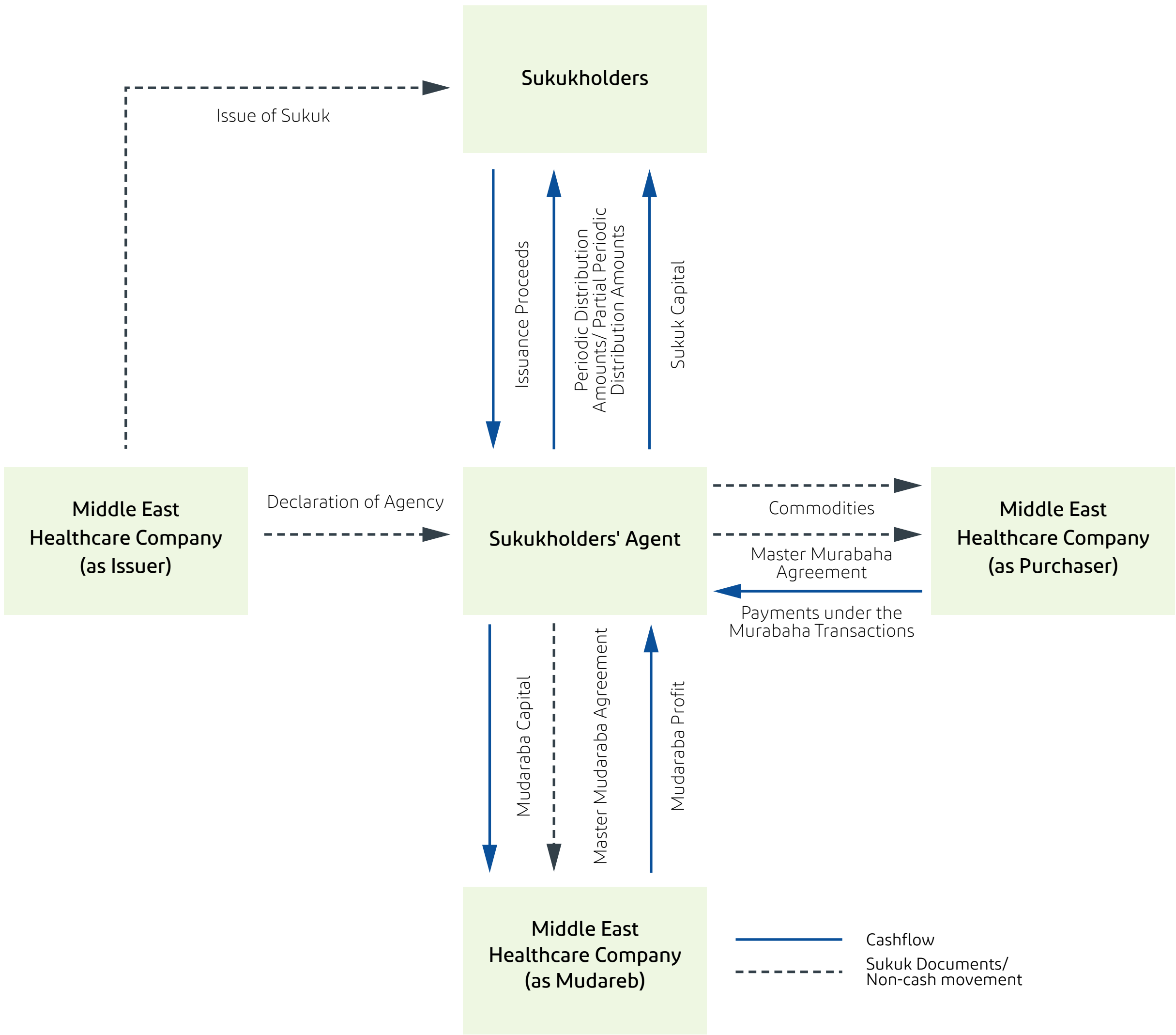
Allocation Method and return of excess	The allocation method of each Tranche will be specified in the Applicable Final Terms and will be at the sole discretion of the Issuer in consultation with the Dealer(s) in respect of the relevant Tranche of Sukuk. Excess subscription monies paid by individual participants, if any, will be refunded after completion of the allocation of Sukuk of the relevant Series by transfer to the Bank Account from which the monies were received without any charge or commission being withheld by the Receiving Bank(s) or the Dealer(s), as applicable.
Currencies	The Sukuk will be denominated in Saudi Riyals ("**SAR**").
Specified Denomination	The Sukuk will be issued in Specified Denomination of SAR 1,000
Expiry Dates	Each Series of Sukuk will have such Expiry Date as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum and maximum maturities as may be allowed or required from time to time by any laws or regulations applicable to the Issuer.
Issue Price	Sukuk may only be issued on a fully paid basis and at an issue price which is at par.
Form of Sukuk	Each Series of Sukuk will be issued in dematerialised registered form and will be collectively represented by the Global Sak which will be deposited as the Sukukholders' Agent may direct in accordance with the provisions of the Master Declaration of Agency. Definitive Sukuk representing holdings of the Global Sak will not be issued however Sukukholders will on request be entitled to receive a statement from the Registrar recording their holding of Sukuk.
Status of the Sukuk	Each Sak will constitute an undivided ownership interest of the Sukukholders in the Sukuk Assets of the relevant Series and will at all times rank *pari passu*, without any preference or priority, with all other Sukuk of the relevant Series issued under the Programme. The Sukuk and the Payment Obligations in respect of each Series of Sukuk will each constitute direct, unconditional, unsubordinated and (subject to Condition 7.1 (*Negative Pledge*)) unsecured obligations of the Issuer and shall (save for certain obligations required to be preferred by provisions of law that are both mandatory and of general application and subject to Condition 7.1 (*Negative Pledge*)) rank *pari passu* with all other outstanding unsecured, unsubordinated monetary obligations of the Issuer, present and future.
Periodic Distributions	Sukukholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the Applicable Final Terms.
Sukuk Account	In relation to each Series, on the Issue Date, the proceeds of the subscription of the Sukuk shall be deposited by the Sukukholders into a non-interest bearing account held in the name of the Sukukholders' Agent with the Account Bank (for and on behalf of the Sukukholders) and administered by the Payment Administrator on behalf of the Sukukholders' Agent (the "**Sukuk Account**").
Application of Proceeds on the Issue Date:	On the Issue Date of the relevant Tranche, the Payment Administrator shall, to the order of the Sukukholders' Agent, from the amounts standing to the credit of the Sukuk Account: a- provide an amount equal to the Mudaraba Capital (as defined in the Conditions) to the Mudareb to apply as the capital of the mudaraba (the "**Mudaraba**") constituted by the Master Mudaraba Agreement and, in accordance with the terms of the Master Mudaraba Agreement, the Mudareb shall invest the Mudaraba Capital in the Mudaraba Assets; and b- apply the remaining amount standing to the credit of the Sukuk Account being an amount equal to the Murabaha Capital in a Murabaha Transaction to be entered into by the Seller on behalf of the Sukukholders with the Purchaser pursuant to the Master Murabaha Agreement in the manner described in Condition 6.5 (*Murabaha Transaction*).
Sukuk Assets	In relation to each Series, the "**Sukuk Assets**" shall comprise: (a) the Mudaraba Assets; (b) the rights of the Seller under the Master Murabaha Agreement and each Murabaha Transaction; (c) the relevant Payment Obligations; (d) the Sukukholders' Agent's rights, title, interest and benefit, present and future, in, to and under the Sukuk Documents to which it is a party (excluding the representations given by the Issuer to the to the Seller and the Sukukholders' Agent under the Sukuk Documents and the covenants given to the Sukukholders' Agent pursuant to clause 10.1 (*Remuneration*) of the Master Declaration of Agency); and (e) amounts standing to the credit of the Collection Account and the Sukuk Account from time to time (including the proceeds of the subscription of the Sukuk deposited into the Sukuk Account on the Issue Date of each Tranche of such Series). None of the Issuer (so long as it performs its obligations under the Sukuk Documents), the Sukukholders' Agent, the Payment Administrator, the Sole Arranger or the Dealer(s) are responsible for the performance or profitability of the Sukuk Assets or for the share and amount of the distributions (if any) made to the Sukukholders.
Redemption of Sukuk on the Expiry Date	In respect of each Series, unless previously redeemed, or purchased and cancelled, the Sukuk shall be redeemed on the Expiry Date and each Sukukholder shall receive its proportional share of the Sukuk Capital together with any accrued but unpaid Periodic Distribution Amounts.

Early Redemption	In respect of each Series, the Sukuk may be redeemed prior to the Expiry Date upon: a- (if so specified in the Applicable Final Terms) the exercise of an Issuer Call Option, in whole, but not in part; b- (if so specified in the Applicable Final Terms) the exercise of a Sukukholder Put Option; c- (if so specified in the Applicable Final Terms) the exercise by the Issuer of the clean up call option as described in Condition 12.5 (*Redemption at the option of the Issuer (Clean Up Call Option)*); d- the occurrence of a Tax Event, in whole, but not in part; and e- the occurrence of an Event of Default, in whole, but not in part, in each case, at the relevant Sukuk Capital together with any accrued but unpaid Periodic Distribution Amounts and/or Partial Periodic Distribution Amounts. See Condition 12 (*Redemption of Sukuk*).
Negative Pledge	The Sukuk will have the benefit of a negative pledge. See Condition 7.1 (*Negative Pledge*).
Events of Default	For the events and circumstances that shall constitute an Event of Default under the Sukuk of a relevant Series and a description of the consequences thereof, see Condition 13 (*Events of Default and Winding-up*).
Taxation	All payments in respect of the Sukuk will be made free and clear of withholding taxes of the Kingdom unless such withholding is required by law. In that event, the Issuer will pay or cause to be paid to the Sukukholders who are also, at the time of the relevant payments, Qualified Persons, such additional amounts so that the net amount received by the Sukukholders after the withholding shall equal the respective amounts which would have been receivable in respect of the Sukuk in the absence of such withholding. See "*Taxation and Zakat*" for a description of certain tax and Zakat considerations applicable to the Sukuk.
Restrictions	There are restrictions on the distribution of this Base Prospectus and the offer or sale of Sukuk of any Series. In particular and only where applicable, in the Kingdom, the distribution of this Base Prospectus and the offering, sale and delivery of the Sukuk are limited solely to those persons who are permitted under the ROSCOs. For a more detailed description of these and other restrictions on offers, sales and deliveries of Sukuk of any Series and on the distribution of this Base Prospectus and any offering materials relating to the Sukuk of a relevant Series, see "*Subscription and Sale*".
Use of Proceeds	The proceeds of the issuance of each Tranche will be used to enter into the Mudaraba and into a Murabaha Transaction in accordance with the terms of the Sukuk Documents. The amounts so received by the Issuer will be used by it for its general corporate purposes.
Listing and Admission to Trading	Application will be made to Tadawul for Sukuk of a relevant Series issued under the Programme to be listed and admitted to trading on the Exchange.
Transfers	Subject to Condition 4.5 (*Regulations concerning transfers and registration*), the Sukuk may be transferred in accordance with the regulations and procedures established by the Registrar and Tadawul by delivering to the Registrar and Tadawul such information as such regulations and procedures shall require.
Sukuk Documents	The Sukuk Documents in respect of each Series of Sukuk are: (1) the Master Mudaraba Agreement; (2) the Master Declaration of Agency as supplemented by each relevant Supplemental Declaration of Agency; (3) the Registry Agreement; (4) the Payment Administration Agreement; (5) the Master Murabaha Agreement; (6) the On-Sale Agency Agreement; and (7) the Sukuk (including the Global Sak and the Conditions).
Risk Factors	An investment in any Series of Sukuk issued under the Programme should be made only after careful consideration by a prospective investor of its individual circumstances. There are certain factors that may affect the Issuer's ability to fulfil its obligations under a Series of Sukuk issued under the Programme and the Sukuk Documents. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Sukuk of such Series issued under the Programme. These are set out in the section entitled "*Risk Factors*". A prospective investor must also carefully review the section of this Base Prospectus entitled "*Important Notice*" before deciding to invest in the Sukuk.
Governing Law and Jurisdiction	The Sukuk Documents and each Series of Sukuk are to be governed by, and are to be construed in accordance with, the laws and regulations of the Kingdom and are subject to the exclusive jurisdiction of the Kingdom's Committee for Resolution of Securities Disputes and the Appeal Committee for Resolution of Securities Disputes (the "**Committees**").

Sukukholder Meetings	A summary of the provisions for convening meetings of Sukukholders of each Series of Sukuk to consider matters relating to their interests as such is set out in Condition 15.2 (*Modification*) and as further set out in the Master Declaration of Agency. Sukukholders should note that the provisions contained in the Master Declaration of Agency regarding Sukukholder meetings are subject to laws and regulations applicable in the Kingdom, as they may be amended from time to time and as applied in practice. In the event of any inconsistency between those provisions and applicable laws and regulations as applied in practice, the applicable laws and regulations shall prevail.
Further Issues	In respect of any Series, the Issuer shall be at liberty from time to time without the consent of the Sukukholders to create and issue additional Sukuk having the same terms and conditions as the Sukuk of such Series as are current or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that the same shall be consolidated and form a single Series with the Sukuk of such Series as are current. See Condition 19 (*Further Issues*) for further information.

2. STRUCTURE DIAGRAM

Set out below is a simplified structure diagram in respect of the Sukuk under the Programme. Prospective investors are referred to the Conditions set out in the section entitled "Terms and Conditions of the Sukuk" and the section entitled "Summary of Certain Principal Sukuk Documents" for a more detailed description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. The diagram set out below is a simplified diagram for illustration purposes only and is not intended to be (nor should it be construed as being) all inclusive. Prospective investors should note that this diagram is not a substitute for reviewing the Sukuk Documents in full, which shall be binding on prospective investors.



3. DEFINITIONS

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

Unless otherwise defined under Condition 2 (*Definitions*) or the context otherwise requires, words and expressions used in this Base Prospectus shall have the following meanings:

- "**2020G Financial Statements**" means the audited consolidated financial statements as at and for the year ended 31 December 2020G including the notes thereto;
- "**2021G Financial Statements**" means the audited consolidated financial statements as at and for the year ended 31 December 2021G including the notes thereto, which also include restated comparative financial information as at and for the year ended 31 December 2020G;
- "**2022G Financial Statements**" means the audited consolidated financial statements as at and for the year ended 31 December 2022G including the notes thereto, which also include comparative financial information as at and for the year ended 31 December 2021G;
- "**ACHS International**" means the Australian Council on Healthcare Standards International;
- "**AHDC**" means Ajman Healthcare Development Company;
- "**AJ Sons**" means Abduljaleel Ibrahim Batterjee Sons Development, a branch of the Company registered with the MOC with commercial registration number 4030181710 dated 04/08/1429H (corresponding to 07/08/2008G);
- "**Annual Financial Statements**" means the 2020G Financial Statements, the 2021G Financial Statements and 2022G Financial Statements;
- "**Applicable Final Terms**" has the meaning give to it under Condition 1 (*Introduction*) of the section entitled "*Terms and Conditions of the Sukuk*";
- "**BAB**" means Bait Al-Batterjee Medical Company;
- "**BABAS**" means Bait Al-Batterjee and Zuhair Al-Sebai Medical Company;
- "**Bankruptcy Law**" means the bankruptcy law promulgated pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14/02/2018G), as amended by Royal Decree No. M/89 dated 9/7/1441H (corresponding to 4 March 2020G);
- "**Base Prospectus**" and "**this Base Prospectus**" means the base prospectus dated 14 January 2024G relating to the Programme, as amended, supplemented and updated from time to time, including all information and supplements which form part of such base prospectus;
- "**billion**" means a thousand million;
- "**Bupa**" means Bupa Arabia for Cooperative Insurance;
- "**CBAHI**" means the Central Board for Accreditation of Healthcare Institutions;
- "**CHIA**" means Council of Health Insurance Accreditation;
- "**CMA**" means the Capital Market Authority of the Kingdom;
- "**CNHI**" means the Centre for National Health Insurance;
- "**Company**" or "**Issuer**" means Middle East Healthcare Company;
- "**Conditions**" has the meaning give to it under Condition 1 (*Introduction*) of the section entitled "*Terms and Conditions of the Sukuk*";
- "**COVID-19**" means the coronavirus disease outbreak in 2019G;
- "**Dealer**" means Al Rajhi Capital Company and such expression shall include any dealer appointed as such under the Programme Agreement, and Al Rajhi Capital Company together with any other dealer, the "**Dealers**";
- "**Edaa**" means the Securities Depository Center Company (Edaa);
- "**EHDC**" means Emirates Healthcare Development Company;
- "**ESHCO**" means Egyptian Saudi Healthcare Company;
- "**Exchange**" means the Saudi Stock Exchange;

- "**Executive Management**" or "**Management**" means the Group's executive management;
- "**EY**" means Ernst & Young Professional Services (Professional LLC);
- "**Financial Statements**" means the Interim Financial Statements and the Annual Financial Statements;
- "**G**" means the Gregorian calendar;
- "**GASTAT**" means the General Authority for Statistics;
- "**GCC**" means the Gulf Cooperation Council (comprising the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, Saudi Arabia and the UAE);
- "**GDP**" means gross domestic product;
- "**Global Sak**" has the meaning given to it on the cover page of the Base Prospectus;
- "**Government**" means the government of Saudi Arabia;
- "**Group**" means the Company together with its Subsidiary;
- "**H**" means the Hijri calendar;
- "**IAS-34, as endorsed in Saudi Arabia**" means the International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA;
- "**IASB**" means the International Accounting Standards Board;
- "**ICU**" means intensive care unit;
- "**IFRS-KSA**" means the International Financial Reporting Standards as issued by the International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA;
- "**Interim Financial Statements**" means the unaudited interim condensed consolidated financial statements as at and for the three-month period ended 31 March 2023G including the notes thereto, which also include comparative financial information for the three-month period ended 31 March 2022G;
- "**Investor Application Form**" has the meaning give to it on the cover page of the Base Prospectus;
- "**Income Tax Law**" means the income tax law issued by a Royal Decree no. M/1 dated 15/1/1425H and the implementing regulations thereof;
- "**ISAs**" means the International Standards on Auditing;
- "**Issue Date**" has the meaning give to it on the cover page of the Base Prospectus;
- "**JCI**" means Joint Commission International;
- "**Kingdom**" or "**Saudi Arabia**" means the Kingdom of Saudi Arabia;
- "**KPMG**" means KPMG Al Fozan & Partners (now known as KPMG Professional Services);
- "**Law of Practicing Healthcare Professions**" means the Law of Practicing Healthcare Professions issued under the Royal Decree No. M/59 dated 04/11/1426H (corresponding to 06/12/2005G) and its implementing regulation issued by the ministerial resolution No. 4080489 dated 12/01/1439H (corresponding to 02/10/2017G);
- "**Listing Rules**" means the Listing Rules issued by the CMA pursuant to its Resolution no. 3-123-2017 dated 9/4/1439H (corresponding to 27/12/2017G) as amended by its Resolution no. 1-108-2022 dated 23/03/1444H (corresponding to 19/10/2022G);
- "**Mayo Clinic**" means the Mayo Clinic Healthcare Network;
- "**Medgulf**" means Mediterranean and Gulf Cooperative Insurance and Reinsurance Company;
- "**MENA region**" means the Middle East and North Africa region;
- "**MOC**" means the Ministry of Commerce in the Kingdom of Saudi Arabia;
- "**MOF**" means the Ministry of Finance in the Kingdom of Saudi Arabia;
- "**MOH**" means the Ministry of Health in the Kingdom of Saudi Arabia;
- "**NHC**" means National Hail Company for Healthcare;
- "**NHIC**" means National Health Information Centre;
- "**Offering Process**" has the meaning given to it on page 164 of the Base Prospectus;

- "**OPEC**" means the Organisation for Petroleum Exporting Countries;
- "**Qualified Person**" means:
  - (a) a natural person who is considered to be resident in the Kingdom in accordance with the Income Tax Law; or
  - (b) a legal person who is considered to be resident in the Kingdom in accordance with the Income Tax Law and who is holding a current commercial registration number issued by the Ministry of Commerce. However, the requirement for such legal person to hold a current commercial registration number issued by the Ministry of Commerce would not apply to Saudi Arabian governmental entities and mutual funds established in the Kingdom and managed by a person authorised by the CMA or any other entity established in the Kingdom that is not required by the laws of the Kingdom to hold a commercial registration, and who, in each case, has a bank account with a local bank in the Kingdom; or
  - (c) any other category of person specified as such in the Applicable Final Terms.
- "**Receiving Bank**" means a bank licensed by SAMA and specified as such in the Applicable Final Terms;
- "**Registrar**" means the Securities Depository Center Company (Edaa) (and includes any successor registrar as may be appointed in accordance with the provisions of the Registry Agreement);
- "**Regulation S**" means Regulation S under the Securities Act;
- "**ROSCOs**" means the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the CMA pursuant to its Resolution numbered 3-123-2017 dated 09/04/1439H (corresponding to 27 December 2017G) as amended by its Resolution numbered 8-5-2023 dated 25/6/1444H (corresponding to 18/01/2023G);
- "**SAIBOR**" means the offered rate for deposits in Saudi Riyals;
- "**SAJB Medical Hospital**" means the Sobhi Abdel Jalil Batterjee Medical Hospital located in Jeddah;
- "**SAMA**" means the Saudi Central Bank;
- "**SAR**" or "**Saudi Riyals**" refers to the lawful currency of the Kingdom.
- "**Saudisation**" means the Government initiative which requires a percentage of employees in private sector companies in the Kingdom to be Saudi nationals;
- "**Securities Act**" means the United States Securities Act of 1933;
- "**Series**" means a Tranche of Sukuk together with any additional Tranche or Tranches of Sukuk which: (a) are expressed to be consolidated and form a single series; and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amount thereon and the date from which Periodic Distribution Amounts start to accrue;
- "**SGH**" means Saudi German Health;
- "**SGH Ajman**" means the Saudi General Hospital Ajman, UAE;
- "**SGH Aseer**" means the Saudi German Hospital in Khamis Mushait (Aseer), a hospital established in 2000G in Khamis Mushait and registered with the MOC as a branch under commercial registration number 5855019364 dated 28/12/1420H (corresponding to 03/04/2000G);
- "**SGH Cairo**" means the Saudi General Hospital Cairo, Egypt;
- "**SGH Dammam**" means the Saudi German Hospital in Dammam, a hospital established in 2020G in Dammam and registered with the MOC as a branch under commercial registration number 2050105713 dated 18/07/1436H (corresponding to 07/05/2015G);
- "**SGH Dubai**" means the Saudi General Hospital Dubai, UAE;
- "**SGH Hail**" means the hospital in Hail city owned by the Company's subsidiary, NHC;
- "**SGH Jeddah (Al-Rawabi branch)**" means the Saudi German Hospital in Al Jamia'ah District, Jeddah, a hospital established in 2022G and registered with the MOC as a branch under commercial registration number 4030124187 dated 05/09/1443H (corresponding to 07/04/2022G);

- "**SGH Jeddah (Al-Zahra branch)**" means the Saudi German Hospital in Jeddah, a hospital established in 1988G in Jeddah and registered with the MOC as a branch under commercial registration number 4030124187 dated 05/02/1419H (corresponding to 01/06/1998G);
- "**SGH Madinah**" means the Saudi German Hospital in Madinah, a hospital established in 2002G in Madinah and registered with the MOC as a branch under commercial registration number 4650032396 dated 18/02/1423H (corresponding to 01/05/2002G);
- "**SGH Makkah**" means the Saudi German Hospital in Makkah, a hospital established in 2022G in Makkah and registered with the MOC as a branch under commercial registration number 4031215509 dated 19/10/1439H (corresponding to 03/07/2018G);
- "**SGH Riyadh**" means the Saudi German Hospital in Riyadh, a hospital established in 2000G in Riyadh and registered with the MOC as a branch under commercial registration number 1010162269 dated 24/07/1421H (corresponding to 23/10/2000G);
- "**SGH Sanaa**" means the Saudi General Hospital Sanaa, Yemen;
- "**SGH Sharjah**" means the Saudi General Hospital Sharjah, UAE;
- "**SOCPA**" means the Saudi Organization for Chartered and Professional Accountants (SOCPA);
- "**Sole Arranger**" means Al Rajhi Capital Company;
- "**Specified Denomination**" means SAR 1,000;
- "**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

  (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, or the power to appoint or remove members of the governing body of the second Person; or

  (b) more than 50 per cent. of whose issued equity share capital (or equivalent) is beneficially owned, directly or indirectly, by the first Person;

- "**Supplemental Information**" means the selected supplemental financial and operating data for the Group for the periods set out in the section entitled "*Supplemental financial and operating data*" of this Base Prospectus;
- "**SYH**" means Saudi Yemeni Healthcare Company;
- "**Tadawul**" means the Saudi Exchange Company;
- "**Tawuniya**" means National Company for Cooperative Insurance;
- "**THC**" means Tatweer Healthcare Company LLC;
- "**TVDAC**" means the Tax Violation and Dispute Appellate Committee;
- "**TVDRC**" means the Tax Violation and Dispute Resolution Committee;
- "**Tranche**" means the Sukuk that are identical in all respects (including as to Issue Date and the listing and admission to trading);
- "**UAE**" means the United Arab Emirates;
- "**WHT**" means withholding tax; and
- "**ZATCA**" means the Zakat, Tax and Customs Authority of the Kingdom.

4. SUMMARY OF FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements.

4.1 Consolidated statement of financial position data as at 31 March 2023G and as at 31 December 2022G, 2021G and 2020G

The table below shows the Group's unaudited interim condensed consolidated statement of financial position data as at 31 March 2023G and its consolidated statement of financial position data as at 31 December in each of 2022G, 2021G and 2020G.

	As at 31 March	As at 31 December		
	2023G (Unaudited)	2022G	2021G	2020G (Restated)
	SAR			
Assets				
Non-Current Assets				
Property and equipment	2,496,299,800	2,471,495,624	2,356,537,613	2,073,638,422
Right-of-use assets	64,336,125	63,079,718	32,596,931	25,576,972
Intangible assets	9,751,040	7,452,840	7,377,440	6,923,277
Total Non-Current Assets	**2,570,386,965**	**2,542,028,182**	**2,396,511,984**	**2,106,138,671**
Current Assets				
Inventories	130,595,258	149,277,849	155,627,028	155,843,192
Trade receivables, net	1,848,958,305	1,634,781,967	1,282,307,794	1,235,676,977
Prepayments and other current assets	143,554,402	157,341,333	112,268,216	84,840,856
Bank balances and cash(1)	14,047,031	15,601,613	28,129,407	16,909,946
Total Current Assets	**2,137,154,996**	**1,957,002,762**	**1,578,332,445**	**1,493,270,971**
Total Assets	**4,707,541,961**	**4,499,030,944**	**3,974,844,429**	**3,599,409,642**
Equity and liabilities				
Equity				
Share capital	920,400,000	920,400,000	920,400,000	920,400,000
Statutory reserve	201,146,095	201,146,095	193,627,813	191,907,712
Foreign currency translation reserves	749,311	726,671	—	—
Retained earnings	292,804,663	242,688,046	143,519,346	119,422,160
Equity attributable to the shareholders of the parent	1,415,100,069	1,364,960,812	1,257,547,159	1,231,729,872
Non-controlling interests	45,052,641	43,199,034	37,760,582	43,063,454
Total Equity	**1,460,152,710**	**1,408,159,846**	**1,295,307,741**	**1,274,793,326**

	As at 31 March	As at 31 December		
	2023G (Unaudited)	2022G	2021G	2020G (Restated)
	SAR			
Liabilities				
Non-Current Liabilities				
Loans and borrowings	1,158,115,372	1,180,686,916	1,028,196,534	847,400,365
Other financial liabilities	2,915,152	7,059,370	11,350,561	17,788,483
Lease obligations(2)	53,717,537	56,904,420	27,498,037	22,721,719
Deferred income	9,393,213	10,724,287	12,128,117	13,602,238
Employees' end of service benefits	202,271,720	204,936,471	230,608,896	235,391,073
Total Non-Current Liabilities	**1,426,412,994**	**1,460,311,464**	**1,309,782,145**	**1,136,903,878**
Current Liabilities				
Short-term loans and borrowings	1,002,934,159	990,972,145	903,808,566	675,261,825
Other financial liabilities	7,177,216	4,755,408	7,178,313	8,150,065
Lease obligations(2)	13,838,053	11,914,708	7,308,873	4,410,829
Trade payables	524,027,024	425,750,178	301,620,306	358,964,140
Accrued expenses and other current liabilities(3)	258,939,614	187,732,004	139,602,059	134,615,916
Zakat payable	14,060,191	9,435,191	10,236,426	6,309,663
Total Current Liabilities	**1,820,976,257**	**1,630,559,634**	**1,369,754,543**	**1,187,712,438**
Total liabilities	**3,247,389,251**	**3,090,871,098**	**2,679,536,688**	**2,324,616,316**
Total Equity and Liabilities	**4,707,541,961**	**4,499,030,944**	**3,974,844,429**	**3,599,409,642**

Source: Financial information in the table above in respect of 31 March 2023G has been extracted from the Interim Financial Statements, in respect of 31 December 2022G and 31 December 2021G, from the 2022G Financial Statements, and in respect of 31 December 2020G, from the 2021G Financial Statements.

Notes:

(1) Described as "Cash on hand and at banks" in the 2022G Financial Statements.

(2) Described as "Lease liability" in the 2022G Financial Statements.

(3) Described as "Accrued expenses and other liabilities" in the 2021G Financial Statements.

4.2 Unaudited interim condensed consolidated statement of profit or loss and other comprehensive income data for the three-month periods ended 31 March 2023G and 31 March 2022G

The table below shows the Group's unaudited interim condensed consolidated statement of profit or loss and other comprehensive income data for each of the three-month periods ended 31 March 2023G and 31 March 2022G.

	For the three-month period ended 31 March	
	2023G	2022G
	(Unaudited)	
	SAR	
Revenue from contracts with customers	637,988,761	513,322,162
Cost of revenue	(412,493,397)	(348,300,386)
Gross Profit	**225,495,364**	**165,021,776**
Selling and marketing expenses	(10,221,519)	(4,591,649)
General and administrative expenses	(138,767,172)	(125,154,260)
Operating Profit	**76,506,673**	**35,275,867**
Finance costs	(23,542,041)	(11,509,914)
Other income, net	3,630,592	2,310,734
Profit Before Zakat	**56,595,224**	**26,076,687**
Zakat	(4,625,000)	(6,015,736)
Profit for the Period	**51,970,224**	**20,060,951**
Other Comprehensive Income for the Period:		
Item that will be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	22,640	6,966
Total Comprehensive Income for the Period	**51,992,864**	**20,067,917**
Profit for the Period Attributable to:		
Shareholders of the parent company	50,116,617	20,487,776
Non-controlling interests	1,853,607	(426,825)
	51,970,224	**20,060,951**
Total Comprehensive Income for the Period Attributable to:		
Shareholders of the parent company	50,139,257	20,494,742
Non-controlling interests	1,853,607	(426,825)
	51,992,864	**20,067,917**
Earnings per share		
Basic and diluted earnings per share from net profit for the period attributable to the shareholders of the parent	**0.54**	**0.22**

Source: Financial information in the table above in respect of 31 March 2023G and 31 March 2022G has been extracted from the Interim Financial Statements.

4.3 Consolidated statement of profit or loss and other comprehensive income data for years ended 31 December 2022G, 2021G and 2020G.

The table below shows the Group's consolidated statement of profit or loss and other comprehensive income data for the years ended 31 December 2022G, 2021G and 2020G.

	2022G	2021G	2020G (Restated)
		SAR	
Revenue from contracts with customers	2,151,743,736	1,872,620,790	1,750,584,603
Cost of revenue	(1,471,735,233)	(1,264,440,667)	(1,172,210,458)
Gross Profit	**680,008,503**	**608,180,123**	**578,374,145**
Selling and marketing expenses[1]	(30,383,444)	(45,965,110)	(31,143,257)
General and administrative expenses	(509,284,471)	(507,970,309)	(439,820,084)
Operating Profit	**140,340,588**	**54,244,704**	**107,410,804**
Other income, net	9,536,663	11,972,897	7,477,578
Finance cost, net[2]	(68,658,881)	(46,985,115)	(34,203,315)
Profit before Zakat	**81,218,370**	**19,232,486**	**80,685,067**
Zakat	(9,616,006)	(7,500,000)	(5,500,000)
Net Profit for the Year[3]	**71,602,364**	**11,732,486**	**75,185,067**
Other Comprehensive Income / (Loss) for the Year:			
Item that will not be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve	726,671	—	—
Remeasurement gain / (loss) on employees' end-of-service benefits	40,523,070	8,781,929	(23,152,754)
Total Comprehensive Income for the Year	**112,852,105**	**20,514,415**	**52,032,313**
Profit for the Year Attributable to:			
Equity holders of the parent	75,182,816	17,201,012	81,992,572
Non-controlling interests	(3,580,452)	(5,468,526)	(6,807,505)
	71,602,364	**11,732,486**	**75,185,067**
Total Comprehensive Income for the Year Attributable to:			
Equity holders of the parent	115,206,347	25,817,287	59,583,279
Non-controlling interests	(2,354,242)	(5,302,872)	(7,550,966)
	112,852,105	**20,514,415**	**52,032,313**
Earnings per Share			
Basic and diluted earnings per share	**0.82**	**0.19**	**0.89**

Source: Financial information in the table above in respect of 31 December 2022G and 31 December 2021G has been extracted from the 2022G Financial Statements, and in respect of 31 December 2020G, from the 2021G Financial Statements.

Notes:

(1) Described as "Selling and distribution expenses" in the 2021G Financial Statements.

(2) Described as "Finance costs" in the 2021G Financial Statements.

(3) Described as "Profit for the year" in the 2021G Financial Statements.

4.4 Summary of interim condensed consolidated statement of cash flows data for the three-month periods ended 31 March 2023G and 2022G

The table below summarises the Group's interim condensed consolidated statement of cash flows data for each of the three-month periods ended 31 March 2023G and 31 March 2022G.

	For the three-month period ended 31 March	
	2023G	2022G
	(Unaudited)	
	SAR	
Net cash generated from operating activities	119,515,794	23,901,487
Net cash used in investing activities	(70,089,410)	(52,780,868)
Net cash (used in) / generated from financing activities	(50,980,966)	45,739,329
Bank balances and cash at the beginning of the period	15,601,613	28,129,407
Bank balances and cash at the end of the period	14,047,031	44,989,355

Source: Financial information in the table above in respect of 31 March 2023G and 31 March 2022G has been extracted from the Interim Financial Statements.

4.5 Summary of consolidated statement of cash flows data for years ended 31 December 2022G, 2021G and 2020G

The table below summarises the Group's consolidated statement of cash flows data for the years ended 31 December 2022G, 2021G and 2020G.

	For the year ended 31 December		
	2022G	2021G	2020G (Restated)
	SAR		
Net cash flows from / (used in) operating activities	76,023,275	76,621,685	(229,148,192)
Net cash flows used in investing activities	(249,396,230)	(417,388,381)	(294,114,330)
Net cash flows from financing activities	160,845,161	351,986,157	486,289,628
Cash and cash equivalents at the beginning of the year	28,129,407	16,909,946	53,882,840
Cash and cash equivalents at the end of the year	15,601,613	28,129,407	16,909,946

Source: Financial information in the table above in respect of 31 December 2022G and 31 December 2021G has been extracted from the 2022G Financial Statements, and in respect of 31 December 2020G, from the 2021G Financial Statements.

4.6 Key performance indicators for the three-month period ended 31 March 2023G and the years ended 31 December 2022G, 2021G and 2020G

The Group considers the following metrics to be the key performance indicators it uses to help evaluate growth trends, establish budgets, and assess operational performance and efficiencies. In addition to the Group's results determined in accordance with IFRS-KSA, the Group believes that the following non-IFRS-KSA financial measures and operational information are useful in evaluating the Group's operating performance.

	As at and for the three month period ended 31 March		As at and for the year ended 31 December		
	2023	2022	2022	2021	2020 (Restated)
	(per cent., unless otherwise indicated)				
	(Unaudited)				
EBITDA (SAR)[(1)]	126,141,919	70,573,545	295,851,329	207,627,145	242,105,595
Gross profit margin[(2)]	35.3	32.1	31.6	32.5	33.0
Operating profit margin[(3)]	12.0	6.9	6.5	2.9	6.1
EBITDA margin[(4)]	19.8	13.7	13.7	11.1	13.8
Net profit margin[(5)]	8.1	3.9	3.3	0.6	4.3
Total debt (SAR)[(6)]	2,228,605,121	2,026,364,657	2,240,478,189	1,966,812,010	1,549,794,738
Total debt / equity[(7)]	1.53x	1.54x	1.59x	1.52x	1.22x

Source: The Company.

Notes:

(1) EBITDA is calculated as the sum of profit for the year/period, Zakat, finance cost, net, depreciation on property and equipment, depreciation on right of use assets and amortisation of intangible assets.

(2) Gross profit margin is calculated by dividing gross profit by revenue from contracts with customers.

(3) Operating profit margin is calculated by dividing operating profit by revenue from contracts with customers.

(4) EBITDA margin is calculated by dividing EBITDA by revenue from contracts with customers.

(5) Net profit margin is calculated by dividing profit for the period/year (or net profit for the year in respect of 31 December 2022G and 31 December 2021G) by revenue from contracts with customers.

(6) Total debt consists of lease obligations, total loans and borrowings.

(7) Total debt / equity is calculated by dividing total debt by total equity.

The below is a numerical reconciliation of EBITDA to the nearest IFRS-KSA measure, which is profit for the year/ period.

	For the three month period ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020 (Restated)
	(SAR, unless otherwise indicated)				
	(Unaudited)				
Profit for the year/period	51,970,224	20,060,951	71,602,364	11,732,486	75,185,067
Zakat	4,625,000	6,015,736	9,616,006	7,500,000	5,500,000
Finance cost, net	23,542,041	11,509,914	68,658,881	46,985,115	34,203,315
Depreciation on property and equipment	41,954,807	30,355,179	129,563,410	130,906,528	121,006,068
Depreciation on right of use assets	3,599,466	2,277,599	14,893,533	9,121,488	4,877,271
Amortisation of intangible assets	450,381	354,166	1,517,135	1,381,528	1,333,874
EBITDA	**126,141,919**	**70,573,545**	**295,851,329**	**207,627,145**	**242,105,595**

Source: The Company.

	2020G	2021G	2022G	Y-o-Y 2020G-2021G	Y-o-Y 2021G-2022G	CAGR[4] 2020G-2022G
Number of inpatients[1]	70,434	71,329	74,044	1.3%	3.8%	1.7%
Number of outpatients[2]	1,169,261	1,327,853	1,739,992	13.6%	31.0%	14.2%
Total number of patients	1,239,695	1,399,182	1,814,036	12.9%	29.6%	13.5%
Number of operational beds[3]	1,122	1,116	1,215	(0.5)%	8.9%	2.7%
Number of inpatients / operational bed	62.8	63.9	60.9	1.8%	(4.7)%	(1.0)%
Number of clinics	417	429	503	2.9%	17.2%	6.4%
Number of outpatients / clinic	2,804.0	3,095.2	3,459.2	10.4%	11.8%	7.3%
Number of surgeries	34,533	45,116	49,566	30.6%	9.9%	12.8%
Average length of stay (days)	4.08	3.66	3.78	(10.3)%	3.3%	(2.5)%

Source: The Company.

Notes:

(1) Inpatient refers to a patient who is admitted to the Group's hospital for at least one night.

(2) Outpatient refers to a patient who receives medical treatment or consultation at the Group's clinics but is not admitted.

(3) Operational beds refer to hospital beds which are operational and revenue generating.

(4) Compound annual growth rate.

5. RISK FACTORS

The purchase of any Sukuk may involve substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in any Sukuk.

The Issuer believes, to the best of its knowledge, that the factors described below represent the principal risks inherent in investing in Sukuk, but the inability of the Issuer to pay any amounts on or in connection with any Sukuk may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Sukuk are exhaustive. The risks set out below may not include all risks that the Issuer may encounter, as additional risks that are not currently known to the Issuer may materialise, as well as risks that are known to the Issuer but are considered immaterial as at the date of this Base Prospectus. These additional risks and the risks highlighted below, if they materialise, may have an adverse effect on the Issuer's operational performance, financial position, results of operations, cash flows and prospects.

There can be no assurance that the various structural elements described in this Base Prospectus will be sufficient to ensure payment to Sukukholders of any Periodic Distribution Amount, Partial Periodic Distribution Amount or the applicable Sukuk Capital in respect of any Sukuk on a timely basis or at all.

An investment in the Sukuk is only appropriate for those investors who are able to evaluate the risk and the benefits of the investment and those who have sufficient resources to sustain any loss resulting from such investment. Prospective investors should also read the detailed information set out in the below risks and other information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Any prospective investor which has any doubts concerning the appropriate action to be taken should consult a financial adviser licensed by the CMA for advice in connection with any investment in the Sukuk.

The risks set out below are not presented in any assumed order of priority that would reflect their expected impact on the Issuer, importance, materiality or the likelihood of occurrence.

Words and expressions defined in this Base Prospectus shall have the same meanings in this section.

5.1 RISKS RELATING TO THE GROUP AND ITS ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE SUKUK

5.1.1 *The Group's operations and assets are principally located in Saudi Arabia and, accordingly, the Group is exposed to general economic conditions in Saudi Arabia*

The majority of the Group's assets, operations and interests are located in Saudi Arabia. Accordingly, its business is, and will continue to be, affected by the general economic conditions prevailing from time to time in Saudi Arabia and the Middle East generally as well as by global economic conditions that affect Saudi Arabia's economy generally. As a majority of the Group's customers are also based in Saudi Arabia, they are similarly affected by such macroeconomic factors.

The Government continues to pursue a policy of diversification, including Saudi Vision 2030 (a strategic framework to reduce Saudi Arabia's dependence on oil, diversify its economy and develop public service sectors), to enhance the contribution of the non-oil sector to Saudi Arabia's real gross domestic product ("**GDP**"). Nevertheless, oil income will continue to play a pivotal role in economic planning and development in Saudi Arabia. According to GASTAT, the oil sector accounted for 39.6%, 37.3% and 41.1% of Saudi Arabia's real GDP and 38.7%, 28.2% and 22.9% of its nominal GDP in each of 2022G, 2021G and 2020G, respectively. In addition, oil exports accounted for 78.0%, 73.2% and 68.7% of Saudi Arabia's total exports by value in 2022G, 2021G and 2020G, respectively and oil revenues accounted for 68.2%, 58.2% and 52.8% of total Government revenue in 2022G, 2021G and 2020G, respectively (all 2022G data is preliminary).

International oil prices have fluctuated significantly over the past two decades and may remain volatile in the future. For example, in 2018G and 2019G the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by OPEC countries) was U.S.$69.78 and U.S.$64.04, respectively. In 2020G, the yearly average OPEC Reference Basket price was U.S.$41.47, reflecting a sharp drop in April 2020G driven by OPEC actions and significantly reduced demand as a result of the coronavirus disease outbreak in 2019G ("**COVID-19**") and a slow recovery throughout the remainder of the year. In 2021G, the annual average OPEC Reference Basket price was U.S.$69.89. The price per barrel of Arabian Light Crude Oil (which is one of five grades of crude oil produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also generally moved in line with these trends. The Russia and Ukraine geopolitical conflict in 2022G also led to increases in both oil and gas prices. As a result of this conflict and other factors, the OPEC Reference Basket monthly average price rose to U.S.$117.72 in June 2022G before declining to U.S.$97.50 in September 2022G and to U.S.$76.12 in May 2023G. In response to the volatility of oil prices, OPEC+ (of which Saudi Arabia is a member) actively reviews and adjusts oil production targets. Such targets were recently reviewed at the 3 April 2023G Joint Ministerial Monitoring Committee Meeting where OPEC+ reaffirmed their commitment to the Declaration of Cooperation, an agreement between OPEC and non-OPEC oil producing countries to reduce overall oil production in stages. The 3 April 2023G meeting also noted the voluntary production adjustment announcements on 2 April 2023G of the Kingdom, which pledged an additional reduction of 500,000 barrels a day from May 2023G until the end of 2023G, as well as the pledged voluntary adjustment announcements of the additional OPEC+ members through the same period. In June 2023G, the Kingdom announced that it would cut oil production by an additional 1 million barrels a day from July 2023G until the end of 2024G. There can however be no assurance that the agreement will continue to be implemented by all relevant parties or that it will achieve its stated goals or what effect it will have on global oil prices in the short to medium term. Any sustained downturn in oil prices in the future could substantially slow down or disrupt Saudi Arabia's economy and in turn, government spending on the healthcare sector which could in turn have an adverse impact on the Group and the market price of the Sukuk.

5.1.2 *The Group operates in a region that is subject to ongoing political and security concerns*

The MENA region is subject to a number of geopolitical and security risks. Since 2011G, there has been significant political and social unrest in a number of countries in the MENA region, including Tunisia, Algeria, Egypt, Libya, Bahrain, Kuwait, Lebanon, Jordan, Iraq, Yemen and Syria. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict, civil war, foreign military intervention and the overthrow of existing leadership.

In addition, in March 2015G, a coalition of countries, led by Saudi Arabia and supported by the international community, commenced military action against the Al-Houthi rebels in Yemen. The conflict in Yemen has not yet been fully resolved and military operations continue at a reduced scale. Saudi Arabia has been targeted on several occasions by ballistic missiles fired by the Al-Houthi rebels in Yemen since 2017G, and, while the majority of these missile attacks were successfully intercepted by Saudi Arabia's defence systems, there can be no assurance that the conflict in Yemen will not continue or re-escalate.

Additionally, in September 2019G, the Abqaiq processing facility and the Khurais oil field in Saudi Arabia were damaged in a major act of sabotage which resulted in the temporary interruption of Saudi Arabia's oil and gas production.

In addition, Saudi Arabia has experienced other occasional terrorist attacks in recent years, including incidents in Jeddah, Medina and Qatif in July 2016G, oil tanker sabotage and drone strikes on a crude oil pipeline in May 2019G, an explosion caused by a projectile which resulted in a fire in a fuel tank at a Saudi Aramco petroleum products distribution terminal in the north of Jeddah in November 2020G, a drone attack on a Saudi Aramco refinery in Riyadh in March 2021G, projectile attacks in December 2021G in Jizan and an attack on a Saudi Aramco facility in Jeddah in March 2022G.

In May 2018G, the United States announced its withdrawal from the Joint Comprehensive Plan of Action between the United Nations Security Council's five permanent members plus Germany and Iran that was reached in July 2015G, reinstating primary U.S. sanctions on the Iranian regime. In January 2020G, the United States carried out a military strike which killed a senior Iranian military commander, leading to retaliatory Iranian strikes at a US base in Iraq. Any continuation of or increase in international or regional tensions regarding Iran, including further attacks on or seizures of oil tankers which disrupt international trade, any impairment of trade flow through the Strait of Hormuz, or any military conflict, could have a destabilising impact on the Gulf region, including Saudi Arabia and its ability to export oil.

These situations have caused significant disruption to the economies of the affected countries, have given rise to increased political uncertainty across the MENA region and have had a destabilising effect on oil and gas prices. There is no certainty that extremists or terrorist groups will not escalate violent activities in the MENA region. As it is not generally possible to predict the occurrence or impact of events or circumstances, such as war, hostilities or diplomatic rifts, no assurance can be given that the Group would be able to sustain the profitable operation of its business if adverse political events or circumstances impacting the MENA region were to occur.

5.1.3 The Group may be materially and adversely affected by the spread of diseases or an outbreak of any contagious, infectious or virulent diseases and pandemics/epidemics

The outbreak of communicable or virulent diseases and pandemics/epidemics such as COVID-19 in the regions in which the Group operates may materially and adversely affect its operations. In the event such outbreaks occur at any of the Group's hospitals and/or clinics, greater infection control measures will have to be implemented with the possibility of temporary closure of the affected facility and quarantine of all affected healthcare professionals. Any such occurrence could also result in sporadic or prolonged market and/or supply disruptions, an economic downturn or recession, volatilities in domestic and/or international financial markets and may materially and adversely affect the Kingdom's economy. The occurrence or developments of any of these events or developments may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

In particular, the global outbreak of COVID-19 triggered a global downturn and economic contraction and also resulted in disruption of global supply chains of medical supplies, personal protective equipment and medical equipment, resulting in a global shortage of, and delay in obtaining, such medical supplies and equipment. There can be no assurance that the Group will not be materially and adversely affected by such disruption, shortage and delay, in particular if there is a further worsening of the COVID-19 pandemic or resurgence in cases of COVID-19 in the regions in which the Group operates.

Furthermore, the Group's doctors, nurses and other healthcare professionals, as frontline workers to any such outbreak, will be particularly susceptible to any epidemic or pandemic, given their close contact with patients. The Group has certain measures, procedures and protocols in place to mitigate the effects of such outbreaks. These include, among others, ensuring a sufficient supply of effective personal protection equipment for all staff (for example, surgical gloves, face shields, gowns and caps), having stringent infection control protocols in place to prevent person-to-person contamination and keeping full records of the contact details of patients to facilitate contact tracing if necessary. However, there is no assurance that the Group's patients, doctors, nurses and other healthcare professionals will not be infected with communicable diseases, which may disrupt its business or require the affected hospitals and/or clinics to be temporarily shut down for quarantine purposes. Such disruptions to the Group's business and operations may have a negative impact on its business, financial condition, results of operations and prospects. Further, the precautionary measures taken by the Group against the spread of COVID-19 in its hospitals, clinics or other facilities as well as workforce constraints due to the imposition of movement restriction measures had resulted in and may continue to result in higher operating expenses for the Group.

During the COVID-19 pandemic, the Group's inpatient numbers rose significantly as a result of the spread of the virus but this rise was offset by a decrease in outpatient traffic owing to the effects of government instituted lockdowns and other measures to contain the virus. These measures resulted in the closure of the Group's clinics for a substantial number of days and the postponement of elective treatments, among others. There can be no assurance however that the Group will be able perform similarly or remain substantially unaffected financially as it did with COVID-19 in the event of an outbreak of another pandemic.

5.1.4 The Group's reputation and revenue rely on the quality of healthcare services provided

The quality of health services depends on several factors including, but not limited to, the effectiveness of diagnosis and treatment, the experience and accessibility of medical professionals, the availability of the most recent and highly developed medical and technical equipment, the state of health facility infrastructure, the manner in which medical professionals and other staff treat patients, short waiting periods for patients, the provision of health services in accordance with applicable regulations, standards and professional protocols, billing and documenting health services in accordance with applicable regulations, and avoiding the need for repeat medical visits, some of which may not be within the Group's control. The failure of the Group to provide or maintain the quality of health services provided to its patients could result in a material adverse impact on its trademarks and reputation.

In addition, the Group may be exposed to negative publicity, which may damage its reputation, as a result of its inability to provide high quality health services. This would lower the attraction for the Group's health facilities to patients or, in certain cases, may expose the Group to legal action including medical negligence claims and criminal proceedings which may have financial or regulatory consequences. In the event that the Group is unable to maintain the quality of health services provided to its patients, there could be a material negative impact on the Group's trademarks and reputation, which could result in a material negative impact on the Group's business, results of operations, financial position and future prospects.

5.1.5 *The Group's continued success depends on its ability to attract and retain qualified healthcare professionals and managerial staff*

Attracting and recruiting qualified healthcare professionals by the Group is an ongoing challenge that the Group continues to face in light of the shortage of healthcare staff in the Saudi market. Demand for doctors and nurses exceeds the available workforce in the healthcare sector both inside and outside Kingdom and, due to the limited number of qualified healthcare professionals and managerial staff in the Kingdom, hiring qualified staff is one of the difficulties that the Group faces.

The Group's inability to recruit for its current and future hospitals and medical facilities a sufficient number of qualified medical professionals and managerial staff who meet the Group's high standards for reputation, experience and medical knowledge would adversely affect its operations in terms of the level and quality of health services provided by the Group. This, in turn, could affect the Group's financial performance and operations. The Group does not guarantee that it will be able to continue to effectively compete (including through offering competitive financial incentives) for medical professionals and managerial staff with other healthcare institutions, which could adversely affect the quality of the services provided by the Group to its clients, as well as the Group's business, operations and financial performance.

According to 2021G Ministry of Health Statistical Yearbook, Saudi doctors comprise only 37.3% of the total number of doctors in the Kingdom in 2021G. The lack of an adequate number of Saudi doctors and nurses in the healthcare sector in the Kingdom may lead the Group to employ non-Saudi doctors, forcing it to offer salaries and incentives which are competitive with those offered by other healthcare institutions operating inside and outside the Kingdom, especially in the Gulf Cooperation Council ("**GCC**") and the Middle East. This, in turn, would increase the operational costs of the Group and adversely affect its operational and financial operations.

Moreover, non-Saudi doctors working for hospitals operating in the Kingdom, including the Group's hospitals, may leave to work in other countries due to professionals or personal reasons. This limits the available number of medical professionals that may be recruited by the Group within the Kingdom and requires the Group to recruit such medical professionals from overseas which may involve a lengthy process with respect to obtaining immigration clearance and the necessary medical licences. Such processes would adversely affect its ability to provide its medical services effectively and which will, in turn, adversely affect the Group's business, operations and financial performance.

In addition, the Government has introduced a number of initiatives, which require a percentage of employees in private sector companies to be Saudi nationals ("**Saudisation**"). The Nitaqat Program classifies companies' compliance with such Saudisation requirements and as at 31 March 2023G, the Group's Saudisation level was in line with such requirements at 35.0 per cent.

There is no guarantee that the Group will be able to maintain its compliance with Saudisation requirements. Any such failure would lead to a poor classification in the Nitaqat Program which would subject the Group to a number of adverse financial and operational consequences such as the imposition of fines or penalties and government instituted closures of the Group's facilities or the non-renewal of licenses. Any such failure would also adversely affect the Group's ability to request governmental loans as well as to recruit sufficient non-Saudi workers for its new projects which, in turn, would adversely affect the Group's ability to operate such projects, as well as its profitability and financial results.

There is also no guarantee that the Ministry of Labour will not enforce higher financial penalties or more stringent regulations, which could adversely affect the Group's business, operations and financial performance.

5.1.6 *The Group is reliant on key management and qualified personnel*

The Group's success depends on the professional knowledge, capabilities and experience of its executive management ("**Management**" or "**Executive Management**"). The Group depends on retaining an Executive Management team which is capable of managing and operating the Group's business efficiently. If key members of the Executive Management decide to terminate their employment services with the Group, the Group might not be able to find qualified replacements in a timely or cost-effective manner. Such event would result in the disruption of the Group's business and its ability to perform its services efficiently, which will, in turn, adversely affect the Group's business, operations and financial performance.

5.1.7 *The Group is dependent on agreements with insurance companies and the insurance coverage of patients*

The Group has entered into a number of agreements with cooperative health insurance companies in order to provide their customers with medical and therapeutic services. The Group's revenues are materially dependent on such agreements, where the proportion of revenues generated from such agreements represented 46.3%, 47.2% and 51.5% of the Group's overall revenues for 2020G, 2021G and 2022G, respectively.

The Group's gross trade receivables amounted to SAR 1,915.4 million as at 31 March 2023G. The trade receivables relating to health insurance companies amounted to SAR 1,073.6 million representing 56.1% of the gross trade receivables of the Group as at 31 March 2023G. The health insurance companies provision represent 3.2% of the health insurance companies gross trade receivables as at 31 March 2023G.

The percentage of revenues generated by the Group from its relationships with Bupa Arabia for Cooperative Insurance ("**Bupa**"), National Company for Cooperative Insurance ("**Tawuniya**") and Mediterranean and Gulf Cooperative Insurance and Reinsurance Company ("**Medgulf**") constitutes 41.5% of the Group's total revenues for the year ended 31 December 2022G.

The term of such agreements is usually for a pre-defined period, which is renewed on a periodic basis, where the Group and the relevant insurance company re-negotiate the price of the medical services offered to their customers. For further details regarding such agreements, see section entitled "*Legal and General Information – Insurance Summary*". The Group's business could be adversely affected if it generally fails to maintain good relationships with insurance companies, if it is unable to maintain profitability from medical service provided under these agreements, if insurance companies do not comply with paying all due amounts owed to the Group, or if insurance companies decide not to renew their agreements with the Group.

The future success of the Group materially depends on maintaining good relationships with the insurance companies. Competition with other hospital groups and medical service providers in the Kingdom may affect the Group's relationship with insurance companies or its ability to negotiate and increase its health services fees charged to customers by the Group, which, in turn, would adversely affect its operations and financial performance.

In addition, there is a risk that the related insurance company may reject or delay the payment of invoices submitted to it by the Group in consideration for the medical services provided to customers of such insurance companies. Such risks could result from a human or computer error or financial difficulties that insurance companies may encounter, such as, restrictions imposed on financial liquidity and financial solvency which insurance companies are obliged to comply with pursuant to applicable laws. This, in turn, would adversely affect Group's business, operations and financial performance.

5.1.8 *The Group relies on its relationship with the Ministry of Health for a significant number of patient referrals*

The Kingdom's Ministry of Health referrals of patients to the Group's hospitals for treatment contributes a significant proportion of the Group's customers and revenues. Revenues from MOH referrals accounted for 26.3%, 28.5% and 31.7% of the Group's total revenues for the years ended 31 December 2022G, 2021G and 2020G, respectively.

The Group's net trade receivables amounted to SAR 1,849.0 million as at 31 March 2023G. The net trade receivables relating to MOH amounted to SAR 755.2 million representing 40.8% of the net trade receivables of the Group as at 31 March 2023G. 8.2% of MOH net trade receivables were due for more than one year and MOH provisions represent 4.1% of MOH net trade receivables as at 31 March 2023G.

Due to the concentration of revenues from MOH referrals, the Group's future success is materially dependent on the continued strength of its relationship with MOH. The Group's business, operations and financial performance would be adversely affected if it generally fails to maintain a good relationship with MOH, if it is unable to maintain profitability from medical services provided under these referrals or if MOH reviews its referrals policy in the future in a manner that results in a decline in referral cases.

The Group is exposed to risks relating to MOH's delay in paying the value of the Group's invoices to MOH relating to the medical services provided to patients referred thereby. The Group, pursuant to the arrangements made with MOH, treats the patients referred from MOH, then issues invoices to MOH that are subject to its review and negotiation. While there is no contractually defined period for when payment must be made, MOH typically pays due amounts within six to nine months from the date of approval of the invoices. Delay in paying due amounts owed to the Group would adversely affect its cash flow and liquidity position. This, in turn, would have an adverse effect on the Group's working capital and its ability to meet obligations towards its creditors (i.e. suppliers and lenders) which would ultimately result in the Group having to cancel its agreements with such parties. As such, MOH's failure or delay in paying the amounts due to the Group for any reason would adversely affect the Group's business, operations and financial performance.

5.1.9 *The Group's invoices may be rejected by the MOH or insurance companies for administrative or technical reasons*

The Group provides services to patients referred by MOH and customers of health insurance companies who have entered into agreements with the Group. Pursuant to the arrangements with MOH and the insurance companies, the Group provides services to their patients, then issue invoices that are reviewed and negotiated by MOH and/or insurance companies. Save in respect of invoices submitted to MOH, the invoices are generally paid after a certain period not exceeding 60 days. Therefore, the Group is subject to the rejection of its invoices by MOH and/or insurance companies for several administrative and technical reasons including the following:

- failing to present all the necessary documentation by the Group to MOH or the insurance company;
- rejections by MOH or the insurance company of the nature of services provided by the Group to the relevant patient;
- the Group's delay in invoicing the MOH or the insurance company;
- not following-up properly with MOH or the insurance company in relation to the delayed or rejected invoices; and
- failing to maintain the relationship with MOH or the insurance company and be receptive to their input.

It is important to note that the rejected claims relating to all of the Group's hospitals differ from one year to the other and from one client to the other.

For example, the aggregate rejected amounts of the Group's claims to MOH represented 19.3% of the Group's total claims to MOH in 2020G, 9.6% in 2021G and 7.4% in 2022G. At the same time, the aggregate rejected amounts of the Group's claims to MOH and the insurance companies amounted to SAR 123.8 million in 2020G representing 6.5% of the Group's revenues for that year, SAR 70.4 million in 2021G representing 3.6% of the Group's revenues for that year, and SAR 193.0 million in 2022G representing 8.2% of the Group's revenues for that year. In 2021G, it was discovered that certain invoices raised prior to 31 December 2020G had either not been issued in accordance with the applicable contractual terms and conditions or had not been pre-approved by the customer prior to their issuance and were, consequentially, rejected. For more details, see note 35 to the 2021G Financial Statements. Notwithstanding these steps, there can be no assurance that any such errors will not result in legal or judicial action against the Company or the Company's Board, and there can be no assurance that any such errors will not result in legal or judicial action against the Company or the Company's Board, and there can be no assurance that the Group will be able to detect or prevent recurrence of these errors or errors of similar nature which may adversely affect the Group's business, operations and financial performance.

The rejected claims as a percentage of the Group's revenues amounted to 13.1% for the three-month period ended 31 March 2023G. Such rejected claims from MOH and insurance companies adversely affect the Group's business, operations and financial performance.

5.1.10 *The Annual Financial Statements contain certain key audit matters*

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts of revenue, expenses, assets, and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in the future. 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. Key assumptions concerning the future and other key sources of estimation uncertainty at the relevant reporting date are set out in note 5.1 to the 2022G Financial Statements, note 5.1 to the 2021G Financial Statements and note 2.5 to the Interim Financial Statements and include those relating to revenue recognition and allowance for expected credit losses.

The independent auditors have included key audit matters in respect of revenue recognition and impairment loss on trade receivables in their audit reports on the Annual Financial Statements. Key audit matters are those matters that, in the professional judgement of the independent auditors, were of most significance in their audit of the consolidated financial statements for the relevant period.

In respect of revenue recognition, the Group recognises revenue upon the completion of performance of medical and trading services and such revenue is measured at the fair value of the consideration received or receivable. The independent auditor considers revenue recognition as a key audit matter as there is a risk that revenue may be misstated due to management's override of internal controls over the recognition of revenue and judgments involved in estimating the related rejection rates by customers in respect of the services provided to them.

In respect of impairment loss on trade receivables, assessment of allowance for expected credit loss is considered by the independent auditor to be highly subjective due to the significant judgment, estimates and assumptions applied by management in determining the expected losses. Management is required to determine an expected loss rate against its outstanding trade receivables based on the Group's historical credit loss experience adjusted with forward-looking information. The independent auditor considers this to be a key audit matter given the judgments and assumptions regarding the expected credit loss impairment against trade receivables and the potential impact it may have on the Group's consolidated financial statements.

There can be no assurance that the independent auditor's reports on the consolidated financial statements for any future periods will not contain such key audit matters or other observations which affect the Group's results of operations in such future periods. For further details, please refer to the independent auditor's reports on the Annual Financial Statements.

5.1.11 *The Group's medical professionals may commit medical errors*

The Group may be exposed to or liable for the risks caused by medical errors that may be committed by its medical professionals.

Article (41) of the Law of Practicing Healthcare Professions issued under the Royal Decree No. M/59 dated 04/11/1426H (corresponding to 06/12/2005G) and its implementing regulation issued by the ministerial resolution No. 4080489 dated 12/01/1439H (corresponding to 02/10/2017G) ("**Law of Practicing Healthcare Professions**") states that participation in cooperative medical malpractice insurance is mandatory for all doctors and dentists practicing in both public and private medical entities. Such entities are legally liable to pay any damages awarded to the injured patient as compensation for the losses incurred by the patient as a result of the medical error if the entire compensation amount is not covered by insurance. According to Article (41) above, the concerned healthcare entity may demand payment from the concerned medical professional for the amount of damages paid by it on the patient's behalf.

As such, the Group is obliged, under Article (41) of the Law of Practicing Healthcare Professions, to cover the monetary compensation required to be paid to the patient who suffers damages due to medical error. It is possible that the Group may not be able to recover such compensation from the relevant insurance company in order to be compensated for amounts and costs incurred in this regard for legal or technical reasons (including expiration of the contract or the lapse of the period available for bringing claims). It is also possible that the value of the amount of compensation recoverable by the Group is lower than the total amount of compensation required to be paid by the Group to the relevant injured patients. In addition, while the Group maintains insurance policies which cover malpractice, there could be cases or incidents where the insurance coverage obtained by the Group does not cover the specific medical error in question. The Group may also fail, for any reason, to prove its claim against the insurance company before the relevant judicial authority. Therefore, this would adversely and materially affect the Group, operations and financial performance.

Moreover, if the Group's medical professionals do not adhere to the Group's rules, procedures, and policies during the treatment of patients, or if the Group does not provide proper, and sufficient training for them, this would result in medical malpractice instances committed by such professionals in the future.

5.1.12 *The Group's hospital building in Al Jamia'ah District, Jeddah and the land on which the Group's hospital in Makkah is constructed are both leased*

The Group's Saudi German Hospital building in Al-Rawabi, Jeddah ("**SGH Jeddah (Al-Rawabi branch)**") and the land on which the Saudi German Hospital in Makkah ("**SGH Makkah**") is constructed are both leased from third parties. SGH Makkah is built on a plot of land leased by the Group from Holy Makkah Municipality for an initial period of 25 years from 06/02/2014G which may be automatically renewed for a further period of 25 years. The SGH Jeddah (Al-Rawabi branch) hospital building is leased by the Group from Bait Al Batterjee Medical College, a related party of the Group, for a period of four years from 31/07/2021G. Both lease agreements provide grounds for early termination including where the lessee fails to comply with the terms of the lease. There would be a material adverse effect on the Group's business, results of operations, financial position, and future prospects if the Group is unable to renew these leases on terms favourable to the Group or if the leases are terminated by the lessors. For further details regarding such agreements, see section entitled "*Legal and General Information – Leases*".

5.1.13 *The Group may fail to keep up with developments and advancements in medical technology*

Technological developments in the medical field have advanced rapidly. In order to keep up with these rapid advancements, the Group must continue to assess its need for technical and medical devices, machinery and equipment at its facilities. The Group must upgrade such equipment and devices to cope with the technical advances in this field and maintain its competitive advantages. Given that such equipment requires significant capital outlay, the Group must avoid excess investment in equipment that will not be used regularly. On the other hand, Group must not refuse entirely to invest in such equipment for long periods of time, in order not to miss out on opportunities to acquire state of the art healthcare technologies. If it is unable to keep abreast of modern technologies, including, but not limited to, telemedicine and renewable technology in certain devices and equipment, the Group will fail to provide modern services in line with the latest developments in medical technologies. In addition, this may lead to medical staff and administrative staff leaving the Group to work with its competitors as well as patients seeking out competitors who are using the latest technologies. If the Group is not able to invest in modern medical technologies, it may lose its competitive advantage as a provider of technologically advanced medical services and its relevant medical accreditations and, as a consequence, its attractiveness to patients may erode and it may lose its position in the Saudi healthcare market. Conversely, if it invests in equipment that exceeds its needs, the Group will incur additional costs related to the depreciation and operation of these assets. The occurrence of any of the above risks will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

5.1.14 *The Group is dependent on a steady supply of medical supplies for its operations*

The Group obtains the majority of medical supplies, pharmaceuticals, equipment and devices from local and external suppliers and agents, many of whom are outside the Kingdom. The Group may be subject to a shortage of supplied goods due to the use of local and external suppliers, agents and subcontractors, in delays in customs clearance procedures, quality control risks and other potential problems that may impede external suppliers and subcontractors from meeting their obligations. Any changes in the supply distribution chain or other factors that affect supplies or increase the cost of supplies could significantly disrupt the Group's ability to provide its medical services by requiring the postponement or cancellation of certain procedures or result in the provision of lower quality medical care. For example, the global outbreak of COVID-19 not only triggered a global downturn and economic contraction but it also resulted in disruption of global supply chains of medical supplies, personal protective equipment and medical equipment, resulting in a global shortage of, and delay in obtaining, such medical supplies and equipment.

Although the Group attempts to institute a multiple supplier policy to reduce its reliance on any particular source or suppliers, this may not be possible with respect to certain products provided by a sole supplier who is an agent or distributor in the Kingdom or the GCC. For further details, see "*Certain pharmaceutical and health products are distributed and traded by distributors and suppliers on an exclusive basis*" below. There are also other factors that may adversely affect any or all of the Group's suppliers at the same time, including, but not limited to, changes in laws and regulations relating to suppliers' activities, registration procedures, customs clearance and release delays and charges imposed thereon. Additionally, the Group might be unable to continue to rely on suppliers and contractors, either because of an adverse change in their relationship, increased costs for obtaining the products, or an inability on the part of an external supplier or sub-supplier to provide the Group with the quantity and quality of products required in a timely manner.

The occurrence of any of these risks would have an adverse material effect on Group's business, results of operations, financial position, and future prospects.

5.1.15 *Certain pharmaceutical and health products are distributed and traded by distributors and suppliers on an exclusive basis*

In the markets where the Group operates, certain pharmaceutical and health products are distributed and traded by distributors and suppliers appointed by the manufacturers, sometimes on an exclusive basis. This gives the distributor or supplier an advantage in negotiation when selling such products whereby the consumer (being the private health facility), may find it difficult to negotiate for better prices. If the Group is unable to continue negotiating with exclusive distributors and suppliers for competitive prices or if the exclusive distributors and suppliers increase their product prices and there are no alternative products in the market, the Group may be forced to pay higher prices for such products which will increase the cost of revenues. The occurrence of any of the above factors could have an adverse material effect on the Group's business, results of operations, financial position and future prospects.

5.1.16 *The Group's insurance coverage may be inadequate*

The Group may be exposed to legal proceedings and claims, including medical malpractice, product liability or other legal claims, which are not included in the Group's insurance coverage or exceed the scope of their insurance policy. Although the Group maintains insurance coverage that has been adequate in the past, there is no guarantee that the Group's insurance coverage will be sufficient to cover all future claims brought against the Group.

Furthermore, there may be certain situations or events that are not covered by the Group's insurance, as a result of the Group's insurance coverage being insufficient, or where there are incidents which cannot be insured against. The Group may also fail to support its recovery claim against its insurance company or before the relevant judicial authority and the claim submitted by the Group to its insurance company may be rejected.

An inability on the Group to obtain adequate insurance coverage could limit the Group's health facilities or its medical staffs' ability to practice their profession which may reduce the scope of the services offered by the group. Inadequate insurance cover may lead to the Group suffering harm to its goodwill or reputation as a result of legal proceedings or cause the Group to incur substantial expenses or increases in its insurance premiums. The Group being unable to recover the sums and compensation it is obliged to pay as a result of any legal proceedings or claims could adversely affect the Group's business, operations and financial performance.

5.1.17 *The Group's operations are exposed to the risk of disruptions which could have a material adverse effect on the Group's business*

The Group's success depends largely on its continued and unhindered ability to carry on its activities, including with respect to its hospitals, clinics, pharmacies and other business sectors. The Group is exposed to a number of risks with respect to its operations, including power outages, disruption of medical equipment and devices, failure of information systems, criminal acts, fires, any risks described in this section or any other risks that may result in disruption of or impact on whole or part of the Group's operations, resulting in the Group's inability to meet its obligations or additional liabilities incurred by the Group, which may have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

5.1.18 *A significant amount of the Group's revenues are derived from its key doctors and customers*

A significant amount of the Group's and its hospitals' revenues is derived from the work of key doctors, specialising in certain fields, such as paediatrics, orthopaedics, internal medicine and obstetrics and gynaecology, all of which accounted for 27.7%, 40.4% and 47.8% of the Group's hospitals' total revenues for the years ended 31 December 2020G, 2021G and 2022G, respectively. Failure of the Group to retain, for any reason, the key doctors working in the above-mentioned medical departments could adversely affect patient traffic, which could adversely affect the revenues related to these departments given that the Group depends on their reputation in the market to attract and retain customers. In order to retain the Group's key doctors, it may need to increase their wages and benefits, which may materially increase the Group's expenses. In addition, in case of the departure of any of the Group's key doctors, the Group cannot guarantee that it would be able to find, attract or retain suitable alternatives for them, which would adversely affect the Group's business, operations and financial performance.

A significant amount of the Group and its hospitals' revenues is derived from its four main customers represented by MOH, Bupa, Tawuniya and Medgulf, which together accounted for 73.3%, 64.9%, 67.8%, and 75.1% of the Group's total revenues for the years ended 31 December 2020G, 2021G and 2022G, and for the three-month period ended 31 March 2023G, respectively. Failure by the Group to retain its relationship with its key customers generally or the services provided to these customers, or failure to compete with other healthcare service providers would adversely affect the Group's revenues.

5.1.19 *The Group is dependent on its IT systems and any disruption to or cyber-attacks on these systems could materially disrupt the Group's business*

The information systems and databases of healthcare facilities are generally considered to be key components in their operation and administration, particularly in hospitals that receive hundreds of medical cases every day, such as the hospitals operated by the Group. The Group does not guarantee that it would be able to continuously update and maintain its management information systems or invoice systems, which are required to manage and operate its operations and financial activities. Contributing factors may include the need to prioritise the Group's expenditures, the availability of necessary updates or adjustments to such systems in the market, or the Group's receipt of improper technical support from its supplier or service provider. The Group's inability to implement or maintain effective information systems, databases or accurate invoicing systems would lead to a disruption of the Group's provision of medical services and/or the inability of the Group to collect amounts due from customers, adversely affecting the Group's business, operations and financial performance.

Further, the threat to the security of the Group's information and patient data from security breaches and cyber-attacks presents a real and growing risk to the Group's business. Activists, rogue states and cyber criminals are amongst those targeting IT systems around the world. Risks to technology and cyber-security evolve and change rapidly and require continued focus, monitoring and investment in preventative measures. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. A failure to adequately manage cyber-security risk and continually monitor, review and update current processes in response to new threats could have a number of adverse effects on the Group, including disruption to its business, unauthorised disclosure of confidential information, significant financial and/or legal exposure and damage to its reputation.

5.1.20 *Any material defects or malfunctions in the Group's medical devices and equipment may affect the Group's ability to provide its healthcare services*

The Group's provision of healthcare services relies on the constant functioning of its technical and medical devices and equipment effectively and without interruption. Any material malfunction or damage would adversely affect the Group's ability to continue providing its healthcare services to its customers while such malfunction and/or replacement is ongoing. This would have an adverse effect on the Group's businesses, operations and financial performance.

Failure of the Group to secure the necessary funds to cover capital expenses needed in order to maintain and replace such assets and equipment will result in a delay in the maintenance and replacement of medical equipment in the Group's hospitals. In the event that such equipment are damaged, outdated or do not meet their purpose, Group's operations and financial results will be adversely affected. In addition, competitors use of better medical and technical equipment will affect the Group's competitive edge, and would limit its ability to retain its customers and adversely affect the Group's businesses, operations and financial performance.

5.1.21 *Failure to maintain the Group's brand name, trademarks and reputation could adversely affect the Group's business, operations and financial performance*

The brand name "Saudi German Hospital" owned by the Group and used by all of the Group's hospitals as a commercial name is considered a major factor in the development of demand for the Group's medical services.

The Group's trademark, brand name and reputation may be adversely affected by the following:

a- Non-protection of the trademark

The Group's competitive position relies on several factors, including its ability to use its brand recognition in the healthcare sector, as well as the protection of its trademarks against any unauthorised use. In respect of the latter, the Group has registered a number of trademarks associated with the MEAHCO logo in the Kingdom, Egypt, UAE, Kuwait, Lebanon, Bahrain, Jordan, Qatar, Tunisia, Algeria, Morocco, Yemen, Oman, Singapore, Türkiye, Malaysia and Pakistan, with registration pending in Libya, Sudan, Iraq, India and Indonesia. The Group has also registered a number of trademarks associated with the SGH logo in the Kingdom, Egypt (save for the "Saudi German Clinic" trademark which is pending registration), UAE, Kuwait, Bahrain, Yemen, Oman, Morocco, Türkiye, Singapore, with registration pending in Jordan, Algeria, Sudan, Indonesia, Pakistan, India and Malaysia. The Group has, however, had its trademark filing applications in China rejected on two occasions. For further details on the Group's registered trademarks, see section entitled "*Legal and General Information – Trademarks*". Accordingly, the failure of the Group to protect the trademarks mentioned above, or its need to take legal action to protect them, would adversely affect its ability to use them, which would adversely affect the Group's business, operations and financial performance.

b- Management and management supervision agreements with hospitals outside the Kingdom

Bait al Batterjee Medical Company, a related party, entered into several management supervision agreements with Emirates Healthcare Development Company ("**EHDC**"), Egyptian Saudi Healthcare Company ("**ESHCO**") and Saudi Yemeni Healthcare Company ("**SYH**"), which were fully transferred to the Group in 2015G through entering into new agreements. In addition, the Group has management supervision agreements with Tatweer Healthcare Company LLC ("**THC**") and Ajman Healthcare Development Company ("**AHDC**"). EHDC, ESHCO and SYH own and operate the Saudi General Hospital Dubai, UAE ("**SGH Dubai**"), Saudi General Hospital Cairo, Egypt ("**SGH Cairo**"), Saudi General Hospital Sanaa, Yemen ("**SGH Sanaa**"), Saudi General Hospital Sharjah, UAE ("**SGH Sharjah**"), and Saudi General Hospital Ajman, UAE ("**SGH Ajman**"), respectively. Under these agreements, the Group will not provide healthcare services in these hospitals, rather its role is limited to supervising these hospitals' management and providing advice to the administrative staff of each hospital, in addition to allowing these hospitals to use the Group's brand and trademark. Healthcare service quality provided by such hospitals may be less than that provided by the Group's hospitals. This may affect the Group's name, reputation and trademark. Medical errors and malpractice may occur in such hospitals which will affect the Group's name and trademark, and will have an adverse effect on Group's businesses, operations and financial performance.

c- Medical malpractice

Medical errors made by doctors or nurses working for the Group may damage the Group's reputation in the market and in the eyes of its customers, causing many to stop dealing with the Group. This will adversely affect the Group's business, operations and financial performance.

d- Non-mandatory medical accreditations

The Group's hospitals obtained medical accreditation certificates from the Joint Commission International (JCI), an international organisation that defines assessment standards and techniques in order to determine the healthcare quality provided to the patient. Failure of the Group to maintain its current position in terms of fulfilling the conditions required to obtain the JCI accreditation will affect its reputation in the market. This, in turn, would have an adverse effect on the Group's business, operations and financial performance.

5.1.22 *The Group faces certain risks related to the development and implementation of future projects*

The Group depends on external independent developers and contractors and related parties for certain construction works relating to building new medical facilities which are an integral part of the Group's growth and expansion strategy in the Kingdom and overseas, including with respect to foundations, structure, electromechanical works, electrical equipment, provision of technical and medical devices, and furniture.

There are many risks related to designing and building new medical facilities. In addition, obtaining government approvals and permits for these facilities could take more time and consume more resources than original expectations. These risks can lead to increased capital costs and lower revenues. Moreover, these new facilities might not be completed on time and within budget for a number of reasons, including shortages of resources, equipment, and non-Saudi labour, unfavourable weather conditions, natural disasters, disputes with developers and contractors, accidents, changes in government laws, or an inability to enter into favourable contracts with reliable developers and contractors to complete various projects. In addition, the completed facilities may not have the anticipated occupancy rates.

Any delay or inability to build new health facilities or the occurrence of any of the above risks will have a material adverse effect on the Group's growth strategy and in turn its business, financial position, results of operations and future prospects.

In general, health service providers and companies operating in other sectors compete for distinctive locations. This competition may limit the number of suitable sites available to the Group, thereby enhancing the bargaining power of owners of such properties so that the sale or lease of such properties will not be on terms favourable to the Group. This will have an adverse effect on the Group's growth strategy, business, results of operations, financial position and future prospects.

The Group will seek to attract and recruit the administrative staff required to effectively operate the new health facilities. In the event that the Group fails to employ and maintain qualified medical professionals and administrative staff to operate these new health facilities, this will have an adverse effect on the Group's growth strategy, business, results of operations, financial position and future prospects. See also "*The Group's continued success depends on its ability to attract and retain qualified medical professionals*".

The Group's strategy is to expand its operations over the coming years whenever there are opportunities available which are compatible with its strategy, by designing, managing the development of, establishing and operating new health facilities, whether wholly or partially owned, both in the Kingdom and overseas.

In addition, the Group's past success in integrating its past projects with its existing projects does not guarantee the same competitive advantage in its current operational, financial and supervisory processes and nor does it guarantee the expected competitive advantages of such integration in the future. Furthermore, the costs of achieving these competitive advantages may be higher than anticipated by the Group. The occurrence of any of the above factors will have a material adverse effect on the Group's business, results of operations, financial position and future prospects.

5.1.23 *Certain of the Group's creditors have the discretion to terminate credit facilities and loans extended to the Group*

The Group obtained credit facilities and loans from the Kingdom's Ministry of Finance (the "**MOF**"), and a number of commercial banks. Pursuant to the terms of a number of such facility agreements entered into by the Group, the relevant creditors may, at their discretion, terminate or cancel such facilities for any reason. In the event that a creditor decides to cancel or terminate the facility granted to the Group, the full and immediate settlement of all outstanding amounts may be requested by such creditor which would have an adverse effect on the Group's business, operations and financial performance.

In addition, some of the Group's credit facilities and loan agreements contain terms and conditions that include but are not limited to certain repayment schedules, maintaining certain liability to net assets ratios and limitations on distributing dividends to shareholders without obtaining the prior consent of the relevant lender or granting security over any of its assets. The Group may not be able to fulfil its obligations pursuant to such agreements, and any breach of such covenants in the future may result in the relevant creditor accelerating the payment of its loan, enforcing the guarantees and terminating any additional funding, and/or cross default under other financial arrangements to which the Group is a party. Any of these incidents would have an adverse effect on the Group's business prospects, operations and financial performance.

In addition to the Group's reliance on its internal financing sources, the Group may rely on further future financing obtained from commercial banks to cover its working capital requirements. It is possible that the Group may not be able to obtain such loans at all or at reasonable terms. The Group may also need to secure financing from commercial banks to achieve its expansion plans. The Group does not guarantee that it would be able to secure such financing at a suitable time and/or on acceptable preferential terms and this, in turn, would adversely affect the Group's business, operations and financial performance.

NHC undertook, pursuant to the loan agreement entered into with MOF on 19/05/1434H (corresponding to 31/03/2013G) for establishing a private hospital in Hail with total amount of SAR 69,650,000, to start repaying the aforesaid loan after five years from the agreement date (i.e. in 2018G). The loan is interest free and to be repaid in 20 equal annual instalments. As at 31 December 2022G, the net amount outstanding was SAR 52.2 million (2021G: SAR 55.7 million). In the event SGH Hail's operations slowdown and with NHC's failure to achieve the sufficient revenues necessary for repaying the aforesaid loan instalments on time, MOF would consider NHC in default with regard to repaying the loan and shall consequently take legal actions as set out in the agreement including claim for the outstanding amounts or pledged foreclosure, resulting in the NHC operations being adversely affected. This, in turn, would have an adverse effect on the Group's profitability, operations and financial performance.

For further details regarding Group's financing arrangements, see section entitled "*Legal and General Information – Credit Facilities and Loans*".

5.1.24 *The Group may be subject to legal and regulatory proceedings*

The Group is subject to legal and regulatory proceedings that may, in the future, be initiated by or against it, including those related to medical malpractice claims, intellectual property rights, Zakat issues, employment disputes, contractual disputes and others. The Group may be forced during ordinary course of business to initiate legal proceedings against other parties to protect its rights. Litigation and regulatory proceedings are unpredictable and legal or regulatory proceedings in which the Group becomes involved (or settlements thereof) could adversely affect the Group's business, operations and financial performance. For further details, see section entitled "*Legal and General Information – Litigation*".

5.1.25 *The Group may be subject to significant Zakat and tax liability*

Zakat and income tax are paid by the Group in accordance with the requirements of the Zakat, Tax and Customs Authority ("**ZATCA**"). The Group cannot predict whether the ZATCA will accept its Zakat and tax submissions for each financial year. ZATCA may impose significant Zakat liability on the Group exceeding the value of the amount paid by the Group thereto, in addition to late payment fines, which will adversely affect the Group's financial results.

The Company finalised its Zakat status up to the year 2014G. For the years 2015G to 2020G, the Company received Zakat assessments which are subject to the following:

- ZATCA issued a Zakat and withholding tax ("**WHT**") assessment for the years 2015G to 2018G in respect of the Company amounting to SAR 150.0 million. The Company submitted an appeal against this assessment with the Tax Violation and Dispute Resolution Committee ("**TVDRC**") who partially accepted the appeal in relation to Zakat differences but rejected the Company's appeal with respect to WHT and delay penalties. Based on certain amnesty extended by ZATCA, the Company settled the WHT due of SAR 38.5 million in order to waive the delay penalty of SAR 14.0 million as advance tax and to continue its objection on the WHT. Accordingly, the Zakat liability based on the TVDRC decision was reduced to SAR 122.0 million (SAR 83.0 million related to Zakat differences and SAR 39.0 million related to WHT). The Company has since escalated the appeal to the Tax Violation and Dispute Appellate Committee ("**TVDAC**"); and
- for the years 2019G to 2020G, ZATCA issued an assessment amounting to SAR 68.0 million which the Company appealed against to the TVDRC. The TVDRC rejected the Company's appeal and the Company is currently in the process of filing an appeal against the TVDRC's decision with the TVDAC.

The Group filed its Zakat return for the years ended 31 December 2021G and 2022G but did not receive any final Zakat assessment. Therefore, the financial years between 2015G to 2022G are still subject to ZATCA assessment. Given that there are financial years pending Zakat assessment, the ZATCA may claim additional amount until the final Zakat assessment is issued for these years. However, with regard to the unsettled Zakat amounts, there would be no effect on the Group's ability to receive its periodic dues from governmental entities (including MOH and MOF) **provided that** it has obtained a restricted Zakat certificate that enables it to complete all its commercial transactions with such entities, excluding receiving its final dues which require obtaining ZATCA's prior consent.

5.1.26 *The Group's agreements with related parties may not be renewed on terms favourable to the Group or at all*

The Group is currently party to a number of agreements with related parties which include maintenance, construction, supply, sale, lease and consultancy agreements. Revenues generated by such agreements in 2022G amounted to SAR 9.2 million while costs incurred as a result of such agreements in 2022G amounted to SAR 215.0 million.

The Group does not guarantee the continuity of such agreements and transactions in the future, as the Company's Board or its general assembly may not accept the renewal of such agreements, or the related Director may not agree to renew the same based on the Group's conditions which would expose the Group to the risk of not finding alternative agreements in a timely and suitable manner. This, in turn, could adversely affect the Group's business, operations and financial performance, especially given that the Group relies on these agreements for its operations.

5.1.27 *The Group's preparation of its financial statements may be impacted by changes in accounting standards*

Accounting principles and policies are fundamental to how the Group records and reports its financial position and the results of their operations. Management must exercise judgment in choosing and implementing accounting policies to ensure they comply with IFRS and its interpretations as issued by the International Accounting Standards Board ("**IASB**") that are endorsed in Saudi Arabia, as well as with the other standards endorsed by the Saudi Organisation for Chartered and Professional Accountants. From time to time, the IASB and other regulatory bodies change the financial accounting and reporting standards which govern the preparation of the Group's financial statements. These changes are sometimes difficult to predict and could materially impact how the Group records and reports its results of operations and financial condition. There is a risk that such changes in accounting standards could have an adverse effect on the Group's financial reporting, and thereby its results of operations and financial condition. For more details, see notes 2.1 and 4 to the 2022G Financial Statements.

5.1.28 *The Group is dependent on credit revenues*

Credit revenues represent 81.2%, 78.0%, 80.1% and 82.0% of the Group's revenues in the years ended 31 December 2020G, 2021G and 2022G and the three-month period ended 31 March 2023G, respectively. The Group is exposed to the risk of customer default on its dues, or a delay in repayment of these dues, which would have an adverse effect on the Group's cash flow and its ability to fulfil its obligations toward its creditors (including suppliers and lending parties) which could adversely affect the Group's business, operations and financial performance.

5.2 RISKS RELATING TO THE MARKET, INDUSTRY AND REGULATORY ENVIRONMENT

5.2.1 *The Group is a regulated and licensed entity and changes to, or to the interpretation or enforcement of, applicable laws or regulations, or the failure to comply with such laws or regulations, could have an adverse impact on the Group's business*

The Group and its activities are subject to supervision and monitoring by various governmental authorities which oversee the healthcare sector, including MOH, the Food and Drug Authority, the Council of Cooperative Health Insurance, and the Central Board for Accreditation of Healthcare Institutions ("**CBAHI**"). These institutions apply the highest standards of quality and closely monitor healthcare services provided by healthcare service providers, especially those laws, instructions and standards applied to the hospitals sector in which the Group operates which from time to time may be amended.

The Group is unable to anticipate changes in the regulatory environment in the Kingdom. The regulatory environment in the Kingdom may be subject to numerous changes, including, amongst other measures, changes in tax laws, the adoption of more stringent antitrust regulations, changes in fixed pricing, and corporate governance. If the Group fails to comply with some or all of the requirements applicable to it pursuant to the applicable laws and regulations, penalties or fines may be imposed on the Group, which will adversely affect the Group's business, operations, and financial performance.

Failure by the Group to comply with the regulations, instructions, and standards applied by the aforementioned regulatory authorities on an ongoing basis could subject it to fines, penalties or punishments that may be imposed by such authorities. As an example, MOH conducts routine inspections on licensed healthcare operators from time to time and if an operator is found to have failed to comply with the prescribed regulations or the terms of its licenses, MOH could require the closure of the medical facility for a specified period of time. The imposition of such or similar penalties on the Group would affect its operations, and may result in its operational licenses being revoked, which will, in turn, adversely affect the Group's business, operations, and financial performance.

Additional healthcare laws and regulations enacted and implemented by the competent regulatory authorities may require the Group to undergo certain adjustments to its operations or its methods of delivering medical services with the aim of rectifying its position and complying with changing requirements. This would result in additional financial burdens incurred by the Group, which would adversely affect the Group's business, operations and financial performance.

If the Group violates the terms applicable for the issuance or renewal of its licenses or permits that are necessary to conduct its operations and business, or if such terms are amended in a way that make it onerous or difficult to renew such licenses or permits, the competent regulatory authorities could suspend, revoke or cancel such licenses or permits, which will, in turn, have an adverse effect on the Group's business, operations and financial performance.

In addition, failure of any of the Group's medical professionals to obtain licenses and other permits needed for the provision of medical services would expose the Group to penalties that could be imposed by the competent regulatory authorities. This would also adversely affect Group's business, operations and financial performance.

5.2.2 *The Group may be subject to increases in fees for resident permits applicable to non-Saudi employees*

In the past, the Government has approved several resolutions that aim to implement comprehensive reforms in the labour market of the Kingdom, which imposed additional fees on non-Saudi employees working for institutions based in the Kingdom along with additional fees for the issuance and renewal of residence permits for non-Saudi families. If the Government implements further similar increases in fees in the future, they will increase government fees paid by the Group for the issuance and renewal of residence permits for its non-Saudi employees in general and will result in higher prices for services provided to the Group's customers.

Further, increases with respect to the issuance of residence permits and renewal fees incurred by non-Saudi employees for their families will result in higher living costs, which may result in non-Saudi employees looking for jobs in other countries with lower living costs. If this were to occur, it will be difficult for the Group to retain key non-Saudi employees, which will affect the Group's ability to maintain its customers in the health sector and attract new customers.

5.2.3 *The Group faces increasing competition which may negatively impact its results of operations*

There is significant competition in the healthcare sector, as between healthcare service providers, including hospitals. It is also a sector which attracts the attention of both Saudi and foreign investors due to its perceived profitability. Therefore, in addition to a number of well-established private healthcare services companies in the Kingdom with whom the Group competes, the number of healthcare services providers in the Kingdom is continuously increasing. Such competition would create operational and financial challenges for the Group, including as follows:

- the pricing of medical services in comparison with those offered by other healthcare service providers;
- the enhancement of the quality of medical facilities available in addition to the medical equipment and machinery used; and
- the expansion and retention of the customer base.

Saudi Vision 2030 expressly encourages the privatisation of the healthcare sector. In particular, the healthcare sector is amongst the sectors in which foreign investors are permitted to own up to 100% ownership. It is possible for competition to increase as a result of the entry of foreign companies specialised in the management and operation of hospitals which will compete with local medical companies, including the Group. If the Group is unable to effectively compete with the increased competition, this could affect the Group's business, operations, and financial performance.

In addition, the increase in the number of MOH's hospitals in the Kingdom as part of any plans or reforms that may be announced or implemented in the future may adversely affect the level of demand for private hospitals, including the Group's hospitals, and limit a number of MOH referrals from which the Group benefits, thereby adversely affecting the Group's business, operations, and financial performance.

5.2.4 *Industry reorganisation and consolidation could impact the Group's customer base and the Group's prices*

Material mergers that may occur in the healthcare sector between operating companies may impact market dynamics allowing certain entities to gain better positioning and control over the healthcare sector. These mergers would also affect the size of the Group's customer base, and would also impact the rates which the Group may set for its services.

In addition, in connection with Saudi Vision 2030, the Government established its Health Sector Transformation Program which aims to restructure the health sector in the Kingdom to be a comprehensive, effective and integrated health system. As part of this restructuring, the Government has established the Health Holding Company to take over tasks currently being handled by the MOH. This in turn, will enable the MOH to focus on regulating and supervising all public and private health institutions. With this transition, the Health Holding Company will provide integrated healthcare services to beneficiaries within the Kingdom via designated subsidiaries and, as such, MOH referrals are expected to be taken over by the Health Holding Company and such designated subsidiaries.

Although the Group does not expect such transition, when it does occur, to significantly impact its business, (and, in particular, through expansion of its geographical presence, increases in its specialisations and investments in upgrading its health information systems and other infrastructure in line with industry best practices, believes it is well-placed to adapt to such transition, when it does occur), the official transition date has not yet been announced and its impact on private healthcare institutions (including the Group) remains uncertain.

5.2.5 *The Group is affected by changes in interest rates and finance costs*

Any increase in financing costs, whether fixed or variable rates, which are payable to the Group's financing parties, could lead to an increase in the financing costs required to finance the Group's operations, which could adversely impact the Group's future profitability and financial results and its ability to repay and fulfil its financial obligations towards such financing parties.

The Group enters into derivative transactions, such as interest rate swaps to hedge its exposure to interest rate risks. These derivative contracts had a notional value of SAR 2.1 billion as at 31 July 2023G. There is no assurance that the Group's derivative contracts and its hedging strategy will be successful in mitigating its interest rate exposures or that the Group will not experience significant losses on its derivatives contracts from time to time.

5.2.6 *Any alteration to, or abolition of, the foreign exchange "peg" of the Riyal or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Group to U.S. dollar foreign exchange movements against the Riyal or other such currencies*

The Group maintains its accounts and reports its results in Riyal. The Riyal has been pegged to the U.S. dollar since 1986. In addition, the following oil-producing GCC countries have their currencies pegged to the U.S. dollar: Qatar, the UAE, Oman and the Kingdom of Bahrain. From time to time, oil-producing countries with currencies that have been traditionally pegged to the U.S. dollar have faced pressure to de-peg and, in certain cases, have de-pegged their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015G, which was followed on 21 December 2015G by the removal of the U.S. dollar peg against the Azerbaijani manat.

There is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region. While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a devaluation against the U.S. dollar immediately following the removal of the peg. While it continues to be the policy of the Government to maintain the currency peg at its existing level, there can be no assurance that future unanticipated events, including an increase in the rate of decline of the Government's reserve assets, will not lead the Government to reconsider its exchange rate policy.

Any de-pegging or re-evaluation to the current exchange rate either in Saudi Arabia or across the wider region, particularly if the de-pegging or re-evaluation is accompanied by a significant depreciation of the relevant currency against the U.S. dollar or other major currencies, could contribute to higher inflation, increase the burden of servicing external debt and damage investor confidence, resulting in capital outflows and market volatility, each of which could have a material adverse effect on Saudi Arabia's economic and financial condition. This, in turn, could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

5.2.7 *The statistical data contained in this Base Prospectus should be treated with caution by prospective investors*

Statistics contained in this document, including in relation to GDP, number of tourists in the Kingdom, money supply, inflation and indebtedness of the Government, have been obtained from, amongst other sources, GASTAT, the MOH, the Ministry of Tourism and OPEC. Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by other sources and may be different from statistics published by third parties, reflecting the fact that the underlying assumptions and methodology may vary from source to source. There may also be material variances between preliminary, estimated or projected statistics included in this Base Prospectus and actual results, and between statistics included in this Base Prospectus and corresponding data previously published by or on behalf of the bodies listed above. Consequently, the statistical data contained in this Base Prospectus should be treated with caution by prospective investors.

5.3 RISKS RELATING TO THE SUKUK

5.3.1 *Any future regulation or reform or discontinuance of the offered rate for deposits in Saudi Riyals ("SAIBOR") may adversely affect the value of the Sukuk if the Floating Periodic Distribution Provisions are specified in the Applicable Final Terms as being applicable*

The sustainability of interbank offered rates has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. As a result, there has been recent international regulatory guidance and proposals for reform of interest rates and indices which are deemed to be "benchmarks". Some of these reforms are already effective whilst others are still to be implemented. Such reforms may cause such "benchmarks" to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. The implementation of any such reforms in relation to SAIBOR could have a material adverse effect on the value or liquidity of, and return on, any Sukuk where the Floating Periodic Distribution Provisions are applicable.

Reforms of "benchmarks" such as SAIBOR or the general increased regulatory scrutiny of such "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. It is not possible to predict with certainty whether, and to what extent, SAIBOR will continue to be supported going forwards. This may cause SAIBOR to perform differently than it has done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a "benchmark"; (ii) triggering changes in the rules or methodologies used in the "benchmark"; and/or (iii) leading to the disappearance of the "benchmark".

Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Sukuk where the Floating Periodic Distribution Provisions are applicable. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any such reforms in making any investment decision with respect to any such Sukuk.

Investors should be aware that the Floating Periodic Distribution Provisions provide for certain fallback arrangements in the event that SAIBOR ceases to exist or be published or another SAIBOR Event (as defined in Condition 9 (*Floating Periodic Distribution Provisions*)) occurs. These fallback arrangements include the possibility that the Reference Rate could be determined by reference to a successor or replacement rate or an alternative rate and that an adjustment spread may be applied to such successor, replacement or alternative rate as a result of any such replacement of SAIBOR. Any adjustment spread that is applied may not be effective to reduce or eliminate economic prejudice to investors. The use of a successor, replacement or alternative rate (including with the application of an adjustment spread) may still result in any Sukuk where the Floating Periodic Distribution Provisions are applicable performing differently (which may include payment of a lower Periodic Distribution Amount) than such Sukuk would if SAIBOR were to continue to apply in its current form.

In certain circumstances the ultimate fallback for the purposes of calculation of the applicable Periodic Distribution Amount may result in the Reference Rate for the last preceding Periodic Distribution Period being used. This may result in the Floating Periodic Distribution Provisions effectively providing for the application of a fixed rate based on the Reference Rate last determined in relation to the Sukuk in respect of the most recent preceding Periodic Distribution Period. In addition, due to the uncertainty concerning the availability of any successor, replacement or alternative rate and the application of any adjustment spread, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value or liquidity of and return on any such Sukuk. Moreover, any of the above matters or any other significant change to the setting or existence of SAIBOR could affect the ability of the Issuer to meet its obligations under the Sukuk where the Floating Periodic Distribution Provisions are applicable or could have a material adverse effect on the value or liquidity of, and the amount payable under such Sukuk. Investors should consider these matters when making their investment decision with respect to the relevant Sukuk.

5.3.2 *Certain Sukukholders may be exposed to currency conversion risks due to the Sukuk being denominated in Saudi Riyals*

Payments to Sukukholders will be made in Saudi Riyals. If such an investor's financial activities are principally denominated in a currency other than Saudi Riyals, it will be subject to certain currency conversion risks. These risks include: (i) the risk that exchange rates may significantly change (including changes due to the devaluation of the Saudi Riyal or revaluation of the investor's currency); and (ii) the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility may continue in the future. Any appreciation of an investor's currency relative to the Saudi Riyal would decrease such investor's currency-equivalent value of the Periodic Distribution Amounts or Partial Periodic Distribution Amounts payable in respect of the relevant Sukuk, such investor's equivalent value of the applicable Sukuk Capital payable on the relevant Sukuk, and such investor's currency equivalent market value of such Sukuk. In addition, exchange controls could adversely affect the availability of a specified foreign currency at the time of payment of amounts on the relevant Sukuk. As a result, investors may receive less than expected, or no payment at all.

5.3.3 *Qualified Persons*

Prospective Sukukholders should note that the Issuer will not be required to pay any additional amounts in respect of any withholding required by law to any person who holds Sukuk but is not a Qualified Person. Prospective Sukukholders should consult their own independent advisers and make their own assessment in terms of the risks of them not being Qualified Persons.

5.3.4 *The secondary market generally*

There is no assurance that a secondary market for the Sukuk of any Series will develop after the Sukuk are issued or, if one does develop, that it will provide Sukukholders with liquidity of investment or that it will continue for the life of the Sukuk. Any sale of Sukuk by Sukukholders in any secondary market that may develop may be at a lower price than the original purchase price of the relevant Sukuk for various reasons including the possibility that such market may not be liquid. Accordingly, Sukukholders may not be able to sell their Sukuk easily or at prices that will provide them with a return comparable to similar investments that have a developed secondary market. Liquidity may also be limited if a limited number of investors hold large allocations. An investor in the Sukuk must be prepared to hold the Sukuk for an indefinite period of time or until their maturity. Illiquidity may have a material adverse effect on the market value of the relevant Sukuk.

In addition, the secondary market for the Sukuk of any Series is subject to certain restrictions under the ROSCOs (as defined in the Conditions) and further restrictions as set out in the Conditions.

5.3.5 *The Sukuk are unsecured obligations of the Issuer*

The Sukuk are not debt obligations of the Issuer. Sukuk of any Series represent undivided ownership interests in the relevant Sukuk Assets. Recourse to the Issuer in respect of any Sukuk is limited to the relevant Sukuk Assets in the manner described in the Conditions, the proceeds of which are the sole source of payments payable by the Issuer on the relevant Sukuk.

Upon the occurrence of a Liquidation Date (as defined in the Conditions), the sole recourse of each Sukukholder will be against the Issuer to pay such Sukukholder's proportional share of the Payment Obligations from the proceeds of the Sukuk Assets pursuant to the Sukuk Documents to which the Issuer is a party. The Sukukholders will otherwise have no other recourse to any assets of the Issuer (including its directors and officers) (to the extent that the Sukuk Assets have been exhausted), the Sole Arranger, the Dealer(s), the Payment Administrator, the Sukukholders' Agent, the Account Bank or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the relevant Sukuk Assets. There can be no assurance that the proceeds or the realisation of, or the enforcement with respect to, the Sukuk Assets will be sufficient to make all payments due in respect of any Series of Sukuk.

5.3.6 *The payment obligations of the Issuer under the Sukuk Documents to which it is a party will rank pari passu with the unsecured and unsubordinated financial obligations of the Issuer*

The Issuer may incur secured and unsecured financial obligations in the future (either subject to compliance with Condition 7.1 (*Negative Pledge*) in connection with other sukuk or debt instruments, or otherwise). The payment obligations of the Issuer under the Sukuk Documents to which it is a party will rank *pari passu* with the unsecured and unsubordinated financial obligations of the Issuer (see Condition 5 (*Status and Set-off*) for further information). Secured creditors will take priority in recovering their exposure from the security granted to them. The existence of other financial obligations may reduce the amount recoverable by Sukukholders from the Sukuk Assets where the Issuer does not have sufficient assets to satisfy its financial obligations or upon the occurrence of any other insolvency event. Accordingly, upon the occurrence of such events, there may not be a sufficient amount to enable the Sukukholders' Agent to satisfy the amounts owing to the Sukukholders which would result in the Sukukholders losing all or part of the amount invested in the Sukuk.

5.3.7 *Compliance with the Kingdom's bankruptcy and other laws may affect the Issuer's ability to perform its obligations under the Sukuk and the Sukuk Documents*

The bankruptcy law promulgated pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14/02/2018G), as amended by Royal Decree No. M/89 dated 9/7/1441H (corresponding to 4 March 2020G) (the "**Bankruptcy Law**") prescribes general bankruptcy procedures. If the Issuer's insolvency satisfied the eligibility conditions for such bankruptcy procedures, this could adversely affect the Issuer's ability to perform its obligations in respect of the Sukuk and the Sukuk Documents. There is little precedent to predict how claims by or on behalf of the Sukukholders would be resolved in the event of the Issuer satisfying the eligibility conditions of any such bankruptcy procedures and, accordingly, it is uncertain exactly how and to what extent the Sukuk Documents would be enforced by a Saudi Arabian adjudicatory body in that situation and, therefore, there can be no assurance that Sukukholders will receive repayment of their claims in full or at all in these circumstances.

In addition, there is a material likelihood that a Saudi Arabian adjudicatory body could consider void a contractual provision that seeks to terminate a contract in the event of a preventative settlement or financial restructuring process being instigated. This is based on article 23 of the Bankruptcy Law, which states that contracts should continue during preventative settlement or financial restructuring processes and any condition to the contrary is null and void. Although there is an exemption for finance contracts, it is not clear whether the Sukuk Documents will fall within the scope of this exemption. It is open to a contractual party to apply for its contract to be terminated, pursuant to article 24 of the Bankruptcy Law, if the party undergoing preventative settlement fails to comply with its obligations in the period after the commencement of preventative settlement.

5.3.8 *No third-party guarantees*

Investors should be aware that no guarantee is or will be given in relation to any Series of Sukuk by the shareholders of the Issuer or any other person. The Issuer's obligations in respect of any Sukuk issued under the Programme are limited to its obligations under the Sukuk Documents.

5.3.9 *The Sukuk may be redeemed prior to the Expiry Date for tax reasons*

If on the occasion of the next payment due under a Series, the Issuer has or will become obliged to pay any additional amounts in respect of the Sukuk as provided for, or referred to, in Condition 16 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Tranche of Sukuk and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem the Sukuk of such Series in whole, but not in part, in accordance with Condition 12.3 (*Redemption for tax reasons*). If the Sukuk are redeemed early, Sukukholders may only be able to reinvest the redemption proceeds at an effective profit rate that is lower than the profit rate on the Sukuk. Prospective investors should consider reinvestment risk in light of other investments available at that time.

5.3.10 *The Sukuk may be subject to early redemption at the option of the Issuer*

If so provided in the Applicable Final Terms, a Series may be redeemed early at the option of the Issuer in whole, but not in part, in accordance with Condition 12.2 (*Redemption at the option of the Issuer (Issuer Call Option)*) or, in certain circumstances, in accordance with Condition 12.5 (*Redemption at the option of the Issuer (Clean Up Call Option)*). Any such optional redemption feature of any Sukuk is likely to limit their market value. During any period when the Issuer may elect to redeem Sukuk, the market value of such Sukuk generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Sukuk when its cost of financing is lower than the profit rate on the Sukuk. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Sukuk being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider reinvestment risk in light of other investments available at that time.

5.3.11 *Mudaraba assets risk*

Pursuant to the Master Mudaraba Agreement, an amount which is not less than 51 per cent. of the Aggregate Nominal Amount of the relevant Tranche, less the applicable Available Amount (or portion thereof where the Series comprises more than one Tranche), will be directly invested in the Business Portfolio of the Issuer with a view to earning profit therefrom, which will in turn be applied towards payments due to Sukukholders in respect of the Sukuk. In the event that any of the risks relating to the business of the Issuer mentioned above or otherwise materialise and impact the Issuer's business, the value of and profit earned from the investment in such Mudaraba Assets may drop which may, in turn, have a material adverse effect on the Issuer's ability to fulfil its payment obligations in respect of the Sukuk Documents.

The Issuer shall be granted the express entitlement to commingle its own assets and funds with the Mudaraba Assets and, as a result, it may not be possible to identify the Mudaraba Assets separately from the assets of the Issuer.

Furthermore, whilst the Mudareb has agreed in the Master Mudaraba Agreement to ensure that the Mudaraba Capital is invested with the degree of skill and care that it would exercise in respect of its own assets, there is no guarantee of any return from the Mudaraba Assets. In addition, the Sukukholders' Agent and the Mudareb have agreed in the Master Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Sukukholders' Agent except to the extent such losses are caused by the Mudareb's gross negligence, wilful misconduct or fraud.

Accordingly, prospective investors are advised that any claim by or on behalf of the Sukukholders for the Mudaraba Capital following any Event of Default may be reduced if and to the extent that the Mudareb is able to prove that any losses to the Mudaraba Capital were not caused by: (i) the Mudareb's breach of the Master Mudaraba Agreement; or (ii) gross negligence, wilful misconduct or fraud. If the Mudareb is able to provide such proof, the Sukukholders may lose all or some of their investment. It is not possible to state with certainty what approach the courts of the Kingdom will take in such circumstances.

5.3.12 *Change of law*

The structure of each issue of Sukuk under the Programme is based on the laws of the Kingdom and administrative practices in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Saudi Arabian law or administrative practice after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of: (i) the Issuer to make payments under the Sukuk; or (ii) the Issuer to comply with its obligations under the Sukuk Documents.

5.3.13 *There is no assurance that the Sukuk will be Shari'ah compliant*

The *Shari'ah* Committee of Al Rajhi Capital Company has confirmed that the Sukuk Documents are, in their view, compliant with the principles of *Shari'ah* as applicable to, and interpreted by, them. However, there can be no assurance that the Sukuk Documents or the issue and trading of any Series of Sukuk will be deemed to be *Shari'ah* compliant by any other *Shari'ah* board or *Shari'ah* scholars. None of the Issuer, the Sole Arranger, the Dealer(s), the Sukukholders' Agent, the Payment Administrator or the Account Bank makes any representation to prospective investors as to the *Shari'ah* compliance of the Sukuk and prospective investors are reminded that, as with any *Shari'ah* views, differences in opinion are possible and different *Shari'ah* standards may be applied by different *Shari'ah* boards. Prospective investors should obtain their own independent *Shari'ah* advice as to the compliance of the Sukuk Documents and whether the Sukuk will meet their individual standards of compliance and the issue and trading of any Sukuk with *Shari'ah* principles, including the tradability of any Series of Sukuk on any secondary market. Questions as to the *Shari'ah* compliance of the Sukuk Documents or the *Shari'ah* permissibility of the issue and the trading of the Sukuk may limit the liquidity and adversely affect the market value of the Sukuk.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Sukuk Documents or the Sukuk may, if in dispute, be the subject of court and judicial committee proceedings under the laws of Saudi Arabia. In such circumstances, the courts will interpret the respective terms of the Sukuk Documents or the Sukuk (as the case may be) under the laws of Saudi Arabia (by which they are expressed to be governed) in determining the obligations of the parties thereunder. Although the laws and regulations of Saudi Arabia are based on *Shari'ah* law, different courts and judicial committees in the Kingdom (including the Committees) may form different opinions on the interpretation of *Shari'ah* principles (see "– *Risks relating to enforceability and taxation in the Kingdom*" below).

5.3.14 *Trading, clearing and settlement*

The Sukuk of each Series will only be issued in dematerialised registered global form and will be represented at all times by interests in a registered form Global Sak, which will be deposited as the Sukukholders' Agent may direct on the relevant Issue Date. While the Sukuk are represented by the Global Sak, investors will be able to trade their beneficial interests only through the clearing and settlement system of the Registrar and the Issuer will discharge its payment obligations under the Sukuk by making payments through such clearing and settlement system. A holder of a beneficial interest in the Global Sak must rely on the procedures of the clearing and settlement system of the Registrar and its participants in relation to payments under the Sukuk.

However, there can be no assurance that there will be no interruption to, or errors in, trading, clearing or settlement of the relevant Sukuk as a result of the inexperience or lack of familiarity of the operations in regard to trading, clearing and settlement systems or of inherent inadequacies of any such trading, clearing or settlement system. None of the Sole Arranger or the Dealers will be under any obligation to provide pricing on, or make a market in, any Sukuk.

5.3.15 *Registry Agreement*

The Registry Agreement is required to complete registration of each Series of Sukuk with the Tadawul and such registration is necessary to facilitate trading of the Sukuk by investors though Edaa. However, as of the relevant Issue Date of any issuance of Sukuk, the Registry Agreement may not have been signed and registration of any Sukuk with the Registrar may not have occurred. As such, investors should be aware that trading of the Sukuk through the Edaa system may not be possible as at the relevant Issue Date. Under the Programme Agreement (as defined in the "*Subscription and Sale*" section of this Base Prospectus), the Issuer is required to sign the Registry Agreement and procure registration of the Sukuk with Edaa as soon as practicable and, in any event, no later than 10 Business Days after the relevant Issue Date.

5.3.16 *Modification and Waivers*

The Conditions contain provisions for calling meetings of the Sukukholders of each Series of Sukuk to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Sukukholders, including Sukukholders who did not attend and vote at the relevant meetings and the Sukukholders who voted in a manner contrary to the majority. The meeting provisions in the Sukuk Documents are subject in their entirety to the relevant provisions of Companies Law issued pursuant to Royal Decree no. M/132 dated 01/12/1443H (corresponding to 30 June 2022G), as amended which will, in case of a contradiction, prevail over the meeting provisions set out in the Sukuk Documents.

5.4 RISKS RELATING TO ENFORCEABILITY AND TAXATION IN THE KINGDOM

5.4.1 *Governing law, jurisdiction and enforceability*

Each Series of Sukuk and the Sukuk Documents are governed by, and are to be construed in accordance with, the laws and regulations of the Kingdom, which laws and regulations are based on Islamic law, or *Shari'ah*. The relevant principles of Islamic law are generally construed and applied pursuant to the teachings of certain schools of jurisprudence. In this regard, the Saudi courts may decline to enforce any contractual or other obligations (including any provisions relating to the payment of profit) if it is their view that the enforcement thereof would be contrary to principles of *Shari'ah*.

There are a number of Saudi courts which have jurisdiction in respect of certain types of claims. Commercial disputes are subject to the jurisdiction of the Commercial Courts. Commercial disputes do not include disputes arising out of or in connection with transactions governed by the Capital Market Law and its implementing regulations, which are heard before a quasi-judicial body known as the Committee for the Resolution of Securities Disputes established pursuant to paragraph (a) of article 30 of the Capital Market Law and the Appeal Committee for the Resolution of Securities Disputes formed pursuant to paragraph (i) of article 30 of the Capital Market Law.

In accordance with Condition 20 (*Governing Law and Jurisdiction*), the Committees shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Sukuk. Prospective investors should note that, to the best of the Issuer's knowledge, no securities of a similar nature to the Sukuk have previously been the subject of enforcement in the Kingdom. Accordingly, it is uncertain exactly how and to what extent the Sukuk Documents (or any of them) would be enforced by the Committees or any other adjudicatory authority in the Kingdom.

However, prospective investors should also be aware that, generally, the Saudi courts, including the Committees, have a wide discretion as to how principles of Islamic *Shari'ah* are applied to a particular set of circumstances and previous decisions of such courts and judicial committees are not considered as establishing binding precedents for deciding subsequent disputes. Accordingly, it is uncertain exactly how and to what extent the Sukuk Documents would be enforced by the Committees or, should circumstances dictate that they have jurisdiction, in the Saudi courts.

In some circumstances, it may not be possible to obtain the legal remedies provided under Saudi Law in a timely manner. As a result of these and other factors, the outcome of any legal disputes in the Kingdom may be uncertain, which may adversely affect the value of the Sukuk.

5.4.2 *Events of default*

There is a risk that the courts and judicial committees of the Kingdom would not give effect to any of the Events of Default other than those Events of Default relating to the non-payment of amounts due under the Sukuk Documents. As such, the courts and judicial committees of the Kingdom may decide not to give effect Events of Default other than those Events of Default relating to the non-payment of amounts due under the Sukuk Documents

5.4.3 *Penalties and indemnities*

There is a risk that should any provision of the Sukuk Documents be construed by a court or judicial committee of the Kingdom to be an agreement to pay a penalty rather than a genuine estimate of loss incurred, such provision would not be enforced in the Kingdom. Further, any indemnity provided by the Issuer in relation to the Sukuk or pursuant to the Sukuk Documents would not be enforceable under the laws and regulations of the Kingdom in certain circumstances.

5.4.4 *A court may not grant an order for specific performance*

In the event that the Issuer fails to perform its obligations under any Series of Sukuk or any Sukuk Document, the potential remedies available to the Sukukholders' Agent (on behalf of Sukukholders) include (i) obtaining an order for specific performance of the Issuer's obligations, or (ii) a claim for damages.

There is no assurance that a court will provide an order for specific performance, as this is generally a matter for the discretion of the relevant court. Specific performance, injunctive relief and declaratory judgments and remedies are rarely available as judicial and other adjudicative remedies in the Kingdom. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Sukukholders' Agent and the Sukukholders to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Issuer to perform its obligations set out in the Sukuk and the Sukuk Documents. Damages for loss of profits, consequential damages or other speculative damages are not awarded in the Kingdom by the courts or other adjudicatory authorities, and only actual, direct and proven damages are awarded.

5.4.5 *Risks relating to notices*

The Electronic Transactions Law was issued pursuant to Royal Decree No. M/18 dated 08/03/1428H (corresponding to 26 March 2007G) as amended or supplemented from time to time, most recently pursuant to Royal Decree No. M/57 dated 01/08/1436H (corresponding to 19 May 2015G). Notices given by way of facsimile or other electronic means are prima facie acceptable forms of notification in the Saudi Courts. In principle, parties to an agreement governed by Saudi law which stipulates that notices may be given by way of facsimile or other electronic means may rely on such notices **provided that** such provisions are stipulated in the relevant agreement as the agreed form of communication between such parties (as clarified by Circular No. 34 dated 24/04/1439H).

5.4.6 *Tax consequences in the Kingdom*

The Sukukholders may be subject to payment of income tax, withholding tax, zakat or other taxation in the Kingdom as a result of acquiring, holding or disposing of the Sukuk of any Series. Each prospective Sukukholder must take its own professional advice as to the tax consequences for such Sukukholder of acquiring, holding or disposing of any Sukuk. For a further discussion of taxation and zakat issues relating to the acquisition, holding or disposal of the Sukuk, see the "*Taxation and Zakat*" section of this Base Prospectus.

6. TERMS AND CONDITIONS OF THE SUKUK

1. INTRODUCTION

The following is the text of the Terms and Conditions of the Sukuk which (subject to modification and except for the text in italics) will be attached and (subject to the provisions thereof) apply to each Global Sak.

The Applicable Final Terms in relation to any Tranche may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche.

Middle East Healthcare Company, a Saudi Arabian joint stock company pursuant to Ministerial Resolution number 2554 dated 16/03/1425H (corresponding to 05/05/2004G) issued by the Minister of Commerce and is registered under commercial registration number 4030149460 dated 06/04/1425H (corresponding to 25/05/2004G) (in its capacity as the issuer, the "**Issuer**" or the "**Company**") has established a programme (the "**Programme**") for the issuance of sukuk (the "**Sukuk**") where the aggregate nominal amount of Sukuk that are current (as defined below) at any time under all Series (as defined below) taken together does not exceed SAR 1,500,000,000 (subject to any increase in accordance with the terms of the Programme Agreement (as defined below)) and all applicable rules and regulations in the Kingdom. In these Terms and Conditions (the "**Conditions**", and any reference herein to a numbered Condition is to the corresponding numbered provision hereof), references to Sukuk shall be references to the sukuk which are the subject of a final terms document (the "**Applicable Final Terms**") and references to the Applicable Final Terms are to the final terms (or the relevant provisions thereof) of that Tranche (as defined below) as completed by the Issuer at the time of issue of the relevant Tranche.

The Applicable Final Terms supplement these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with any Condition, replace or modify such Condition for the purposes of each Global Sak issued in respect of a Tranche under the Programme.

Each Sukuk will represent an undivided ownership interest in the Sukuk Assets (as defined herein) of the relevant Series and will at all times rank *pari passu* among themselves.

Pursuant to a master declaration of agency (the "**Master Declaration of Agency**") dated 14 January 2024G between the Issuer and Al Rajhi Capital Company (in its capacity as agent on behalf of the Sukukholders, the "**Sukukholders' Agent**", which expression includes any successor Sukukholders' Agent in relation to the Sukuk), as supplemented by a supplemental declaration of agency between the same parties in relation to the relevant Tranche of Sukuk (each a "**Supplemental Declaration of Agency**" and together with the Master Declaration of Agency, each a "**Declaration of Agency**"), the Sukukholders' Agent will be appointed to act as agent for and on behalf of the Sukukholders in respect of the relevant Tranche of Sukuk.

Each Sukukholder by subscribing to, acquiring and/or holding Sukuk shall be deemed to authorise, ratify and approve the entry by the Sukukholders' Agent into the Sukuk Documents (as defined herein) to which it is a party and agrees to the terms of each of the Sukuk Documents including, but not limited to, the appointment of the Sukukholders' Agent as agent of the Sukukholders in the Master Declaration of Agency. The appointment of the Sukukholders' Agent may be revoked or terminated (and the Sukukholders' Agent may resign its appointment) in accordance with the provisions of the Master Declaration of Agency.

Payments relating to the Sukuk will be made pursuant to a payment administration agreement (the "**Payment Administration Agreement**") dated 14 January 2024G between the Issuer, the Sukukholders' Agent and Al Rajhi Capital Company (in its capacity as payment administrator, the "**Payment Administrator**").

The Sukuk of each Series (as defined below) shall form a separate series and these Conditions shall apply *mutatis mutandis* separately and independently to the Sukuk of each Series and, in these Conditions, the expressions "**Sukuk**", "**Sukukholders**" and related expressions shall be construed accordingly.

Certain provisions of these Conditions are summaries of the Sukuk Documents and are subject to their detailed provisions. The Sukukholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Sukuk Documents applicable to them. Copies of the Sukuk Documents are available for inspection and/or collection from the Issue Date by Sukukholders during normal business hours at the specified offices of each of the Issuer and the Sukukholders' Agent.

2. DEFINITIONS

a- Unless defined herein or the context otherwise requires, words and expressions used in the Applicable Final Terms shall have the same meanings where used in these Conditions. In addition, the following words and expressions shall have the following meanings:

"**Account Bank**" means Al Rajhi Banking and Investment Corporation;

"**Additional Sukuk**" means any additional Sukuk issued in accordance with Condition 19 (*Further Issues*);

"**Aggregate Nominal Amount**" means, in respect of a Tranche or a Series of Sukuk, the aggregate nominal amount of such Tranche or Series, as the case may be;

"**Applicable Final Terms**" has the meaning given to it above under Condition 1 (*Introduction*);

"**Authorised Signatory**" means the person(s) duly authorised by the Issuer to sign documents and to do other acts and things on behalf the Issuer or any other person or persons duly notified by the Issuer to the Sukukholders' Agent as being an authorised signatory pursuant to clause 6.9 (*Authorised Signatories*) of the Master Declaration of Agency;

"**Available Amount**" means in relation to each Series:

(a) in respect of the first Periodic Distribution Period, an amount that is equal to the first Periodic Distribution Amount due under the Series;

(b) in respect of each Periodic Distribution Period thereafter, an amount that is equal to the Periodic Distribution Amount falling due on the Periodic Distribution Date immediately following such Periodic Distribution Period; and

(c) the Relevant Principal Amount,

or such other amount or calculation as is specified in the Applicable Final Terms;

"**Base Prospectus**" means the base prospectus dated 14 January 2024G relating to the Programme, as amended, supplemented and updated from time to time, including all information and supplements which form part of such base prospectus;

"**Business Day**" means a day on which commercial banks are open for general business in the locations specified in the Applicable Final Terms;

"**Business Day Convention**" means, where a Business Day Convention is specified in the Applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which a Periodic Distribution Date or Partial Periodic Distribution Date should occur or (y) if any Periodic Distribution Date or Partial Periodic Distribution Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(a) the Following Business Day Convention, such Periodic Distribution Date or Partial Periodic Distribution Date (as applicable) shall be postponed to the next day which is a Business Day; or

(b) the Modified Following Business Day Convention, such Periodic Distribution Date or Partial Periodic Distribution Date (as applicable) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date or Partial Periodic Distribution Date (as applicable) shall be brought forward to the immediately preceding Business Day; or

(c) the Preceding Business Day Convention, such Periodic Distribution Date or Partial Periodic Distribution Date (as applicable) shall be brought forward to the immediately preceding Business Day;

"**Business Portfolio**" means the total *Shari'ah* compliant assets of the Issuer including the investment of the Mudareb (for the benefit of the Sukukholders' Agent) and any other investments made pursuant to the Master Mudaraba Agreement;

"**Clean up Call Option**" means the option described in Condition 12.5 (*Redemption at the option of the Issuer (Clean Up Call Option)*);

"**Clean Up Redemption Date**" means the 10th Business Day following the last day of any applicable Clean Up Redemption Period or, if Floating Periodic Distribution Provisions are specified in the Applicable Final Terms as being applicable, the Periodic Distribution Date immediately following the end of the Clean Up Redemption Period;

"**Clean Up Redemption Period**" has the meaning given to such term in Condition 12.4 (*Redemption at the option of the Sukukholders*);

"**CMA**" means the Capital Market Authority of the Kingdom;

"**Collection Account**" has the meaning given to it in Condition 6.3 (*Mudaraba Assets and Mudaraba Income sharing*);

"**Committees**" has the meaning given to it in Condition 20 (*Governing Law and Jurisdiction*);

"**Commodities**" has the meaning given to it in the Master Murabaha Agreement;

"**Conditions**" has the meaning given to it above under Condition 1 (*Introduction*);

"**Confirmation of Terms**" means, in relation to each Murabaha Transaction, a notice to be delivered by the Seller to the Purchaser confirming:

(a) the terms upon which the relevant Commodities that were the subject of the relevant Purchase Order With Promise To Purchase were purchased by the Seller; and

(b) the terms which will apply to the Murabaha Contract to be entered into between the Seller and the Purchaser in respect of such Commodities,

such notice to be substantially in the form set out in Schedule 2 (*Form of Confirmation of Terms*) of the Master Murabaha Agreement or in such other form as the Purchaser and the Seller shall agree;

"**Cost Price**" means, in relation to each Murabaha Transaction, the aggregate amount payable in Saudi Riyals to the relevant Supplier by or on behalf of the Seller for the purchase of the relevant Commodities from the relevant Supplier by the Seller as set out in the relevant Purchase Order With Promise To Purchase and which amount shall be equal to the relevant Murabaha Capital;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (from and including the first day of such period to but excluding the last) (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the Applicable Final Terms and

(a) if "**30/360 Standard**" is specified in the Applicable Final Terms: the fixed number of 30 days in a month multiplied by the number of months in such Calculation Period and, in the case of an incomplete month, the number of days elapsed of the month in which the Calculation Period falls (including the first day but excluding the last);

(b) if "**30/360**" or "**360/360**" is specified in the Applicable Final Terms: the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(c) if "**30E/360**" or "**30/360 ICMA**" is specified in the Applicable Final Terms: the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would 31, in which case D2 will be 30;

(d) if "**30E/360 (ISDA)**" is specified in the Applicable Final Terms: the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless: (1) that day is the last day of February; or (2) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless: (1) that day is the last day of February but not the Liquidation Date; or (2) such number would be 31, in which case D2 will be 30;

(e) if "**Actual/360**" is specified in the Applicable Final Terms: the actual number of days in the Calculation Period divided by 360;

(f) if "**Actual/365 (Fixed)**" is specified in the Applicable Final Terms: the actual number of days in the Calculation Period divided by 365;

(g) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified in the Applicable Final Terms: the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year), the sum of:

(i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and

(ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(h) if "**Actual/Actual – ICMA**" is specified in the Applicable Final Terms:

(i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Periods normally ending in any year; and

(ii) if the Calculation Period is longer than one Determination Period, the sum of:

1- the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of: (A) the number of days in such Determination Period; and (B) the number of Determination Periods normally ending in any year; and

2- the number of days in such Calculation Period falling in the next Determination Period divided by the product of: (A) the number of days in such Determination Period; and (B) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such in the Applicable Final Terms or, if none is so specified, the Periodic Distribution Date; or

(i) such other day count formula as may be specified in the Applicable Final Terms;

"**Declaration of Agency**" has the meaning given to it above under Condition 1 (*Introduction*);

"**Deferred Sale Price**" means, in relation to each Murabaha Contract, the amount specified as such in the applicable Confirmation of Terms, which shall be an amount which is equal to 95 per cent. of the Aggregate Nominal Amount of the Sukuk of the relevant Tranche;

"**Deferred Sale Price Payment Date**" means, in relation to each Murabaha Contract, the date on which a payment of the whole, of the Deferred Sale Price is due, as set out in the relevant Confirmation of Terms;

"**Event of Default**" has the meaning given to it in Condition 13 (*Events of Default*);

"**Event of Default Date**" has the meaning given to it in Condition 13 (*Events of Default*);

"**Event of Default Notice**" has the meaning given to it in Condition 13 (*Events of Default*);

"**Exercise Notice**" has the meaning given to it in Condition 13 (*Events of Default*);

"**Expiry Date**" means the date specified as such in the Applicable Final Terms;

"**Extraordinary Resolution**" has the meaning given to it in the Master Declaration of Agency;

"**Global Sak**" means the registered form global sak representing the Sukuk;

"**Independent Adviser**" means an independent financial institution of repute or other independent financial adviser experienced in the capital markets, in each case appointed by the Issuer at its own expense;

"**Issue Date**" means, in respect of each Tranche, the issue date of the relevant Tranche of such Series specified as such in the Applicable Final Terms;

"**Issuer**" has the meaning given to it above under Condition 1 (*Introduction*);

"**Issuer Call Option**" means the option described in Condition 12.2 (*Redemption at the option of the Issuer*);

"**Issuer Optional Redemption Date**" means, in relation to any exercise of the Issuer Call Option, the Date(s) or period specified as such in the Applicable Final Terms and which must be (if Floating Periodic Distribution Provisions are specified in the Applicable Final Terms as being applicable) a Periodic Distribution Date;

"**Liability**" means any loss, damage, cost, fee, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, *zakat*, levies, imposts and other charges) together with any value added tax or similar tax charged or chargeable in respect thereof and together with properly incurred legal fees and expenses;

"**Liquidation Date**" means the Expiry Date, the Issuer Optional Redemption Date (where applicable), the Sukukholder Optional Redemption Date (where applicable), the Tax Redemption Date, any Clean Up Redemption Date (where applicable) or an Event of Default Date;

"**Margin**" has the meaning given to it in the Applicable Final Terms;

"**Master Mudaraba Agreement**" means the master mudaraba agreement dated 14 January 2024G between the Issuer (acting as Mudareb) and the Sukukholders' Agent (acting as *rab-al-maal* and as agent on behalf of the Sukukholders);

"**Master Murabaha Agreement**" means the master murabaha agreement dated 14 January 2024G between the Issuer (as Purchaser) and the Sukukholders' Agent (as Seller);

"**Material Subsidiary**" means at any relevant time, a Subsidiary of the Issuer:

(a) whose total assets or gross revenue (or, where the Subsidiary in question prepares consolidated financial statements, whose total consolidated assets or gross consolidated revenues, as the case may be) represents not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of the Issuer and its Subsidiaries, all as calculated by reference to the then latest audited financial statements of such Subsidiary and the then latest audited consolidated financial statements of the Issuer; or

(b) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

"**Mudaraba**" has the meaning given to it in Condition 6.1 (*Sukuk Assets*);

"**Mudaraba Assets**" means, in relation to each Series (i) the Sukukholders' Agent's share (held by the Mudareb for the benefit of the Sukukholders' Agent on behalf of the Sukukholders) in the Business Portfolio; and (ii) the Available Amount, in each case, representing the investment of the Mudaraba Capital by the Mudareb;

"**Mudaraba Capital**" means:

(a) in relation to each Tranche, the amount specified as such in the Applicable Final Terms, being equal to an amount which is not less than 51 per cent. of the Aggregate Nominal Amount of such Tranche; and

(b) in relation to each Series, the aggregate amounts of Mudaraba Capital corresponding to each Tranche of such Series;

"**Mudaraba Income**" means, in relation to each Series, the income received by the Mudareb in respect of the Mudaraba Assets, less total costs (consisting of direct costs and allocated costs of such activities) relating thereto;

"**Mudaraba Profit**" has the meaning given to it in Condition 6.3 (*Mudaraba Assets and Mudaraba Income sharing*);

"**Mudareb**" means the Issuer in its capacity as *mudareb* under the Master Mudaraba Agreement;

"**Mudareb Profit**" has the meaning given to it in Condition 6.3 (*Mudaraba Assets and Mudaraba Income sharing*);

"**Murabaha Capital**" means, in relation to each Tranche, the amount specified as such in the Applicable Final Terms, being equal to an amount which is not more than 49 per cent. of the Aggregate Nominal Amount of the Sukuk of such Tranche;

"**Murabaha Contract**" means, in relation to each Murabaha Transaction, a contract created between the Seller and the Purchaser pursuant to clause 4.5 (*Murabaha Contract*) of the Master Murabaha Agreement by the exchange of a Notice of Offer to Purchase and a Notice of Acceptance of Offer between the Seller and the Purchaser;

"**Murabaha Profit**" means, in relation to each Murabaha Contract, the amount specified as such in the Applicable Final Terms and set out in the relevant Confirmation of Terms, being an amount equal to the relevant Deferred Sale Price less the relevant Cost Price;

"**Murabaha Transaction**" means, in relation to each Tranche or any Additional Sukuk, a transaction completed by:

(a) the delivery of a duly completed Purchase Order With Promise To Purchase by the Purchaser to the Seller;

(b) the purchase of the Commodities by the Seller from the relevant Supplier;

(c) the delivery of a duly completed Confirmation of Terms by the Seller to the Purchaser in respect of the Purchase Order With Promise To Purchase described in paragraph (a) above and its acknowledgment and confirmation by the Purchaser;

(d) the delivery of a duly completed Notice of Offer to Purchase by the Purchaser to the Seller in respect of the Confirmation of Terms described in paragraph (c) above and the delivery of the corresponding duly completed Notice of Acceptance of Offer by the Seller to the Purchaser; and

(e) the conclusion of the corresponding Murabaha Contract between the Seller and the Purchaser for the purchase of such Commodities by the Purchaser from the Seller;

"**Non-recourse Project or Asset Financing**" means any financing of all or part of the costs of acquisition, construction or development of any project or asset, **provided that** (i) any Security Interest given by the Issuer or Material Subsidiary of the Issuer is limited solely to the project or the asset (as applicable), (ii) the Person or Persons providing such financing expressly agree(s) to limit their recourse to the project or asset (as applicable) financed and the revenues derived from such project as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to the Issuer or the relevant Material Subsidiary of the Issuer in respect of any default by any Person under the financing;

"**Notice of Acceptance of Offer**" means, in relation to each Murabaha Contract, a notice to be delivered by the Seller to the Purchaser confirming the Seller's acceptance of the Purchaser's Notice of Offer to Purchase for the relevant Deferred Sale Price, such notice to be substantially in the form set out in Part 2 of Schedule 3 (*Form of Notice of Acceptance of Offer*) of the Master Murabaha Agreement or in such other form as the Purchaser and the Seller shall agree;

"**Notice of Offer to Purchase**" means, in relation to each Murabaha Contract, a notice to be delivered by the Purchaser to the Seller offering to purchase the relevant Commodities from the Seller on the terms set out in the relevant Confirmation of Terms, such notice to be substantially in the form set out in Part 1 of Schedule 3 (*Form of Notice of Offer to Purchase*) of the Master Murabaha Agreement or in such other form as the Purchaser and the Seller shall agree;

"**On-Sale Agency Agreement**" means the on-sale agency agreement dated 14 January 2024G between the Issuer and the on-sale agent named therein;

"**Optional Murabaha Settlement Amount**" means, in relation to the Sukuk Capital payable in respect of each Tranche of Sukuk on the Sukukholder Optional Redemption Date:

(a) the Sukuk Capital of the relevant Sukuk of such Tranche being redeemed on such date; *multiplied* by

(b) the relevant Deferred Sale Price for each such Tranche of Sukuk; and *divided* by

(c) the Aggregate Nominal Amount of the Tranche on the Issue Date thereof;

"**Partial Periodic Distribution Amount**" means, in relation to any Partial Periodic Distribution Period, the amount calculated as follows:

(a) where the Fixed Periodic Distribution Provisions are applicable:

$$\frac{\mathbf{P \times R \times D}}{\mathbf{N}}$$

Where:

P = the Aggregate Nominal Amount of the Series as are current on the Transfer Record Date immediately preceding the Partial Periodic Distribution Date;

R = the Profit Rate;

D = the number of days from (and including) the immediately preceding Periodic Distribution Date to (but excluding) the Partial Periodic Distribution Date calculated on the basis of the relevant Day Count Fraction; and

N = the number of days from (and including) the immediately preceding Periodic Distribution Date to (but excluding) the next scheduled Periodic Distribution Date calculated on the basis of the relevant Day Count Fraction; and

(b) where the Floating Periodic Distribution Provisions are applicable:

$$\frac{\mathbf{P \times (S + M) \times D}}{\mathbf{N}}$$

Where:

P = the Aggregate Nominal Amount of the Series as are current on the Transfer Record Date immediately preceding the Partial Periodic Distribution Date;

S = the Reference Rate for the Periodic Distribution Period in which the Partial Periodic Distribution Date falls;

M = the Margin;

D = the number of days between the immediately preceding Periodic Distribution Date and Partial Periodic Distribution Date calculated on the basis of the relevant Day Count Fraction; and

N = the number of days between the immediately preceding Periodic Distribution Date and the next scheduled Periodic Distribution Date calculated on the basis of the relevant Day Count Fraction;

"**Partial Periodic Distribution Date**" means any Liquidation Date which is not also a Periodic Distribution Date, subject to (if Floating Periodic Distribution Provisions are specified in the Applicable Final Terms as being applicable) adjustment in accordance with the Business Day Convention;

"**Partial Periodic Distribution Period**" means the period from (and including) the Periodic Distribution Date immediately preceding the relevant Partial Periodic Distribution Date (or, if none, the Issue Date of the first Tranche of the relevant Series) to (but excluding) such Partial Periodic Distribution Date;

"**Payment Administration Agreement**" has the meaning given to it above under Condition 1 (*Introduction*);

"**Payment Administrator**" has the meaning given to it above under Condition 1 (*Introduction*);

"**Payment Obligations**" means, in respect of any Sukuk of a Series, all obligations of the Issuer to make payments to the Sukukholders of the Periodic Distribution Amounts, any Partial Periodic Distribution Amount and the Sukuk Capital and each other amount payable to the Sukukholders under the Sukuk Documents;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 8 (*Fixed Periodic Distribution Provisions*) or Condition 9 (*Floating Periodic Distribution Provisions*) as applicable;

"**Periodic Distribution Date**" has the meaning given to it in the Applicable Final Terms;

"**Periodic Distribution Determination Date**" means the date specified as such in the Applicable Final Terms;

"**Periodic Distribution Period**" means the period from (and including) the Issue Date of the first Tranche of the relevant Series to (but excluding) the first Periodic Distribution Date, and each successive period from (and including) a Periodic Distribution Date to (but excluding) the next succeeding Periodic Distribution Date;

"**Permitted Reorganisation**" means: (i) an amalgamation, reorganisation, merger or consolidation on terms approved by the Sukukholders' Agent or by an Extraordinary Resolution; or (ii) any restructuring on a solvent basis;

"**Permitted Security Interest**" means:

(a) any Security Interest existing on the date on which agreement is reached to issue the relevant Series of Sukuk;

(b) any Security Interest securing the assets, property and/or revenues of a Person existing before such Person is merged into, or consolidated with, or acquired by, the Issuer or any Material Subsidiary of the Issuer **provided that** such Security Interest was not created in contemplation of such merger, consolidation or acquisition, is limited solely to the assets, property and/or revenues of such Person and does not extend to any other assets, property or revenues of the Issuer or any Material Subsidiary;

(c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer or any Material Subsidiary of the Issuer and not created in contemplation of such acquisition;

(d) any Security Interest granted by a Material Subsidiary of the Issuer in favour of the Issuer;

(e) any Security Interest created in connection with any Non-recourse Project or Asset Financing;

(f) any renewal of or substitution for any Security Interest permitted by any of subparagraphs (a) to (e) (inclusive) of this definition, **provided that** with respect to any such Security Interest (i) the principal amount secured does not exceed the sum of (x) the aggregate principal amount of the Relevant Debt being refinanced; (y) accrued and unpaid interest (or, as the case may be, profit) on such Relevant Debt and (z) fees, premiums and other costs and expenses incurred in connection with such Relevant Debt and (ii) the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

(g) any Security Interest arising by operation of law, **provided that** such Security Interest is discharged within 30 days of arising; and

(h) any other Security created or subsisting with the consent of the Sukukholders' Agent (acting on behalf and for the benefit of the Sukukholders);

"**Person**" means: (i) any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality; and (ii) its successors and assigns;

"**Profit Rate**" means the rate per annum specified as such in the Applicable Final Terms;

"**Programme**" has the meaning given to it above under Condition 1 (*Introduction*);

"**Programme Agreement**" means the programme agreement dated 14 January 2024G between the Issuer, the Sole Arranger and the Dealer(s);

"**Purchase Order With Promise To Purchase**" means, in relation to a Murabaha Transaction, a notice to be sent by the Purchaser to the Seller requesting that the Seller purchase the Commodities which will subsequently be purchased by the Purchaser from the Seller, such notice to be substantially in the form set out in Schedule 1 (Form of Purchase Order With Promise To Purchase) of the Master Murabaha Agreement or in such other form as the Purchaser and the Seller shall agree;

"**Purchaser**" means the Issuer in its capacity as purchaser under the Master Murabaha Agreement;

"**Qualified Person**" means:

(a) a natural person who is considered to be resident in the Kingdom in accordance with the Income Tax Law issued by a Royal Decree no. M/1 dated 15/1/1425H and the implementing regulations thereof (the "**Income Tax Law**"); or

(b) a legal person who is considered to be resident in the Kingdom in accordance with the Income Tax Law and who is holding a current commercial registration number issued by the Ministry of Commerce. However, the requirement for such legal person to hold a current commercial registration number issued by the Ministry of Commerce would not apply to Saudi Arabian governmental entities and mutual funds established in the Kingdom and managed by a person authorised by the CMA or any other entity established in the Kingdom of that is not required by the laws of the Kingdom to hold a commercial registration,

and who, in each case, has a bank account with a local bank in the Kingdom; or

(c) any other category of person specified as such in the Applicable Final Terms;

"**Reference Banks**" means each of three banks licensed by the SAMA and engaged in the Saudi interbank market selected by or on behalf of the Issuer;

"**Reference Rate**" has the meaning given to it in Condition 9.2 (*Periodic Distribution Amount*);

"**Register**" means the registry system of Sukukholders administered by the Registrar or any successor entity;

"**Registrar**" means the Securities Depository Center Company (Edaa) (and includes any successor registrar as may be appointed in accordance with the provisions of the Registry Agreement);

"**Registry Agreement**" means the registry and trading agreement to be entered into between the Issuer and the Registrar in relation to the Sukuk on or about the Issue Date of the first Tranche;

"**Relevant Debt**" means any present or future indebtedness which is in the form of, or represented by, any debt securities (including bonds, notes, debentures, loan stock, certificates, sukuk or any other similar instrument) which is, or is capable of being, listed, admitted to trading, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and which, for the avoidance of doubt, does not include indebtedness for borrowed money arising under loan or credit facility agreements;

"**Relevant Fraction**" means, in relation to each Series, the fraction calculated in accordance with the following formula:

A / B

where:

A = (a) in the case of cancellation of pursuant to Condition 10 (*Purchase and Cancellation of Sukuk*), the Aggregate Nominal Amount of the Sukuk to be so cancelled pursuant to Condition 10 (*Purchase and Cancellation of Sukuk*); or (b) in the case of redemption in accordance with Condition 12.4 (*Redemption at the option of the Sukukholders*), the Aggregate Nominal Amount of the Sukuk so redeemed pursuant to Condition 12.4 (*Redemption at the option of the Sukukholders*); and

B = the Aggregate Nominal Amount of the Series then current;

"**Relevant Principal Amount**" means, in relation to each Series, an amount equal to (i) the Aggregate Nominal Amount of such Series less (ii) the aggregate Deferred Sale Price in respect of such Series;

"**Relevant Screen Page**" has the meaning given to it in the Applicable Final Terms;

"**Required Sukukholders**" as of any date, means the Sukukholders holding 25 per cent. or more of the Aggregate Nominal Amount of the relevant Series as are current on such date;

"**ROSCOs**" means the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the CMA pursuant to its Resolution numbered 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) as amended by its Resolution numbered 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G);

"**SAMA**" means the Saudi Central Bank;

"**SAR**" or "**Saudi Riyals**" means the lawful currency of the Kingdom of Saudi Arabia;

"**Screen Rate**" means the rate appearing on the Relevant Screen Page;

"**Security Interest**" means any mortgage, charge (fixed or floating), pledge, encumbrance, lien or hypothecation, any taking of title, reservation of title, set-off or trust arrangement for the purpose of taking security, any assignment by way of security or any other security interest securing any obligation of any Person or any other agreement or arrangement having a similar effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Seller**" means the Sukukholders' Agent in its capacity as seller (for and on behalf of the Sukukholders) under the Master Murabaha Agreement;

"**Series**" means a Tranche of Sukuk together with any additional Tranche or Tranches of Sukuk which: (a) are expressed to be consolidated and form a single series; and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amount thereon and the date from which Periodic Distribution Amounts start to accrue;

"**Settlement Date**" means, the date specified as such in the relevant Purchase Order With Promise To Purchase, which shall be, in relation to each Murabaha Transaction, with respect to the Commodities which are the subject of a Purchase Order With Promise To Purchase, the date of payment of the relevant Cost Price by or on behalf of the Seller to the relevant Supplier;

"**Specified Denomination**" means SAR 1,000;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, or the power to appoint or remove members of the governing body of the second Person; or
(b) more than 50 per cent. Of whose issued equity share capital (or equivalent) is beneficially owned, directly or indirectly, by the first Person;

"**Sukuk Account**" has the meaning given to it in Condition 6.1 (*Sukuk Assets*);

"**Sukuk Assets**" has the meaning given to it in Condition 6.1 (*Sukuk Assets*);

"**Sukuk Capital**" means, in relation to each Series of Sukuk:

(a) the Aggregate Nominal Amount of such Series as is current; or
(b) such other amount specified as such in the Applicable Final Terms;

"**Sukuk Documents**" means, in respect of each Series of Sukuk: (1) the Master Mudaraba Agreement; (2) the Master Declaration of Agency as supplemented by each relevant Supplemental Declaration of Agency; (3) the Registry Agreement; (4) the Payment Administration Agreement; (5) the Master Murabaha Agreement; (6) the On-Sale Agency Agreement; and (7) the Sukuk (including the Global Sak and the Conditions);

"**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari'ah*, whether or not in return for consideration of any kind;

"**Sukukholder Optional Redemption Date**" means, in relation to the exercise of the Sukukholders Put Option, the date specified as such in Applicable Final Terms;

"**Sukukholder Put Option**" means the option described in Condition 12.4 (*Redemption at the option of the Sukukholders*);

"**Sukukholders**" means the Person in whose name any of the Sukuk is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof);

"**Sukukholders' Agent**" has the meaning given to it above under Condition 1 (*Introduction*);

"**Supplemental Declaration of Agency**" has the meaning given to it above under Condition 1 (*Introduction*);

"**Supplier**" means, in relation to a Murabaha Transaction, the vendor(s) of the Commodities which are the subject of the relevant Purchase Order With Promise To Purchase;

"**Tadawul**" means the Saudi Stock Exchange;

"**Tax Event**" has the meaning given to it in Condition 12.3 (*Redemption for tax reasons*);

"**Term**" means the term of any Murabaha Transaction, as such period may be reduced on the occurrence of the Liquidation Date in accordance with the terms of the Master Murabaha Agreement;

"**Total Murabaha Deferred Sale Price Outstanding**" means, at any time in respect of a Series of Sukuk, the aggregate amounts of the applicable Deferred Sale Price(s) that has not yet been paid by the Purchaser to the Seller as the same may from time to time be reduced pursuant to clause 6 (*Payment of Deferred Sale Price*) of the Master Murabaha Agreement;

"**Tranche**" means the Sukuk that are identical in all respects (including as to Issue Date and the listing and admission to trading);

"**Transfer Record Date**" has the meaning given to it in Condition 11.4 (*Transfer Record Date*); and

"**U.S.**" means the United States of America.

"**Voter**" has the meaning given to it in the Master Declaration of Agency.

b- Without prejudice to its status for any other purpose, Sukuk shall be considered to be "current" unless it has been redeemed pursuant to Condition 12 (*Redemption of Sukuk*), purchased under Condition 10 (*Purchase and Cancellation of Sukuk*) or redeemed under Condition 13 (*Events of Default*) and in each case has been cancelled in accordance with Condition 10.2 (*Cancellation*); **provided however, that**, for the purposes of: (i) ascertaining the right to attend and vote at any meeting of Sukukholders; (ii) Condition 15.1 (*Meetings of Sukukholders*) and Schedule 3 of the Master Declaration of Agency (*Provisions for Meetings of Sukukholders*); (iii) determining the Required Sukukholders for the purposes of Condition 13 (*Events of Default*); (iv) Condition 14 (*Enforcement and Exercise of Rights*) and clause 8.5 (*Enforcement and Exercise of Rights*) of the Master Declaration of Agency; (v) any discretion, power or authority (whether contained in these Conditions or any Sukuk Document or vested by operation of law) which the Issuer or the Sukukholders' Agent is required, expressly or impliedly, to exercise in or by reference to the interests of the Sukukholders or any of them; and (vi) any determination by the Sukukholders' Agent that any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Sukukholders or any of them, those Sukuk (if any) which are for the time being held by or for the benefit of the Issuer or any of its Subsidiaries shall (unless and until ceasing to be so held) be deemed not to be current.

c- All references in these Conditions to an agreement, instrument or other document (including the Sukuk Documents) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated.

3. FORM AND DENOMINATION

The Sukuk are issued in dematerialised registered form in the Specified Denomination. Each Series of Sukuk will be represented by the Global Sak which will be deposited as the Sukukholders' Agent may direct in accordance with the provisions of the Master Declaration of Agency. Definitive Sukuk representing holdings of the Global Sak will not be issued but Sukukholders will on request be entitled to receive a statement from the Registrar recording their holding of Sukuk. The Global Sak will represent all of the Sukuk of each Tranche that are current and the ownership by the Sukukholders of an undivided ownership interest in the Sukuk Assets.

4. REGISTER, TITLE AND TRANSFERS

4.1 Register

The Issuer will cause the Registrar to maintain the Register. The Registrar will maintain the Register in respect of each Series of Sukuk in accordance with the regulations and procedures of the Registrar and Tadawul and in accordance with the provisions of the Registry Agreement.

4.2 Title

Each Sukukholder shall (except as otherwise required by law) be treated as the absolute owner of such Sukuk for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein or the theft or loss of, the Global Sak). Each Sukukholder will be recognised by the Issuer as entitled to such Sukuk free from any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of the Global Sak.

4.3 Transfers

Subject to Condition 4.5 (*Regulations concerning transfers and registration*) of this Condition 4 below, the Sukuk may be transferred in accordance with the regulations and procedures established by the Registrar and Tadawul by delivering to the Registrar and Tadawul such information as such regulations and procedures shall require.

4.4 Transfer charges

The transfer of Sukuk will be subject to a charge by the Registrar and Tadawul in accordance with its schedule of charges in force for its services and all such charges shall be borne solely by the transferring Sukukholder and the transferee in accordance with the Registrar's practice. For the avoidance of doubt, none of the Issuer, the Sukukholders' Agent or the Payment Administrator shall be liable to pay any such charges imposed by the Registrar and Tadawul.

4.5 Regulations concerning transfers and registration

All transfers of Sukuk and entries on the Register are subject to the regulations and procedures of the Registrar and Tadawul and the provisions of the Payment Administration Agreement, including in relation to limitations in respect of closed periods. The regulations and procedures may be changed by the Registrar and Tadawul, respectively, at any time.

5. STATUS AND SET-OFF

5.1 Status

The Sukuk constitute undivided ownership interests of the Sukukholders in the Sukuk Assets of the relevant Series and will at all times rank *pari passu*, without any preference or priority, with all other Sukuk of such Series. The Sukuk and the Payment Obligations in respect of each Series of Sukuk will each constitute direct, unconditional, unsubordinated and (subject to Condition 7.1 (*Negative Pledge*)) unsecured obligations of the Issuer and shall (save for certain obligations required to be preferred by provisions of law that are both mandatory and of general application and subject to Condition 7.1 (*Negative Pledge*)) rank *pari passu* with all other outstanding unsecured, unsubordinated monetary obligations of the Issuer, present and future.

The obligations of the Issuer under the Sukuk and the Sukuk Documents are not secured by any assets, security or guaranteed by any third party.

5.2 Set-off

No Sukukholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Sukuk, the Payment Obligations, and each Sukukholder, by virtue of its subscription, purchase, acquiring, or holding of any Sukuk, shall be deemed to have waived all such rights of set-off to the fullest extent permitted by law.

6. SUKUK

6.1 Sukuk Assets

In relation to each Tranche, on the Issue Date, the proceeds of the subscription of the Sukuk shall be deposited by the Sukukholders into a non-interest bearing account held in the name of the Sukukholders' Agent with the Account Bank (for and on behalf of the Sukukholders) and administered by the Payment Administrator on behalf of the Sukukholders' Agent in respect of each Series of Sukuk (the "**Sukuk Account**").

On the Issue Date, the Payment Administrator shall, to the order of the Sukukholders' Agent, from the amounts standing to the credit of the Sukuk Account:

(a) provide an amount equal to the Mudaraba Capital to the Mudareb to apply as the capital of the mudaraba (the "**Mudaraba**") constituted by the Master Mudaraba Agreement and, in accordance with the terms of the Master Mudaraba Agreement, the Mudareb shall invest the Mudaraba Capital in the Mudaraba Assets; and

(b) apply the remaining amount standing to the credit of the Sukuk Account being an amount equal to the Murabaha Capital in a Murabaha Transaction to be entered into by the Seller on behalf of the Sukukholders with the Purchaser pursuant to the Master Murabaha Agreement in the manner described in Condition 6.5 (*Murabaha Transaction*).

In relation to each Series, the "**Sukuk Assets**" shall comprise:

(a) the Mudaraba Assets;

(b) the rights of the Seller under the Master Murabaha Agreement and each Murabaha Transaction;

(c) the relevant Payment Obligations;

(d) the Sukukholders' Agent's rights, title, interest and benefit, present and future, in, to and under the Sukuk Documents to which it is a party (excluding the representations given by the Issuer to the Seller and the Sukukholders' Agent under the Sukuk Documents and the covenants given to the Sukukholders' Agent pursuant to clause 10.1 (*Remuneration*) of the Master Declaration of Agency); and

(e) amounts standing to the credit of the Collection Account and the Sukuk Account from time to time (including the proceeds of the subscription of the Sukuk deposited into the Sukuk Account on the Issue Date of each Tranche of such Series).

None of the Issuer (so long as it performs its obligations under the Sukuk Documents), the Sukukholders' Agent, the Payment Administrator, the Sole Arranger or the Dealer(s) are responsible for the performance or the profitability of the Sukuk Assets or for the share and amount of the distributions (if any) made to the Sukukholders.

6.2 Mudaraba Investment

On the Issue Date of each Tranche, the Mudareb shall invest the Mudaraba Capital of such Tranche as follows:

(a) the Mudareb shall ensure that an amount of the Mudaraba Capital of such Tranche (and, if applicable, an amount of the Mudaraba Capital of each other Tranche of the relevant Series) that is, in aggregate, as the case may be, equal to the Available Amount in respect of the relevant Series will (for so long as any Sukuk of such Series remains current) be invested in the Mudaraba as immediately available funds, which are available to the Mudareb in accordance with the terms of the Master Mudaraba Agreement; and

(b) the remainder of the Mudaraba Capital will be invested by the Mudareb in the Business Portfolio.

The Mudareb shall be entitled, in its sole and absolute discretion, to: (A) use all or any part of the Mudaraba Assets (including, without limitation, the Available Amount) as it sees fit, subject to the terms of the Master Mudaraba Agreement; and (B) commingle its own assets and funds with the Mudaraba Assets.

The Sukukholders' Agent (for the benefit of the Sukukholders) and the Issuer shall each have an undivided ownership share of the Business Portfolio and all assets acquired from or through the Business Portfolio and shall share in the profits and bear any losses *pro rata* to their respective shares.

The Mudareb shall from time to time have the right to act as mudareb in respect of each Series and any Additional Sukuk issued under Condition 19 (*Further Issues*) and to invest further for its own account (whether from its own funds or funds from other sources) and/or for other investors or sukukholders who agree to invest with it in the Business Portfolio. The respective entitlements of the Sukukholders' Agent (for the benefit of the Sukukholders of the relevant Series) and the Mudareb (for its own account and/or for the account of such other investors or sukukholders who agree to so invest with it) to the Business Portfolio shall be *pro rata* to their respective shares from time to time in the aggregate investment in the Business Portfolio.

The Mudareb has acknowledged and agreed in the Master Mudaraba Agreement that any utilisation of the Available Amount or any part thereof in violation of clause 4.1(e) (*Exercise of Duties*) of the Master Mudaraba Agreement will constitute a material breach thereof requiring compensation by the Mudareb in full for the Available Amount or (as the case may be) the utilised portion thereof and, as a consequence of such utilisation, an amount equal to the Available Amount or (as the case may be) the utilised portion thereof will, on the Event of Default Date, become immediately due and payable by the Mudareb to the Sukukholders' Agent (for the benefit of the Sukukholders) and will immediately be paid by the Mudareb to the Sukuk Account as Mudaraba Capital for application in accordance with Condition 6.7 (*Application of proceeds*).

6.3 Mudaraba Assets and Mudaraba Income sharing

The Sukukholders' Agent's and the Issuer's respective shares in the Business Portfolio shall be specified in the Applicable Final Terms on the Issue Date of the first Tranche of each Series.

One Business Day prior to each relevant Periodic Distribution Date or any Partial Periodic Distribution Date, as the case may be, the Mudareb shall calculate the Mudaraba Income for the relevant Series received during the corresponding Periodic Distribution Period or Partial Periodic Distribution Period, as the case may be, on the basis of:

(a) a constructive liquidation of the Mudaraba Assets on the Business Day prior to the relevant Periodic Distribution Date or Partial Periodic Distribution Date; and

(b) a valuation of such Mudaraba Assets, as set out in the Mudareb's management accounts for the relevant period.

The proportional profit shares of the Sukukholders' Agent (for and on behalf of the Sukukholders) (being the "**Mudaraba Profit**") and the Mudareb (being the "**Mudareb Profit**") in any Mudaraba Income calculated as described above shall be calculated using the ratios specified in the Applicable Final Terms.

The Mudaraba Profit (if any) shall be credited to a book-entry ledger account to be maintained by the Mudareb in its books for and on behalf of the Sukukholders' Agent (the "**Collection Account**") in accordance with clause 5.1 (*Calculation of Mudaraba Income*) of the Master Mudaraba Agreement while the Mudareb shall be entitled retain the Mudareb Profit for its own account.

At or prior to 10:00 a.m. (Riyadh time) one Business Day prior to each Periodic Distribution Date, or any Partial Periodic Distribution Date, as the case may be, the Mudareb shall transfer the amounts standing to the credit of the Collection Account to the Sukuk Account in the amount necessary to fund each amount due to be paid from the Sukuk Account under Condition 6.7 (*Application of proceeds*). For the avoidance of doubt, all Periodic Distribution Amounts or any Partial Periodic Distribution Amount payable by the Issuer under the Sukuk will be solely funded by the Mudaraba Assets and the returns therefrom.

Any surplus Mudaraba Profit remaining in the Collection Account after the application of the amounts referred to above in this Condition 6.3 (*Mudaraba Assets and Mudaraba Income sharing*) and in clause 5.3 (*Application of Mudaraba Income*) of the Master Mudaraba Agreement shall be reinvested by the Mudareb (for the benefit of the Sukukholders' Agent) in the Business Portfolio, subject at all times to compliance with Condition 7 (*Issuer's Covenants*) and clause 5.5 (*Additional Incentive Fee*) of the Master Mudaraba Agreement.

6.4 Liquidation and Partial Liquidation of the Mudaraba Assets

In relation to each Series, the Mudareb shall liquidate the Mudaraba Assets at or prior to 10:00 a.m. (Riyadh time) one Business Day prior to the applicable Liquidation Date. The proceeds of such liquidation (being the Available Amount and the then current value of the Sukukholders' Agent's share (for the benefit of the Sukukholders)) of the Mudaraba Assets (other than the Available Amount) shall be, subject to the following paragraph of this Condition 6.4 (*Liquidation and Partial Liquidation of the Mudaraba Assets*) and clause 6.2 (*Partial Liquidation*) of the Master Mudaraba Agreement, used by the Mudareb to pay to the Sukukholders' Agent any amounts due but unpaid on such Liquidation Date by payment of such amounts into the Sukuk Account at or prior to 10:00 a.m. (Riyadh time) one Business Day prior to the Liquidation Date (but only to the extent that, at such time on the Liquidation Date, amounts are required by the Sukukholders' Agent to be credited to the Sukuk Account in order for the Sukukholders' Agent to be able to pay all amounts due but unpaid to the Sukukholders under the Sukuk and the Sukuk Documents in full on the Liquidation Date). Any surplus proceeds of such liquidation, after payment of the amounts (if any) described above in this Condition 6.4 (*Liquidation and Partial Liquidation of the Mudaraba Assets*) and clause 6.1 (*Liquidation*) of the Master Mudaraba Agreement (including, for the avoidance of doubt, any amounts accruing pursuant to Condition 8.3 (*Cessation of accrual*) or Condition 9.4 (*Cessation of accrual*) (as applicable)), may be retained by the Mudareb as an incentive fee for its own account.

If: (i) Sukukholders elect to redeem some, but not all, of the Sukuk in accordance with Condition 12.4 (*Redemption at the option of the Sukukholders*); or (ii) the Issuer or any of its Subsidiaries purchase some, but not all, of the Sukuk in the open market in accordance with Condition 10 (*Purchase and Cancellation of Sukuk*) and such Sukuk are cancelled, the Mudareb shall partially liquidate the Mudaraba Assets at or prior to 10:00 a.m. (Riyadh time) one Business Day prior to the Sukukholder Optional Redemption Date or on the date on which the relevant Sukuk are cancelled in accordance with Condition 10 (*Purchase and Cancellation of Sukuk*), as the case may be. The Mudaraba Assets (including the Available Amount) shall be reduced by the Relevant Fraction. In the event of a partial liquidation of the Mudaraba Assets as a result of Sukukholders electing to redeem some, but not all, of the Sukuk in accordance with Condition 12.4 (*Redemption at the option of the Sukukholders*), the Mudareb shall credit the proceeds of the partial liquidation of the Mudaraba Assets to the Collection Account and such proceeds shall be used to satisfy the Issuer's obligations to the Sukukholders.

6.5 Murabaha Transaction

On the Issue Date of each Tranche of such Series, the Seller, on behalf of the Sukukholders, and the Purchaser may enter into a Murabaha Transaction on the terms set out in the Master Murabaha Agreement.

The terms of the Murabaha Transaction shall specify, *inter alia:*

(a) that the Cost Price shall be equal to the Murabaha Capital;

(b) that, subject to paragraphs (e) and (f) below, the Term shall be as specified in the Applicable Final Terms;

(c) that, subject to paragraphs (e) and (f) below, the Deferred Sale Price Payment Date shall be the Expiry Date, and the Deferred Sale Price falling due on such date shall be immediately due and payable;

(d) the Murabaha Profit;

(e) that on each Sukukholder Optional Redemption Date, all or a portion of the Deferred Sale Price equal to the applicable Optional Murabaha Settlement Amount shall become immediately due and payable; and

(f) that on the applicable Liquidation Date (other than a Sukukholder Optional Redemption Date), the Total Murabaha Deferred Sale Price Outstanding shall become immediately due and payable.

When a payment of an Optional Murabaha Settlement Amount is made in accordance with paragraph (e) above, such payment will be applied towards payment of the Deferred Sale Price.

The Deferred Sale Price (including the Total Murabaha Deferred Sale Price Outstanding) and any Optional Murabaha Settlement Amount shall be paid by the Purchaser to the Sukuk Account.

6.6 Murabaha Profit

All Murabaha Profit shall be paid by the Purchaser to the Sukuk Account in the amount necessary to fund each amount due to be paid from the Sukuk Account under Condition 6.7 (*Application of proceeds*).

6.7 Application of proceeds

At or prior to 12:00 p.m. (Riyadh time) on each Periodic Distribution Date, Partial Periodic Distribution Date and/or Liquidation Date, the Payment Administrator shall, apply the monies standing to the credit of the Sukuk Account in the following order of priority (in each case, only if and to the extent that payments of a higher prior have been made in full):

(a) *first*, (to the extent not previously paid) to the Sukukholders' Agent in respect of all amounts owing to it under the Sukuk Documents;

(b) *second*, only if such payment is due on a Periodic Distribution Date or a Partial Periodic Distribution Date, to the Sukukholders in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts and any Partial Periodic Distribution Amount due and unpaid;

(c) *third*, only if such payment is due on a date fixed for the payment of the Sukuk Capital, on the Liquidation Date, to the Sukukholders (or relevant Sukukholders, as applicable) in or towards payment *pari passu* and rateably of the Sukuk Capital in respect of the Sukuk to be redeemed on such Liquidation Date; and

(d) *fourth*, only on the Liquidation Date and provided that all amounts required to be paid in respect of the Sukuk have been discharged in full, in payment of any residual amount to the Issuer (acting in any capacity).

7. ISSUER'S COVENANTS

The Issuer covenants that, for so long as any Sukuk is current:

7.1 Negative Pledge

It will not and will ensure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure (a) any Relevant Debt, (b) or to secure any guarantee or indemnity in respect of any Relevant Debt, without at the same time or prior thereto either (i) securing the Sukuk equally and rateably with the same Security Interest as is created or subsisting to secure any such Relevant Debt, guarantee or indemnity or (ii) providing such other Security Interest as either (i) the Sukukholders' Agent shall in its absolute discretion deem not materially less beneficial to the interests of Sukukholders; or (ii) shall be approved by an extraordinary resolution of the Sukukholders.

8. FIXED PERIODIC DISTRIBUTION PROVISIONS

8.1 Application

This Condition 8 (*Fixed Periodic Distribution Provisions*) is applicable to the Sukuk only if the Fixed Periodic Distribution Provisions are specified in the Applicable Final Terms as being applicable.

8.2 Periodic Distribution Amount

Subject to Condition 6.7 (*Application of proceeds*) and Condition 11 (*Payments*), the Issuer shall instruct the Payment Administrator to distribute to the Sukukholders *pro rata* a profit distribution in relation to the Sukuk on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount.

In these Conditions:

Periodic Distribution Amount means for each Periodic Distribution Period, an amount calculated by multiplying the Profit Rate (expressed as a percentage per annum) by the Aggregate Nominal Amount of the Sukuk of the relevant Series as are current on the Transfer Record Date immediately preceding the last day of such Periodic Distribution Period and multiplying such sum by the Day Count Fraction specified in the Applicable Final Terms.

8.3 Cessation of accrual

No further amounts shall be payable on any Sukuk from and including its due date for redemption unless, upon due presentation, payment in respect of the Sukuk is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event such amounts payable on the Sukuk shall continue to be due and payable and Periodic Distribution Amounts and Partial Periodic Distribution Amounts will continue to accrue in respect of the Sukuk in the manner provided in this Condition 8 (*Fixed Periodic Distribution Provisions*) until all amounts due in respect of the Sukuk have been paid in full.

8.4 Calculation of distribution in respect of Partial Periodic Distribution Amounts

When a distribution is required to be calculated in respect of a period less than a full Periodic Distribution Period, it shall be calculated in accordance with the relevant formula set out in the definition of Partial Periodic Distribution Amount on the basis of the applicable Profit Rate specified in the Applicable Final Terms.

8.5 Notifications

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition shall (in the absence of manifest error) be binding on the Issuer, the Sukukholders' Agent, the Payment Administrator and the Sukukholders and (in the absence of gross negligence, wilful misconduct or fraud on the part of the Sukukholders' Agent or the Payment Administrator, as applicable) no liability to any such Person will attach to the Sukukholders' Agent or the Payment Administrator in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

9. FLOATING PERIODIC DISTRIBUTION PROVISIONS

9.1 Application

This Condition 9 (*Floating Periodic Distribution Provisions*) is applicable to the Sukuk only if the Floating Periodic Distribution Provisions are specified in the Applicable Final Terms as being applicable.

9.2 Periodic Distribution Amount

Subject to Condition 6.7 (*Application of proceeds*) and Condition 11 (*Payments*), the Issuer shall instruct the Payment Administrator to distribute to the Sukukholders *pro rata* a profit distribution in relation to the Sukuk on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount. If any Periodic Distribution Date is not a Business Day, it shall be adjusted in accordance with the relevant Business Day Convention.

The Reference Rate (the "**Reference Rate**") for each Periodic Distribution Period shall be determined by or on behalf of the Payment Administrator on the following basis:

(a) the Payment Administrator will determine the offered rate for deposits in Saudi Riyal ("**SAIBOR**") for a period equal to the relevant Periodic Distribution Period which appears on the Relevant Screen Page (or such other page as may replace that page on that service, or such other service as may be nominated by the Payment Administrator as the information vendor for the purpose of displaying comparable rates) as of approximately 12:00 p.m. (Riyadh time) on the Periodic Distribution Determination Date; or

(b) if such rate does not appear on that page, the Payment Administrator will:

(i) request each of the Reference Banks to provide the Payment Administrator with its quotation at which deposits in Saudi Riyals are offered by such Reference Bank to prime banks in the Saudi interbank market at approximately 12:00 p.m. (Riyadh time) on the Periodic Distribution Determination Date for a period equal to the relevant Periodic Distribution Period and in an amount that is representative for a single transaction in that market at that time; and

(ii) determine the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) for such quotations described in (i) above where two or more such quotations are available,

and the Reference Rate shall be the rate or (as the case may be) the arithmetic mean so determined; and

(c) notwithstanding the provisions of paragraphs (a) and (b) above, upon the occurrence of a SAIBOR Event, the Payment Administrator shall notify the Issuer accordingly and the Issuer shall (i) appoint an Independent Adviser to determine, or (ii) consult with the Reference Banks as to whether there is a successor or replacement rate or alternative rate to SAIBOR in customary market usage (including whether any spread, which may be positive, negative or zero (or formula or methodology for calculating such spread) is to be applied to such successor, replacement or alternative rate, as formally recommended or provided for or in customary market usage, in relation to the replacement of SAIBOR with such successor, replacement or alternative rate), in which case such successor, replacement or alternative rate, after the application of any such spread (if applicable), shall be the Reference Rate for the determination of the Periodic Distribution Amount pursuant to this Condition 9.2 (*Periodic Distribution Amount*) and the Issuer shall notify the Payment Administrator promptly in writing of such successor, replacement or alternative rate and any requirement to apply any such spread (if applicable), and the Payment Administrator shall determine the Reference Rate applicable to the Sukuk on each Periodic Distribution Determination Date following it being so notified,

provided however, that if (i) the Independent Adviser (or the Issuer in consultation with the Reference Banks) fails to determine such successor, replacement or alternative rate, or (ii) the Payment Administrator is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the provisions of paragraphs (b) and (c) above, in relation to any Periodic Distribution Period, the Reference Rate applicable to the Sukuk during such Periodic Distribution Period will be the Reference Rate or (as the case may be) arithmetic mean last so determined in relation to the Sukuk in respect of the most recent preceding Periodic Distribution Period. If there has not been a first Periodic Distribution Date, the Reference Rate shall be the initial Reference Rate. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Periodic Distribution Period only and any subsequent Periodic Distribution Periods are subject to the subsequent operation of, and to adjustment as provided in, paragraph (c) of this Condition 9.2.

In this Condition 9 (*Floating Periodic Distribution Provisions*):

"**SAIBOR Event**" means the occurrence of any of the following events:

(a) SAIBOR ceases to (i) be published for a period of at least five Business Days; or (ii) exist or be administered; or

(b) the supervisor or the administrator of SAIBOR announces that SAIBOR will cease to be published or has been or is to be discontinued, prohibited from use or has ceased or will cease to be representative, or that its use is or will be subject to restrictions or adverse consequences, and such cessation, discontinuation, prohibition, restrictions or adverse consequences has or have already occurred or will occur on or before the next Periodic Distribution Determination Date, in each case, such that the Payment Administrator is or will be no longer able to determine SAIBOR in accordance with Condition 9.2(a) (*Periodic Distribution Amount*) for the purposes of the determination of the Reference Rate on such Periodic Distribution Determination Date.

Periodic Distribution Amount means, for each Periodic Distribution Period, an amount calculated by multiplying the Aggregate Nominal Amount of the Sukuk of the relevant Series as are current on the Transfer Record Date immediately preceding the last day of such Periodic Distribution Period by the sum of the Reference Rate for such Periodic Distribution Period and the Margin and multiplying such sum by the relevant Day Count Fraction specified in the Applicable Final Terms.

9.3 Publication

The Payment Administrator shall cause the Periodic Distribution Amount determined by it in accordance with Condition 9.2 (*Periodic Distribution Amount*), together with the relevant Periodic Distribution Date, to be notified to the Issuer and the Sukukholders' Agent as soon as practicable after such determination but in any event not later than one (1) Business Day prior to the first day of the relevant Periodic Distribution Period. Notice thereof shall also promptly be provided by the Payment Administrator to the Registrar. The Payment Administrator shall recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) in the event of an extension or shortening of the relevant Periodic Distribution Period and shall cause the recalculated Periodic Distribution Amount determined by it to be notified to the Issuer, the Sukukholders' Agent and the Registrar as soon as practicable after such determination.

9.4 Cessation of accrual

No further amounts shall be payable on any Sukuk from and including its due date for liquidation unless, upon due presentation, payment in respect of the Sukuk is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event such amounts payable on the Sukuk shall continue to be due and payable and Periodic Distribution Amounts and Partial Periodic Distribution Amounts will continue to accrue in respect of the Sukuk in the manner provided in this Condition 9 (*Floating Periodic Distribution Provisions*) until all amounts due in respect of the Sukuk have been paid in full.

9.5 Calculation of distribution in respect of Partial Periodic Distribution Amounts

When a distribution is required to be calculated in respect of a period less than a full Periodic Distribution Period, it shall be calculated in accordance with the relevant formula set out in the definition of Partial Periodic Distribution Amount on the basis of the applicable Day Count Fraction specified in the Applicable Final Terms.

9.6 Notifications

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Sukukholders' Agent or Payment Administrator (as appropriate) shall (in the absence of manifest error) be binding on the Issuer, the Sukukholders' Agent, the Payment Administrator and the Sukukholders and (in the absence of gross negligence, wilful misconduct or fraud on the part of the Sukukholders' Agent or the Payment Administrator, as applicable) no liability to any such Person will attach to the Sukukholders' Agent or the Payment Administrator in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

10. PURCHASE AND CANCELLATION OF SUKUK

10.1 Purchase

The Issuer and its Subsidiaries may at any time and at any price purchase Sukuk in the open market or otherwise. Such Sukuk may be held, reissued, resold or, at the option of the Issuer, surrendered to the Payment Administrator for cancellation.

10.2 Cancellation

All Sukuk which are redeemed in accordance with Condition 12 (*Redemption of Sukuk*) will forthwith be cancelled and the Sukuk Capital shall be reduced pro rata by the Aggregate Nominal Amount of such cancelled Sukuk. All Sukuk so cancelled and any Sukuk purchased and cancelled pursuant to Condition 10.1 (*Purchase*) cannot be reissued or resold.

11. PAYMENTS

11.1 General

Payments under the Sukuk shall be made by wire transfer to a Saudi Riyal account maintained by the payee with a bank in the Kingdom as notified in writing to the Registrar and the Payment Administrator, the Sukukholders' Agent and the Issuer not later than 15 days before the date of the relevant payment.

11.2 Payments subject to applicable laws

All payments in respect of the Sukuk are subject in all cases to: (i) any applicable fiscal or other laws and regulations in the place of payment (except as provided in Condition 16 (*Taxation*), no distributions or expenses shall be charged to the Sukukholders in respect of such payments); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of this Condition 11 (*Payments*)) any law implementing an intergovernmental approach thereto.

11.3 Payments on Business Days

Payment instructions shall be initiated for value on the due date, or, if the due date is not a Business Day, for value on the first following Business Day (subject to any applicable Business Day Convention). A Sukukholder shall not be entitled to any distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day.

11.4 Transfer Record Date

Each payment in respect of the Sukuk shall be made to the Person shown as the Sukukholder in the Register at the opening of business in the place of the Registrar's specified office on the day which is seven Business Days prior to a due date for payment of any Periodic Distribution Amount or Partial Periodic Distribution Amount (as the case may be), or any other principal or distribution in respect of the Sukuk or, if such a day is not a Business Day, on the next following Business Day (the "**Transfer Record Date**").

12. REDEMPTION OF SUKUK

12.1 Scheduled redemption

Unless previously redeemed, or purchased and cancelled in full, the Sukuk shall be redeemed on the Expiry Date and each Sukukholder shall receive the Sukuk Capital in respect of each of the Sukuk held by it, together with any accrued but unpaid Periodic Distribution Amounts payable thereon, on the Expiry Date.

12.2 Redemption at the option of the Issuer (Issuer Call Option)

If Issuer Call Option is specified in the Applicable Final Terms as being applicable, upon the Issuer giving not less than the minimum period nor more than the maximum period of notice specified in the Applicable Final Terms to the Sukukholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), the Issuer shall redeem in whole, but not in part, the Sukuk on any Issuer Optional Redemption Date and each Sukukholder shall receive the Sukuk Capital in respect of each of the Sukuk held by it, together with any accrued but unpaid Periodic Distribution Amounts and/or Partial Periodic Distribution Amounts payable thereon, on such Issuer Optional Redemption Date.

12.3 Redemption for tax reasons

The Sukuk may be redeemed at the option of the Issuer, in whole, but not in part, (i) (if Fixed Periodic Distribution Provisions are specified in the Applicable Final Terms as being applicable) at any time or (ii) (if Floating Periodic Distribution Provisions are specified in the Applicable Final Terms as being applicable) on any Periodic Distribution Date (each such date, the "**Tax Redemption Date**"), on giving not less than the minimum period nor more than the maximum period of notice specified in the Applicable Final Terms (a "**Tax Redemption Notice**") to the Sukukholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) and each Sukukholder shall receive the Sukuk Capital in respect of each of the Sukuk held by it together with any accrued but unpaid Periodic Distribution Amounts and/or Partial Periodic Distribution Amounts payable thereon on such Tax Redemption Date, if:

(a) on the occasion of the next payment due under the Sukuk the Issuer has or will become obliged to pay additional amounts as provided for, or referred to, in Condition 16 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Tranche of Sukuk; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

(the occurrence of an event described in (i) and (ii) above being a "**Tax Event**") **provided however, that** no Tax Redemption Notice shall be given earlier than 60 days prior to the Periodic Distribution Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if payment of such additional amounts in respect of the Sukuk and/or Sukuk Documents (as applicable) were then due.

Prior to the delivery of any Tax Redemption Notice pursuant to this Condition 12.3 (*Redemption for tax reasons*), the Issuer shall obtain and make available to the Sukukholders for inspection at its registered office during business hours and, upon written request, electronic copies of: (i) a certificate signed by two Authorised Signatories of the Issuer stating that the Issuer is entitled to effect such redemption and stating that the conditions to the redemption of the Sukuk set out in this Condition 12.3 (*Redemption for tax reasons*) have been met; and (ii) an opinion of an independent tax adviser of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any Tax Redemption Notice, the Issuer shall be bound to redeem the Sukuk in accordance with this Condition 12.3 (*Redemption for tax reasons*).

12.4 Redemption at the option of the Sukukholders

If the Sukukholder Put Option is specified in the Applicable Final Terms as being applicable, upon the holder of any Sukuk giving to the Issuer in accordance with Condition 18 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the Applicable Final Terms (which notice shall specify the relevant redemption date), the Issuer will, upon the expiry of such notice (unless prior to the giving of such notice the Issuer has given notice of redemption under Condition 12.2 (*Redemption at the option of the Issuer*), Condition 12.3 (*Redemption for tax reasons*) or Condition 12.5 (*Redemption at the option of the Issuer (Clean Up Call Option)*), redeem (or procure the purchase of) such Sukuk on the Sukukholder Optional Redemption Date and each such Sukukholder shall receive the Sukuk Capital in respect of each such Sukuk held by it, together with any accrued but unpaid Periodic Distribution Amounts and/or Partial Periodic Distribution Amounts payable thereon, on the relevant Sukukholder Optional Redemption Date. Sukuk may be redeemed under this paragraph (a) in any multiple of their Specified Denomination.

12.5 Redemption at the option of the Issuer (Clean Up Call Option)

If Clean Up Call Option is specified in the Applicable Final Terms as being applicable and 75 per cent. or more in Aggregate Nominal Amount of the Sukuk then current have been redeemed or, as the case may be, purchased and cancelled, pursuant to Condition 10 (*Purchase and Cancellation of Sukuk*) and this Condition 12.4 (*Redemption of Sukuk*), the Issuer may, on giving not less than the minimum period nor more than the maximum period of notice specified in the Applicable Final Terms to the Sukukholders' Agent and the Sukukholders in accordance with Condition 18 (*Notices*) (such period, the "**Clean Up Redemption Period**"), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of the remaining then current Sukuk and each remaining

Sukukholder shall receive the Sukuk Capital in respect of such Sukuk held by it, together with all accrued but unpaid Periodic Distribution Amounts and Partial Periodic Distribution Amounts payable thereon, on the relevant Clean Up Redemption Date.

12.6 No other redemption

Except as set out in Condition 10 (*Purchase and Cancellation of Sukuk*), this Condition 12 (*Redemption of Sukuk*) and Condition 13 (*Events of Default*), the Issuer shall not be permitted to redeem or cancel the Sukuk prior to the Expiry Date.

12.7 Incentive fee

Following redemption of the Sukuk in full (and without prejudice to Condition 6.7 (*Application of proceeds*)) any amounts standing to the credit of the Sukuk Account and the Collection Account shall be paid to the Issuer for its own account as an incentive fee.

13. EVENTS OF DEFAULT

The occurrence of any of the following events and circumstances shall constitute an Event of Default:

(a) default is made in the payment of the Sukuk Capital, Periodic Distribution Amount or Partial Periodic Distribution Amount (as the case may be) on the due date for payment thereof, unless such payment is made (i) within five (5) Business Days of receipt of a notice from the Sukukholders' Agent of non-payment of the Sukuk Capital or (ii) within ten (10) Business Days of receipt of a notice from the Sukukholders' Agent of non-payment of the Periodic Distribution Amount or Partial Periodic Distribution Amount (as the case may be);

(b) the Issuer fails to perform or observe any of its other obligations under or in respect of the Sukuk Documents to which it is a party (other than in respect of clause 4.1(f) of the Master Mudaraba Agreement) and (except, in any case where, in the opinion of the Sukukholders' Agent, acting reasonably, the failure is incapable of remedy and where no continuation or notice as is hereinafter mentioned will be required), such failure remains unremedied or unwaived for 30 days (or such extended period as may be agreed between the Issuer and the Sukukholders' Agent) after written notice thereof, addressed to the Issuer by the Sukukholders' Agent has been delivered to the Issuer requiring the same to be remedied;

(c) (i) any indebtedness of the Issuer or any Material Subsidiary for, or in respect of, moneys borrowed or raised is not paid when due (or, in the case of indebtedness of the Issuer or any Material Subsidiary for, or in respect of, moneys borrowed or raised payable on demand, is not paid within fifteen Business Days of such demand) (in each case, after giving effect to any applicable grace period) or is declared to be, or automatically becomes, due and payable prior to its stated due date by reason of any default or event of default (however described), or (ii) any guarantee or indemnity in respect of indebtedness for, or in respect of, moneys borrowed or raised of any third party given by the Issuer or any Material Subsidiary is not paid when due and called upon (in each case, after giving effect to any applicable grace period), **provided that** the amount of indebtedness referred to in (i) above and/or the amount payable under any guarantee or indemnity referred to in (ii) above exceeds SAR 50,000,000 (or its equivalent in any other currency) in the aggregate;

(d) any order is made by any competent court or a resolution is passed for the winding-up or dissolution of the Issuer or any Material Subsidiary, save for the purposes of or pursuant to a Permitted Reorganisation or an order or resolution which is discharged, set aside, stayed or vacated within sixty (60) days;

(e) the Issuer or any Material Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of or pursuant to a Permitted Reorganisation or the Issuer or any Material Subsidiary stops, is unable to, or admits in writing its inability to, pay, its debts (or any class of its debts) as they fall due, or is adjudicated or found bankrupt or insolvent;

(f) (i) proceedings are initiated against the Issuer or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official and such proceedings are not frivolous or vexatious or are not being actively contested in good faith by the Issuer or such Material Subsidiary or (ii) an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Material Subsidiary or as the case may be, in relation to any material part of the undertaking, assets or revenues of the Issuer or any Material Subsidiary (otherwise than for the purposes of, or pursuant to a Permitted Reorganisation) or (iii) an encumbrancer takes possession of any material part of the undertaking, assets or revenues of the Issuer or any Material Subsidiary, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against any material part of the undertaking, assets or revenues of the Issuer or any Material Subsidiary; and (iv) in any case (other than the appointment of an administrator) is not discharged, fully bonded or stayed within sixty (60) days;

(g) the Issuer or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors including, without limitation, any arrangement under the Bankruptcy Law issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 13 February 2018G)) (otherwise than for the purposes of, or pursuant to a Permitted Reorganisation);

(h) one or more judgment(s), order(s) or arbitral award(s) for the payment of an amount in excess of SAR 50,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate is rendered against the Issuer or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 90 days after the date(s) thereof or if later, the date therein specified for payment;

(i) any event occurs which under the laws, regulations or rules of the Kingdom has an analogous effect to any of the events referred to in paragraphs (e), (g) and (h) above;

(j) if at any time: (i) it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Sukuk and/or the Sukuk Documents to which it is a party or any of the obligations of the Issuer thereunder are not or cease to be legal, valid, binding or enforceable; or (ii) the Issuer repudiates or causes to be done any act or thing evidencing an intention to repudiate or deny any of its obligations under the Sukuk and/or the Sukuk Documents to which it is a party.

If an Event of Default occurs and is continuing and has not been waived by the Sukukholders' Agent pursuant to the terms of the Declaration of Agency, the Sukukholders' Agent (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) shall as soon as is reasonably practicable after it receives notice thereof give notice of the occurrence of such Event of Default to the Sukukholders requiring them to indicate whether they wish to exercise their rights to redeem the Sukuk pursuant to this Condition 13 (*Events of Default*) **provided, however**, in the case of the occurrence of an Event of Default comprising an event described in Condition 13(b) above, such notice may only be given if the Sukukholders' Agent has certified in writing to the Issuer that such event is, in its reasonable opinion, materially prejudicial to the interests of the Sukukholders. Any Sukukholder may then deliver a notice (an "**Event of Default Notice**") to the Sukukholders' Agent.

If the Sukukholders' Agent receives an Event of Default Notice, the Sukukholders' Agent shall promptly give notice to the Issuer and the Payment Administrator that such an Event of Default Notice has been received, specifying the Event of Default referred to therein (but so that such notice shall only be given in relation to the first Event of Default Notice received in respect of any Event of Default). If the Sukukholders' Agent receives Event of Default Notices from at least the Required Sukukholders, the Sukukholders' Agent shall promptly deliver to the Issuer and the Payment Administrator an exercise notice (the "**Exercise Notice**") so notifying the Issuer and the Payment Administrator (with a copy to the Sukukholders) that the Sukuk are to be redeemed at an amount equal to the Sukuk Capital, together with any accrued but unpaid Periodic Distribution Amounts and/or Partial Periodic Distribution Amounts payable thereon, on the date specified in such notice (the "**Event of Default Date**").

Upon the delivery of the Exercise Notice pursuant to this Condition 13 (*Events of Default*), the Sukukholders' Agent may, at any time, and is irrevocably authorised on behalf of the Sukukholders to: (i) enforce such rights as it may have under the Sukuk Documents following an Event of Default; (ii) demand, claim, enforce and prove payment of the Sukuk Capital, together with payment of any accrued but unpaid Periodic Distribution Amounts or Partial Periodic Distribution Amounts (as the case may be), calculated as of the date of redemption of the Sukuk, from the Issuer; and (iii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Sukukholders' Agent sees fit to recover the Sukuk Capital and the Periodic Distribution Amount and/or Partial Periodic Distribution Amount (as the case may be) from the Issuer. Upon payment in full of such amounts, the Sukuk will be redeemed and shall cease to represent the Sukuk Assets and no further amounts shall be payable in respect thereof and the Issuer shall have no further obligations in respect thereof.

14. ENFORCEMENT AND EXERCISE OF RIGHTS

(a) Following the occurrence of an Event of Default, the Sukukholders' Agent may, at any time, at its sole and absolute discretion and without notice, in accordance with the Sukuk Documents, take such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Sukuk and the Sukuk Documents, but it shall not be bound in any circumstances to take any such action unless directed or requested to do so:

(i) pursuant to Condition 13 (*Events of Default*);

(ii) by an Extraordinary Resolution; or

(iii) in writing by the Required Sukukholders,

and, in each case, then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, **provided however, that**, in each case, the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any amount to the Sukukholders at a time earlier than it would otherwise have to do so in accordance with these Conditions or the Sukuk Documents.

(b) The foregoing paragraphs in this Condition 14 (*Enforcement and Exercise of Rights*) are subject to this paragraph. After enforcing or realising the Sukuk Assets and distributing the net proceeds of the Sukuk Assets in accordance with Condition 6.7 (*Application of proceeds*), the obligations of the Issuer in respect of the Sukuk shall be satisfied and no holder of the Sukuk may take any further steps against the Issuer to recover any further sums in respect of the Sukuk and the right to receive any such sums unpaid shall be extinguished. In particular, no holder of the Sukuk shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer.

(c) No Sukukholder shall be entitled to proceed directly against the Issuer unless: the Sukukholders' Agent, having become bound so to proceed, (i) fails to do so within sixty (60) days of becoming so bound, or (ii) is unable to do so for any reason, and such failure or inability is continuing, and in all cases, the relevant Sukukholder (or such Sukukholder together with the other Sukukholders who propose to proceed directly against any of the Sukukholders' Agent or the Issuer, as the case may be) holds at least 25 per cent. of the then current aggregate nominal amount of the Sukuk, in which case the Sukukholders shall have only such rights against the Issuer as those which the Sukukholders' Agent is entitled to exercise as set out in Condition 13 (*Events of Default*). Under no circumstances shall the Sukukholders' Agent or any Sukukholders have any right to cause the sale or other disposition of any of the Sukuk Assets and the sole right of the Sukukholders' Agent and the Sukukholders against the Issuer shall be to enforce the obligations of the Issuer to pay the relevant Periodic Distribution Amounts, Partial Periodic Distribution Amounts and the Sukuk Capital (as applicable), if due and payable, and the obligations of the Issuer to pay the amounts due and payable by it under the Sukuk Documents.

15. MEETINGS OF SUKUKHOLDERS; MODIFICATION

15.1 Meetings of Sukukholders

The Master Declaration of Agency contains provisions for convening meetings (including by way of teleconference call and/or using a video-enabled platform) of Sukukholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of the Sukuk, these Conditions or any relevant provision of the Master Declaration of Agency or any other Sukuk Document. Such a meeting may be convened by the Issuer or the Sukukholders' Agent and shall be convened by the Sukukholders' Agent upon the request in writing of Sukukholders holding not less than one-tenth of the Aggregate Nominal Amount of the Sukuk of the relevant Series as are current as of such date and subject to the Sukukholders' Agent having been indemnified and/or secured and/or prefunded to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing at least half of the Aggregate Nominal Amount of such of the Sukuk of the relevant Series as are current as of such date or, at any adjourned meeting, such quorum as is specifically set out in the notice for such meeting, except that at any meeting the business of which includes the modification of certain provisions of the Sukuk, the Master Declaration of Agency and each relevant Supplemental Declaration of Agency (defined in the Master Declaration of Agency as a "**Basic Terms Modification**" and which includes, *inter alia*, modifying the provisions for payment of any Periodic Distribution Amount, Partial Periodic Distribution Amount or the Sukuk Capital in respect of the Sukuk), reducing or cancelling any Periodic Distribution Amount, Partial Periodic Distribution Amount or the Sukuk Capital payable in respect of the Sukuk, altering the currency of payment of any Periodic Distribution Amount, Partial Periodic Distribution Amount or the Sukuk Capital in respect of the Sukuk, the quorum shall be one or more Persons holding or representing not less than two-thirds in Aggregate Nominal Amount of the Sukuk of the relevant Series as are current as of such date, or at any adjourned such meeting one or more Persons holding or representing not less than one-third in Aggregate Nominal Amount of the Sukuk of the relevant Series as are current as of such date.

An Extraordinary Resolution passed at any meeting of the Sukukholders shall be binding on all the Sukukholders, whether or not they are present at the meeting and whether or not they voted on such Extraordinary Resolution. The expression "**Extraordinary Resolution**" is defined in the Master Declaration of Agency to mean either: (i) a resolution passed at a meeting of Sukukholders duly convened and held by a majority consisting of not less than three-fourths of the Voters voting thereat upon a show of hands, or if a poll is duly demanded, by a majority consisting of not less than threefourths of the votes cast on such poll; or (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in Aggregate Nominal Amount of the Sukuk in the Series as are current as of such date which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders.

15.2 Modification

The Master Declaration of Agency provides that the Sukukholders' Agent may, without any consent or sanction of the Sukukholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act, from time to time and at any time, but only if and in so far as in its sole opinion the interests of the Sukukholders are not materially prejudiced thereby, determine whether or not a breach in the performance or observance by the Issuer of any obligation under the provisions of the Master Declaration of Agency, each relevant Supplemental Declaration of Agency or the other Sukuk Documents or of any provision of the Conditions is capable of remedy, authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any breach or prospective breach of any of the covenants or provisions contained in the Master Declaration of Agency, each relevant Supplemental Declaration of Agency or any other Sukuk Document, the applicable Final Terms or the Conditions or determine that any Event of Default shall not be treated as such for the purposes the Master Declaration of Agency, each relevant Supplemental Declaration of Agency and the applicable Final Terms and the Conditions; any such authorisation, waiver or determination shall be binding on the Sukukholders and, if, but only if, the Sukukholders' Agent shall so require, the Issuer shall cause such authorisation, waiver or determination to be notified to the Sukukholders as soon as practicable thereafter in accordance with Condition 18 (*Notices*), **provided, however, that** the Sukukholders' Agent shall not exercise any powers conferred upon it by clause 7.1 (*Waiver*) of the Master Declaration of Agency in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the Required Sukukholders (but no such direction or request shall affect any authorisation, waiver or determination previously given or made).

The Master Declaration of Agency provides that the Sukukholders' Agent may from time to time and at any time without the consent or sanction of the Sukukholders concur with the Issuer in making any modification to the Master Declaration of Agency, each relevant Supplemental Declaration of Agency, the applicable Final Terms, the Conditions or any other Sukuk Document which modification is, in the opinion of the Sukukholders' Agent is (a) not materially prejudicial to the interests of the Sukukholders; or (b) of a formal, minor or technical nature or made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Sukukholders and, unless the Sukukholders' Agent agrees otherwise, any such modification shall be notified by the Issuer to the Sukukholders as soon as practicable thereafter in accordance with Condition 18 (*Notices*).

In connection with the exercise by it of any of its powers, authorities or discretions (including, but without limitation, any modification, waiver or authorisation), the Sukukholders' Agent shall have regard to the general interests of the Sukukholders as a class and, in particular, but without limitation, need not have regard to the consequences of such exercise for individual Sukukholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Sukukholders' Agent shall not be entitled to require, nor shall any Sukukholder be entitled to claim, from the Issuer, the Sukukholders' Agent or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Sukukholders.

16. TAXATION

All payments in respect of the Sukuk will be made free and clear of withholding taxes of the Kingdom unless such withholding is required by law. In that event, the Issuer will pay or cause to be paid to the Sukukholders who are also, at the time of the relevant payments, Qualified Persons, such additional amounts so that the net amount received by the Sukukholders after the withholding shall equal the respective amounts which would have been receivable in respect of the Sukuk in the absence of such withholding.

Sukukholders should note that the Issuer will not be required to pay any additional amounts in respect of any withholding required by law to any person who holds the Sukuk who is not a Qualified Person.

The Sukukholders shall be responsible for capital gains tax, value added tax, income tax or *zakat*, and any other taxes and governmental charges assessed on them as a result of their holding/disposal of Sukuk.

Notwithstanding anything to the contrary in these Conditions, the Issuer, the Payment Administrator and any other person shall be permitted to deduct and/or withhold, and shall not be required to pay any additional amounts with respect to, any deduction or withholding imposed on or with respect to any Sukuk pursuant to FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, the Payment Administrator or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

In these Conditions:

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code or any associated regulations;

(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

17. INDEMNIFICATION AND LIABILITY OF THE SUKUKHOLDERS' AGENT

The Master Declaration of Agency contains provisions for the indemnification of the Sukukholders' Agent in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction, in particular, in connection with the exercise of any of its rights in respect of the Sukuk Assets. The Sukukholders' Agent shall in no circumstances take any action unless directed to do so in accordance with Condition 14 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

Nothing in the Master Declaration of Agency shall, in any case in which the Sukukholders' Agent has failed to show the degree of care and diligence required of it as sukukholders' agent, having regard to the provisions of the Master Declaration of Agency conferring on it any rights, powers, authorities or discretions, exempt the Sukukholders' Agent from or indemnify it against any Liability which by virtue of any rule of law would otherwise attach to it in respect of any gross negligence, wilful default or actual fraud which it may be guilty in relation to its duties under the Master Declaration of Agency.

The Sukukholders' Agent makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Issuer under the Sukuk Documents to which the Issuer is a party and shall not under any circumstances have any liability or be obliged to account to the Sukukholders in respect of any payment which should have been made by or on behalf of the Issuer, but is not so made, and shall not in any circumstances have any liability arising from the Sukuk Assets other than as expressly provided in these Conditions or in the Master Declaration of Agency.

Without prejudice to the provisions of any Sukuk Document relating to insurance, the Sukukholders' Agent shall not be under any obligation to insure any of the Sukuk Assets or any deeds or documents of title or other evidence in respect of the Sukuk Assets or to require any other person to maintain any such insurance or monitor the adequacy of any such insurance and shall not be responsible for any Liability which may be suffered by any person as a result of the lack of or inadequacy of any such insurance.

The Sukukholders' Agent shall not in any event be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits, goodwill, reputation, business opportunity or anticipated saving), whether or not foreseeable, even if the Sukukholders' Agent has been advised of the likelihood of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract or otherwise.

18. NOTICES

All notices to the Sukukholders will be sent to them by registered mail or e-mail to their respective addresses on the Register. Any such notice shall be deemed to have been given on the fifth day of mailing. In addition, notices of any meetings of Sukukholders shall be sent at least 25 days prior to the date set for the initial meeting and at least ten days prior to the date set for any adjourned meeting and shall be valid if sent to the Sukukholders by registered mail or e-mail to their respective addresses in the Register. Any such notice shall be deemed to have been given on the fifth day after the date of mailing.

Notices to be given by any Sukukholder shall be in writing and delivered to the registered postal or e-mail address of the relevant addressee.

19. FURTHER ISSUES

In respect of any Series, the Issuer shall be at liberty from time to time without the consent of the Sukukholders to create and issue additional Sukuk having the same terms and conditions as the Sukuk of such Series as are current or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that the same shall be consolidated and form a single Series with the Sukuk of such Series as are current. Any additional Sukuk which are to form a single Series with the Sukuk as are current previously constituted by the Master Declaration of Agency as supplemented by each relevant Supplemental Declaration of Agency shall be constituted by a declaration supplemental to the Master Declaration of Agency as supplemented by each relevant Supplemental Declaration of Agency. References in these Conditions to the Sukuk include (unless the context requires otherwise) any other Sukuk issued pursuant to this Condition and forming a single Series with the Sukuk.

20. GOVERNING LAW AND JURISDICTION

20.1 Governing law

The Sukuk Documents and the Sukuk are governed by, and are to be construed in accordance with, the laws and regulations of the Kingdom.

20.2 Jurisdiction

The Committee for the Resolution of Securities Disputes and the Appeal Committee for the Resolution of Securities Disputes (the "**Committees**") shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Sukuk or the Sukuk Documents and, for such purposes, the Issuer, the Sukukholders' Agent, and the Sukukholders irrevocably submit to the exclusive jurisdiction of the Committees. No suit, action or proceedings which may arise out of or in connection with the Sukuk or the Sukuk Documents may be filed or brought outside the Kingdom and no court or any judicial authority outside the Kingdom shall have jurisdiction to hear any such claim.

20.3 Waiver of Usurious Interest

If any suit, action or proceedings are brought by or on behalf of the Sukukholders' Agent or any Sukukholder under these Conditions, the Sukukholders' Agent and each Sukukholder agrees that it will:

(a) not claim any judgment interest under, or in connection with, such suit, action or proceedings; and

(b) to the fullest extent permitted by law, waive all and any entitlement it may have to judgment interest awarded in its favour by any court or other judicial authority as a result of such suit, action or proceedings.

For the avoidance of doubt, nothing in this Condition 20.3 (*Waiver of Usurious Interest*) shall be construed as a waiver of rights in respect of any Mudaraba Profit or liquidation proceeds payable under the Master Mudaraba Agreement, any Deferred Sale Price (or any part thereof) payable under the Master Murabaha Agreement, any Periodic Distribution Amount, Partial Periodic Distribution Amount or the Sukuk Capital payable under the Conditions or profit of any kind howsoever described payable by the Issuer (acting in any capacity) pursuant to the Sukuk Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court or other judicial authority.

21. *SHARI'AH* COMPLIANCE

The Issuer agrees that it has accepted the *Shari'ah* compliant nature of the Sukuk Documents to which it is a party and, to the extent permitted by law, further agrees that:

(a) it shall not claim that any of its obligations under the Sukuk Documents to which it is a party (or any provision thereof) are ultra vires or not compliant with the principles of *Shari'ah*;

(b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'ah* compliance of the Sukuk Documents to which it is a party; and

(c) none of its obligations under the Sukuk Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgement of any court, tribunal or other body that the Sukuk Documents to which it is a party are not compliant with the principals of *Shari'ah*.

7. USE OF PROCEEDS

The proceeds of the issuance of each Tranche will be used to enter into the Mudaraba and into a Murabaha Transaction in accordance with the terms of the Sukuk Documents. The amounts so received by the Issuer will be used by it for general corporate purposes.

8. APPLICABLE FINAL TERMS

Set out below is the form of Applicable Final Terms which will be completed for each Tranche issued under the Programme.

[Date]

Middle East Healthcare Company

(A joint stock company under commercial registration no. 4030149460, with a paid-up capital of SAR 920,400,000 and 92,040,000 total outstanding shares)

Issue of [Title of Sukuk]

under the

SAR 1,500,000,000

Sukuk Issuance Programme

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 14 January 2024G [and the supplement to the Base Prospectus dated [·] which [together] constitute[s] a Base Prospectus ([together], the "**Base Prospectus**")]. This document constitutes the Applicable Final Terms of the Sukuk described herein and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Sukuk is only available on the basis of a combination of these Applicable Final Terms and the Base Prospectus. The Base Prospectus is available for viewing during normal business hours at the head office of the Issuer located at Batterjee Street, Al Zahra District, P.O. Box 2550, Jeddah 21461, Kingdom of Saudi Arabia and copies may be obtained from this office.

Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Applicable Final Terms.

1. Issuer:	Middle East Healthcare Company
2. Sukukholders' Agent:	[Al Rajhi Capital Company]
3. Series Number:	[·]
a. Tranche Number: **b. Date on which the Sukuk will be consolidated and form a single Series:**	[·] [The Sukuk will be consolidated and form a single Series with [*identify earlier Tranche(s)*] on [*insert date*/the Issue Date]] [Not applicable]
4. Specified Currency:	Saudi Riyals ("**SAR**")
5. Aggregate Nominal Amount:	
a. Series:	SAR [·]
b. Tranche:	SAR [·]
6. Issue Price:	[100] per cent. of the Aggregate Nominal Amount of the Tranche [plus SAR [·] in respect of [·] days of accrued Periodic Distribution Amounts from (and including) the issue date of the original Sukuk to (but excluding) the Issue Date]
7. Issue Date:	[·]
8. Expiry Date:	[·]
9. Profit Basis:	[[·] per cent. per annum] [SAIBOR +/- [·] per cent. per annum]
10. Status:	Unsubordinated and (subject to Condition 7.1 (*Negative Pledge*)) unsecured obligations of the Issuer
11. Business Day:	A day on which commercial banks are open for general business in [the Kingdom]/[*specify other*]

12. Date of Issuer's board approval for issuance of Sukuk:	[·]
PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS	
13. Fixed Periodic Distributions Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
a. Profit Rate:	[·] per cent. per annum
b. Day Count Fraction:	[30/360 Standard] / [30/360] / [360/360] / [30E/360] / [30/360 ICMA] / [30E/360 (ISDA)] / [Actual/360] / [Actual/365 (Fixed)] / [Actual/Actual] / [Actual/Actual – ISDA] / [Actual/Actual – ICMA]
c. Determination Date:	[·] in each year *(delete this subparagraph if Day Count Fraction (Actual/ Actual – ICMA) is not selected)*
d. Periodic Distribution Date(s):	[·] in each year up to and including the Expiry Date, subject to Condition 8.3 (*Cessation of accrual) / [specify other date(s) to capture any broken amounts and determination date(s)*]
14. Floating Periodic Distribution Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
a. Margin:	[·] per cent. per annum
b. Day Count Fraction:	[30/360 Standard] / [30/360] / [360/360] / [30E/360] / [30/360 ICMA] / [30E/360 (ISDA)] / [Actual/360] / [Actual/365 (Fixed)] / [Actual/Actual] / [Actual/Actual – ISDA] / [Actual/Actual – ICMA]
c. Periodic Distribution Date(s):	[·] in each year up to and including the Expiry Date, subject to Condition 8.3 (*Cessation of accrual*) [subject to adjustment in accordance with the Business Day Convention]
d. Manner in which the rate is/are to be determined:	Screen Rate Determination
e. Screen Rate Determination	
(i) Periodic Distribution Determination Date:	[Second Business Day before the first day of the relevant Periodic Distribution Period]/[*specify other*]
(ii) Relevant Screen Page:	[Refinitiv Screen SUAA or equivalent in Bloomberg]/[*specify other*]
f. Business Day Convention:	[Following Business Day Convention]/[Modified Following Business Day Convention]/[Preceding Business Day Convention]/[*specify other*]
PROVISIONS RELATING TO REDEMPTION	
15. Sukuk Capital:	[The Aggregate Nominal Amount of the Series of Sukuk/ [·]]
16. Issuer Call Option:	[Applicable/Not Applicable] (*if not applicable, delete the remaining subparagraphs of this paragraph*)
a. Issuer Optional Redemption Date(s):	[·]
b. [Minimum notice period:	[15 days/*specify other*]
c Maximum notice period:	[30 days/*specify other*]]
17. Clean up Call Option:	[Applicable/Not Applicable] (*if not applicable, delete the remaining subparagraphs of this paragraph*)
a. [Minimum notice period:	[15 days/*specify other*]
b. Maximum notice period:	[30 days/*specify other*]]
18. Sukukholder Put Option:	[Applicable/Not Applicable] (*if not applicable, delete the remaining subparagraphs of this paragraph*)
a. Sukukholder Optional Redemption Date(s):	[·]
b. [Minimum notice period:	[15 days/*specify other*]
c. Maximum notice period:	[30 days/*specify other*]]
PROVISIONS IN RESPECT OF THE SUKUK ASSETS	

19. Mudaraba Capital:	
a. Tranche:	SAR [•], being 51 per cent. of the Aggregate Nominal Amount of the Tranche
b. Series:	SAR [•], being 51 per cent. of the Aggregate Nominal Amount of the Series
20. Share in the Business Portfolio:	Middle East Healthcare Company: [•] per cent. Sukukholders' Agent: [•] per cent.
21. Profit share ratio in the Mudaraba Income:	Mudareb: [•] per cent. of any Mudaraba Income (the "**Mudareb Profit**") Sukukholders: [•] per cent. of any Mudaraba Income (the "**Mudaraba Profit**")
22. Available Amount:	[As per Condition 2/[•]] [*Specify alternative amount calculation if the definition in Condition 2 is not to be followed*]
23. Murabaha Capital:	
a. Tranche:	SAR [•], being [49] per cent. of the Aggregate Nominal Amount of the Tranche
b. Series:	SAR [•], being 49 per cent. of the Aggregate Nominal Amount of the Series
24. Provisions relating to the Murabaha Transaction:	a. Term: [•] (period from (and including) the Issue Date to (but excluding) the Expiry Date) b. Deferred Sale Price Payment Date: the Expiry Date c. Cost Price: [•] (equal to the Murabaha Capital) d. Deferred Sale Price: 95 per cent. of the Aggregate Nominal Amount of the Series. e. Murabaha Profit: [•]
25. Details of the Sukuk Account:	Middle East Healthcare Company Sukuk Account No.: [•] with [•] for Series No.: [•]
OTHER FINAL TERMS	
26. Listing and admission to trading:	[Application has been made to Capital Market Authority for registration and offer of the Sukuk and to the Saudi Arabian Stock Exchange (Tadawul) ("**Tadawul**") for the Sukuk to be listed on the Exchange.] [*Provide details of any other market where the Sukuk are to be listed and traded. If a public or private offer has been or is being made simultaneously on the markets of two or more countries at the same time, and if a tranche has been or is being reserved for certain of these markets, details of any such offer or tranche must be provided here.*] The trading of the Sukuk is expected to commence around [•]
27. Ratings:	[[The Sukuk to be issued [have been/are expected to be] rated] / [are unrated] [The following ratings reflect ratings assigned to Sukuk of this type issued under the Programme generally]: [[•]] [[•]]
28. Reasons for the offer:	[See "*Use of Proceeds*" in the Base Prospectus/*give details*]
29. Estimate of total expenses related to the offer:	The offer expenses are estimated at approximately SAR [•], including the fees of the Sole Arranger, Dealer(s), Receiving Bank(s), legal advisers, in addition to marketing, arrangement, printing, distribution and other expenses related to the offer. These expenses will be fully borne by the Issuer
30. Subscription method:	[Prospective investors wishing to purchase the Sukuk of the relevant Tranche will be required to submit a duly completed form (an "**Investor Application Form**") to the relevant Dealer(s) or, in the case of a retail offering of the Sukuk, to the receiving bank(s) (each, a "**Receiving Bank**"), in each case before the end of the Offer Period (as defined herein) and shall make payment for the Sukuk of such Tranche as per the instructions contained in the Investor Application Form. Investor Application Forms will be available from the relevant Dealer(s), or from the Receiving Bank(s), as applicable, in respect of such Tranche. Applications to purchase Sukuk for less than the Specified Denomination will not be accepted. For further details, please see "*Subscription and Sale*".]

31. Allocation method:	[The allocation method of each Tranche of Sukuk will be specified in the Investor Application Form for such Tranche of Sukuk. The acceptance of any application from a prospective investor, and the allocation of any Sukuk, will be at the sole discretion of the Issuer in consultation with the Dealer(s) in respect of the relevant Tranche of Sukuk.]
32. Category of other Qualified Person:	[Not Applicable/*give details*]
33. Treatment of Sukuk for Zakat purposes:	[·]
34. Other final terms:	[Not Applicable/*give details*] *(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus)*
DISTRIBUTION	
35. Dealer[s]/distributor[s]:	[·] *(Include name and address of Dealer(s)/distributor[s])*
36. Receiving Bank(s):	[Not Applicable/*insert Receiving Bank(s) details*]
37. Offer Period:	[·]
38. Minimum number of Sukuk to be subscribed for:	[·]
39. Maximum number of Sukuk to be subscribed for:	[·]
40. Minimum value of Sukuk to be subscribed for:	SAR [·]
41. Maximum value of Sukuk to be subscribed for:	SAR [·]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Applicable Final Terms. To the best of the knowledge and belief of the Issuer (having taken reasonable care to ensure that such is the case) the information contained in these Applicable Final Terms is in accordance with the facts and there are no other facts, the omission of which would make any statement herein misleading.

APPOINTMENT OF THE MUDAREB

By executing these Applicable Final Terms, the Issuer (in its capacity as Mudareb) acknowledges and agrees that the Sukukholders' Agent in its capacity as *rab-al-maal* has contributed the Mudaraba Capital for investment in accordance with the Master Mudaraba Agreement and accordingly a Mudaraba has been constituted in respect of the Sukuk that are the subject of these Applicable Final Terms, in accordance with the terms of the Master Mudaraba Agreement as supplemented by these Applicable Final Terms.

Signed on behalf of **Middle East Healthcare Company**

By:

Duly authorised

9. DESCRIPTION OF THE GROUP'S BUSINESS

9.1 Overview

Middle East Healthcare Company, publicly known as Saudi German Health ("**SGH**"), was incorporated as a joint stock company pursuant to Ministerial Resolution number 2554 dated 16/03/1425H (corresponding to 05/05/2004G) issued by the Minister of Commerce and was registered under commercial registration number 4030149460 on 06/04/1425H (corresponding to 25/05/2004G). The Company has a paid-up share capital of SAR 920,400,000 divided into 92,040,000 ordinary shares with a nominal value of SAR 10 per share. The Company's head office is at Batterjee Street, Al Zahra District, P.O. Box 2550, Jeddah 21461, the Kingdom of Saudi Arabia. The Company's shares were listed on the Exchange on 20/06/1437H (corresponding to 29/03/2016G).

In accordance with its bylaws, the main activities of the Company are:

1- establishing, managing, operating and maintaining hospitals, infirmaries, centres, institutes, health qualification and natural treatment centres, test and x-ray laboratories and pharmacies;

2- purchasing lands for the purpose of establishing buildings and investing, in the interest of the Company, in medical projects, establishing factories necessary for the Company, importing the necessary machines including drug factories and equipment, and owning patents to help achieve the Company's objectives both inside and outside the Kingdom of Saudi Arabia;

3- wholesale and retail trade in drugs, medical tools and equipment, health qualification tools, natural treatment, and whatever is relevant to hospitals and medical centres;

4- wholesale and retail trade in computers and their spare parts and programs related to healthcare, hospitals, and medical centres;

5- commercial agencies in healthcare and drug fields;

6- establishing training centres for employment related to the Company's activities; and

7- establishing, managing and organising the Company's own fairs and conferences.

Currently, the Group has the following ten branches in the Kingdom, constituting one trading branch, two polyclinics located in Abha and Jeddah, and seven hospitals located in Aseer, Jeddah, Riyadh, Madinah, Dammam and Makkah under the brand name "Saudi German Hospital":

- The Saudi German Hospital in Jeddah ("**SGH Jeddah (Al-Zahra branch)**"), a hospital established in 1988G in Jeddah and registered with the Ministry of Commerce ("**MOC**") as a branch under commercial registration number 4030124187 dated 05/02/1419H (corresponding to 01/06/1998G).
- The Saudi German Hospital in Khamis Mushait (Aseer) ("**SGH Aseer**"), a hospital established in 2000G in Khamis Mushait and registered with the MOC as a branch under commercial registration number 5855019364 dated 28/12/1420H (corresponding to 03/04/2000G).
- The Saudi German Hospital in Riyadh ("**SGH Riyadh**"), a hospital established in 2000G in Riyadh and registered with the MOC as a branch under commercial registration number 1010162269 dated 24/07/1421H (corresponding to 23/10/2000G).
- The Saudi German Hospital in Madinah ("**SGH Madinah**"), a hospital established in 2002G in Madinah and registered with the MOC as a branch under commercial registration number 4650032396 dated 18/02/1423H (corresponding to 01/05/2002G).
- The Saudi German Hospital in Dammam ("**SGH Dammam**"), a hospital established in 2020G in Dammam and registered with the MOC as a branch under commercial registration number 2050105713 dated 18/07/1436H (corresponding to 07/05/2015G).
- SGH Makkah, a hospital established in 2022G in Makkah and registered with the MOC as a branch under commercial registration number 4031215509 dated 19/10/1439H (corresponding to 03/07/2018G).
- Abduljaleel Ibrahim Batterjee Sons Development ("**AJ Sons**"), a branch of the Company registered with the MOC with commercial registration number 4030181710 dated 04/08/1429H (corresponding to 07/08/2008G) which is mainly involved in the procurement and supply of medical instruments, equipment and consumables.

- Beverly Clinics, clinics located in Jeddah and registered with the MOC as a branch with commercial registration number 4030297688 dated 26/02/1439H (corresponding to 16/11/2017G).
- SGH Jeddah (Al-Rawabi branch), a hospital established in 2022G in Al Jamia'ah District, Jeddah and registered with the MOC as a branch under commercial registration number 4030124187 dated 05/09/1443H (corresponding to 07/04/2022G).
- Abha Clinics, clinics located in Abha and registered with the MOC a branch with commercial registration number 5850124337 dated 24/09/1440H (corresponding to 29/05/2019G).

The Company's subsidiary, NHC, a closed joint stock company headquartered in Hail, owns a hospital in Hail city ("**SGH Hail**") which opened in February 2017G and currently has a capacity of 150 beds.

In addition to the above, the Company also has branches in Dubai and Cairo whose principal business is the provision of management services. These branches do not own or operate any hospitals.

Furthermore, the Company is party to a number of management supervision agreements for hospitals owned by third parties in Dubai, Sharjah and Ajman (United Arab Emirates), Cairo (Egypt) and Sanaa (Yemen). For further details regarding such agreements, see section entitled "*Hospital Management Business*" below.

The Group's vision is to be the regional healthcare leader through the largest network of hospitals, delivering excellence in patient care, and creating value for all stakeholders. The Group's mission is to provide quality healthcare in all specialties with the highest level of ethical standards and personalised care to achieve superior medical outcomes and patient satisfaction.

The Group's objectives are as follows:

- the establishment, operation and management of hospitals, clinics, medical centres and institutions, rehabilitation centres, laboratories, radiology and pharmacies;
- the purchase and development of land and properties for the benefit of the Group;
- the establishment of factories, import of all required machinery and equipment and owning of patents;
- engaging in retail and wholesale trade in medicines, equipment, medical machinery, rehabilitation equipment and all relevant equipment for hospitals and medical centres;
- dealing with commercial agencies in the medical and pharmaceutical sectors; and
- establishing specialised training centres and establish, manage and organise exhibitions and conferences of the Group.

The Group has a long track record of strong operational and financial performance. For the years ended 31 December 2020G, 2021G and 2022G and for the three-month periods ended 31 March 2022G and 2023G, the Group's revenue from contracts with customers amounted to SAR 1,750.6 million, SAR 1,872.6 million, SAR 2,151.7 million, SAR 513.3 million, SAR 638.0 million, respectively, and its net profit for the year/period amounted to SAR 75.2 million, SAR 11.7 million, SAR 71.6 million, SAR 20.1 million, SAR 52.0 million, respectively.

9.2 History

Although the Company was incorporated in 2004G, its origins date back to 1988G, when SGH Jeddah (Al-Zahra branch) was first established, followed by the establishment of SGH Aseer and SGH Riyadh in 2000G and SGH Madinah in 2002G. In 1988G, Eng. Sobhi Batterjee (now, Chairman of SGH), and Dr. Khalid Batterjee (now, board member of SGH), established the Company's first hospital in Jeddah and collaborated with German University Hospitals to bring advanced German healthcare standards and expertise to the local community for the first time in the Kingdom of Saudi Arabia. These associations inspired the 'German' in the Company's name.

Upon the Company's incorporation in 2004G, SGH Madinah, SGH Aseer and shares representing an 80 per cent. stake in the capital of Bait Al-Batterjee and Zuhair Al-Sebai Medical Company ("**BABAS**") (then the owner and operator of SGH Riyadh) were transferred to the Company as in-kind contribution by Bait Al-Batterjee Medical Company ("**BAB**") for a founding stake in the Company. Pursuant to an increase in the share capital of the Company in 2013G, further transfers in-kind were contributed by BAB such as SGH Jeddah (Al-Zahra branch), the remaining shares in BABAS as well as a number of other assets to the Company.

Since then, the Group has been expanding and growing its presence organically. As at 31 March 2023G, the Group is the most geographically diverse healthcare player in the Kingdom with a total licensed capacity of 1,834 beds and a comprehensive network of eight full-fledged hospitals in Jeddah, Aseer, Riyadh, Madinah, Hail, Dammam and Makkah, enabling it to access around 90 per cent. of the Kingdom's population which, according to the 2022G Saudi census, resides in these cities.

9.3 Key Milestones

The key milestones of the Group are as follows:

1988G	Establishment in Jeddah
2000G	Establishment in Asser
2001G	Establishment in Riyadh
2003G	Establishment in Madinah
2004G	Incorporation of the Company as a joint stock company
2016G	Listing on the Exchange
2017G	Establishment in Hail
2018G	Launch of Beverly Clinics in Jeddah
2020G	Establishment in Dammam and Riyadh hospital joined Mayo Clinic Healthcare Network
2021G	Re-branding to "Saudi German Health" and commencement of transformation projects
2022G	Launch of One-Day Surgery Hospital in Jeddah and Clinics Complex in Abha
	Establishment in Makkah
2023G	Medical Tower and Bed Expansion in Riyadh

9.4 Strategy

The Group continuously strives to enhance the quality of healthcare services provided at its hospitals and clinics, while at the same time improving its financial and operational efficiency. Below are the key strategies employed by the Group to achieve its objectives:

9.4.1 Geographic expansion:

The Group aims to expand its network of hospitals and clinics across different geographical areas in the Kingdom as it believes that the growing economic welfare and awareness of healthcare services and the compulsory health insurance system will lead to greater demand for healthcare services in the Kingdom.

On 28 January 2021G, the Company announced that it has signed a non-binding memorandum of understanding to enter, alongside its related parties, as an investor partner in Sobhi Abdel Jalil Batterjee Medical Hospital ("**SAJB Medical Hospital**") located in Jeddah. The projected total cost of SAJB Medical Hospital is approximately SAR 600 million which will be funded through shareholder capital of SAR 285 million with the remainder to be financed through loans. The Company has to date contributed SAR 10 million of shareholder capital to the project and intends to contribute the remainder of its 24.6% share in instalments in 2024G. SAJB Medical Hospital will have a capacity of 300 beds and consist of 80 outpatient clinics containing all medical specialties in addition to the patient admission department, the radiology department, laboratories and all other support departments. The Group expects that the investment in SAJB Medical Hospital will fulfil its strategy concerning its expansion plan and supporting its market standing in providing premium medical services.

In addition, the Group aims to further expand its international footprint through its hospital management business in overseas geographies such as Egypt, Pakistan and Morocco. By implementing an "asset-light model" strategy outside the Kingdom the Group seeks to diversify its revenue streams without incurring significant costs. This approach involves entering into management supervision agreements for hospitals operating under the Saudi German Hospital brand, thereby positively influencing the Group's profitability without affecting its assets.

9.4.2 Organic capacity creation and renovation:

The Group also aims to establish more outpatient clinics and increase the number of beds in the hospitals it is currently operating in line with the growth in demand. The Group also intends to renovate the existing hospitals in order to enhance the patient experience and increase the number of patients. For example, the Group is planning a SAR 399 million brownfield expansion and renovation that is expected to add 194 beds and 22 clinics in SGH Jeddah (Al-Zahra branch) in the first half of 2026G. The expansion is expected to complete and launch in 2025G and once operational, it will nearly double the current number of beds in SGH Jeddah (Al-Zahra branch), the Group's flagship hospital. The Group expects that the above expansion projects will bring material positive impact on its revenue and income.

9.4.3 Improve profitability and increase beds utilisation rates:

The Group intends to improve profitability by increasing the average income per bed and/or decreasing the average length of stay for inpatients where the case permits. It also intends to focus on providing its services to more complicated cases that require advanced medical treatment in addition to improving beds utilisation rates in order to increase average income per bed. In addition, the Group intends to expand its practice with minimally invasive surgical techniques which eliminate the need for surgical intervention while achieving better surgical results. As patient recovery time is shorter in minimally invasive surgeries, this in turn frees up beds for other patients who require longer recovery time, thereby helping the Group to increase its average income per bed.

9.4.4 Increase outpatient income:

The Group intends to further strengthen its outpatient practice by adding clinics and recruiting more doctors as well as enhancing its outpatient offerings like cancer screening, breast disease clinics, diabetic foot clinics, health check-up programmes, weight reduction and nutrition clinics.

9.5 Competitive Strengths

9.5.1 Strong reputation among medical community

The Group's hospitals are widely recognised by both healthcare professionals and patients for the quality of their medical services. The management of the Group believes that the strong competitive position of the Group is a testament to the brand equity that has been developed over the last 35 years. The Group has built its reputation by focusing its efforts on hiring and retaining reputable and qualified physicians and nurses, abiding by strict ethical standards of medical practice and keeping abreast of the latest developments in medical technology and treatments provided to patients. As a testament to the Group's confidence in its level of services, the Group has established a satisfaction guarantee scheme at all its outpatient facilities, whereby any unsatisfied patient is entitled to obtain a complete refund of the amount paid for the services rendered.

This has resulted in the Group becoming one of the leading healthcare providers in the Kingdom whereby, during 2022G, the Group's hospitals treated 74,044 inpatients and attended to 1,739,992 outpatient visits.

9.5.2 Geographical presence across multiple regions

The Group is one of the few healthcare companies in the Kingdom with a presence across all major regions of the Kingdom through its hospitals in Jeddah, Aseer, Riyadh, Madinah, Dammam and Makkah. Currently, the Group has direct access to approximately 90 per cent. of the Kingdom's population which, according to the 2022G Saudi census, resides in these cities. In particular, compared to other operators, the Group's presence in Makkah and Madinah enables it to capture footfall in these regions during the Hajj season and be less affected by seasonality as a result.

In the midst of a significant growth of tourism sector in the Kingdom, with approximately 93.5 million tourists welcomed in the Kingdom in 2022G according to the Ministry of Tourism, the Group's strategic presence in tourist locations such as Asser, Abha, and Hail, serves as a competitive strength. In addition, the Group expects to leverage its strong presence in the western region and the two holy cities to benefit from the Government's efforts to further boost religious tourism. In particular, Group's timely Makkah expansion of 300 licensed beds in 2022G positions it well to cater to the growing number of pilgrims, as the Minister of Hajj and Umrah expects a rise in Umrah visitors in 2023G. This surge in tourism, coupled with the Kingdom's lifted limit on Umrah performance, showcases the Group's potential to capitalise on this growing market, setting the Company apart from other players in the sector.

9.5.3 Design of the facilities and possibility of expanding

All of the Group's hospitals' facilities have been designed to allow for future expansions to be carried out in a seamless manner. Such design allows new buildings to be constructed and connected to existing facilities and new floors to be added to the existing buildings without affecting the operations of the Group's hospitals. The total covered area of all of the Group's hospitals (including SGH Hail) is 381,884 square meters while the built-up area is 285,220 square meters resulting in vacant land of 96,665 square meters, all of which can be used for future expansions.

A recent example of such expansion is SGH Riyadh which in late 2022G increased its capacity by 147 beds and completed the construction of a medical tower with 76 clinics at the cost of SAR 194 million. On 22 January 2023G, the Company announced that all required tests related to the medical systems construction systems and availability of all required medical and administrative staff have been done to enable actual operation of the medical tower to begin and that on this basis, commercial operations have commenced at the medical tower.

Furthermore, each Group hospital has housing compounds either on site or in close proximity to those hospitals which ensures prompt response to any medical emergency that may arise during day-to-day operations. This has also helped the Group manage its rental expense.

9.5.4 Administrative, technical and financial experience of the institutional shareholders of the Company

The Company has a strong and stable shareholder base. It includes BAB, the Company's founding shareholder that has been instrumental in promoting and developing the Group's healthcare operations, along with local and international institutions and funds, such as The Vanguard Group, Dimensional Fund Advisors, Sobhi Abduljaleel Ibrahim Batterjee and Blackrock Group. These esteemed shareholders contribute not just capital but valuable insights and expertise, directly influencing the Group's growth and success. The presence of these companies and institutions as shareholders along with being represented on the Company's board of directors allow the Group to benefit from their experiences in all operational, financial, administrative and governance aspects.

9.5.5 The international visiting professors programme

The Group maintains a strong relationship with leading consultants working in German and other European hospitals and leading medical colleges through which its patients are able to get access to medical procedures that may not otherwise be available locally. At present, the Company has agreements in place with 20 visiting professors of different medical specialties from France, Germany, Italy, the United Kingdom, and the United States of America. These visiting professors are highly skilled and many are pioneers in the development and performance of unique surgeries. The visiting professors introduce medical staff of the Group to the latest medical procedures and techniques available and train them on those procedures. The programme also includes visits by the Group's doctors to medical colleges and hospitals in Germany in order to facilitate two-way knowledge transfer.

9.5.6 Complete healthcare services provider

The Group offers comprehensive healthcare services through numerous therapy areas such as cardiology, ophthalmology and orthopaedics. For more information on the healthcare services provided by the Group, see "*Group's Hospitals Services*" below. Among the above services provided, the Group is particularly renowned for its leading trauma and orthopaedic surgery expertise, namely advanced scoliosis corrective surgeries and joint replacement surgeries in addition to its programme for screening neonates for hip congenital disease.

In addition, all of the Group's hospitals have radiology services, pharmacies, laboratories, intensive care units in addition to specialised treatment units for oncology, gynaecology, physiotherapy, orthopaedics and cardiology patients.

The wide spectrum of healthcare services available in the Group's hospitals has enabled the Group to retain its patient base and grow.

9.5.7 Leveraging advanced technology for efficient healthcare management

The Group uses an advanced Oracle based enterprise resource planning system to facilitate information flow and support management in making decisions through timely provision of financial data. Furthermore, all of the Group's hospitals have a well-integrated hospital information system and image archiving and communication system through which patients' electronic medical records and images can be accessed remotely and shared in an easy, fast and secure manner. This system has a built-in function to trigger alerts if laboratory and radiological results are beyond certain thresholds which require immediate attention. The Group has also developed a mobile application providing several services to its customers, including appointment scheduling and obtaining medical information. Using these digital solutions allows the Group to benefit from increased efficiency of operations, enhanced patient care and strengthened customer satisfaction.

9.5.8 Ability to attract and retain highly-trained and experienced healthcare professionals

The Group believes that the main driver of its success in providing high quality healthcare services and the key to the successful implementation of its vision lies in the expertise of its doctors, surgeons and physicians who have established a reputation for clinical excellence and many of whom have received industry recognitions and accolades. Department heads at the Group's hospitals have an average of 24 years of experience in their chosen areas of specialisation. Moreover, all consultants working at the Group's hospitals have obtained board certificates or equivalent medical specialisation certificates. The Group's hospitals also offer competitive compensation to its doctors and have instituted various incentive mechanisms that have helped the Group recruit and retain key physicians.

9.5.9 Robust financial position

The Group has established a strong track record of revenue and profit generation that have enabled it to maintain a strong liquidity position. Between 2020G and 2022G, the Group's revenue from contracts with customers showed strong overall growth, increasing at a compound annual growth rate of 10.9 per cent. from SAR 1,750.6 million in 2020G to SAR 2,151.7 million in 2022G, as a result of the increase in the number of patients and capacity, and the economies of scale resulting from the growth of operations.

Despite the most challenging market environment in decades caused by the COVID-19 pandemic and its drastic effect on the global economy, the Group has an exceptional financial position reflecting its strong performance. Whilst the Group's net profit for the year[1] declined to SAR 11.7 million in 2021G, as compared to SAR 75.2 million in 2020G, primarily due to an increase in operating expenses as a result of commencement of operations by SGH Dammam which coincided with government instituted lockdowns in the area as well as incurrence of non-recurring costs associated with the Group's re-branding and transformation projects, the Group net profit for the year rebounded in 2022G to SAR 71.6 million, and the Group's overall financial position remains robust. Strong financial growth over the years has enabled the Group to plan and execute future expansion strategies effectively. This includes investing in new technology, staff training, and facility expansion.

9.5.10 Strong and Diversified Customer Base

The Group enjoys strong relationships with leading insurance companies in the Kingdom which allows the Group to accommodate the requests of its patients in a timely manner. The Group also has a team within each hospital to manage the insurance claims and receivables collection period. The average length of relationship with such leading insurance companies is more than 20 years.

Furthermore, the Group has been treating MOH referral patients since 2005G. The Group's hospitals are considered to be one of MOH's major referral hospitals particularly in relation to cases that require critical care. According to the Group, the majority of cases referred to it by MOH require some form of critical care, which is a testament to the Group's ability to provide specialised medical services requiring a higher level of care. In 2022G, 26% of the Group's revenue was derived from MOH referrals and the number of inpatients contributed by MOH referrals was 16%.

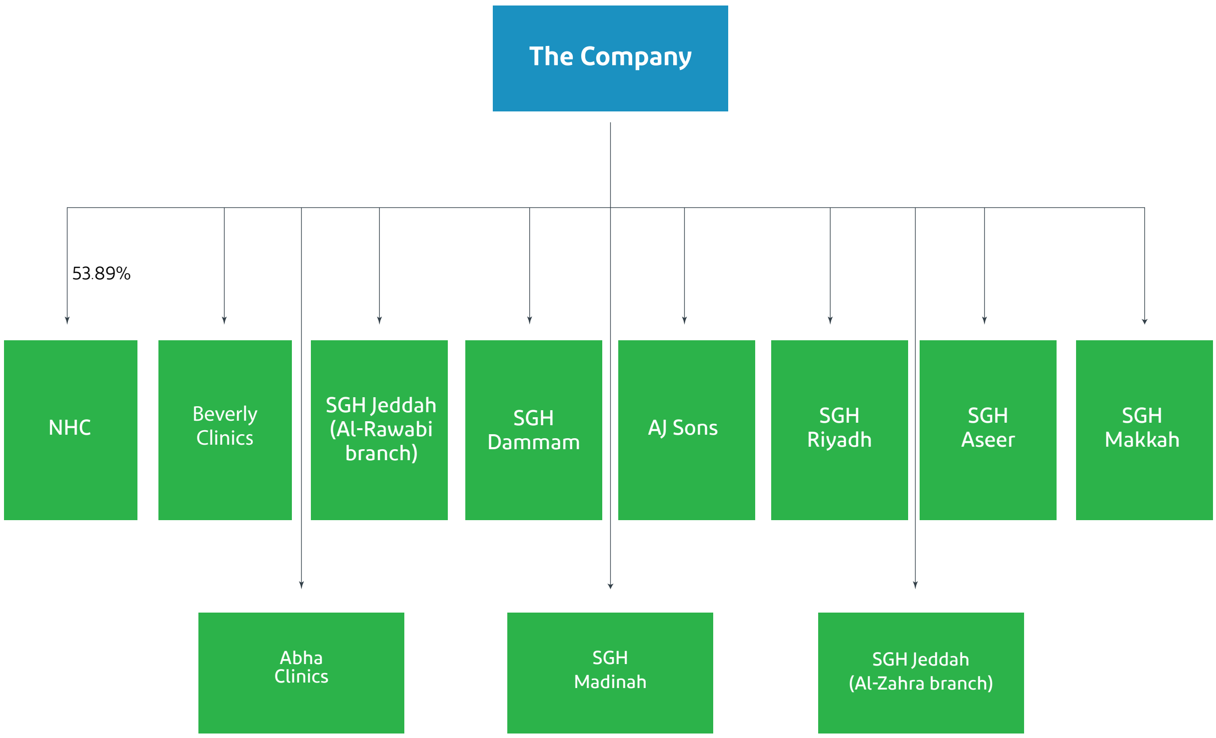
The client list of the Group includes some of the biggest names in the Kingdom, such as all major cooperative health insurance company customers (including Bupa, Tawuniya and Medgulf), MOH, Saudi Aramco and GOSI, highlighting the trust and reliability associated with its healthcare services.

1 Defined as "profit for the year" in the 2021G Financial Statements.

9.5.11 Ability to leverage significant scale of the Group's operations

As at 31 March 2023G, the Group had 1,834 licensed beds. It also served 74,044 inpatients during 2022G, performed 49,566 surgeries and attended to 1,739,992 outpatient visits at its clinics making it one of the largest healthcare services providers in the Kingdom. The Group is able to leverage its strong position within the healthcare industry to benefit its procurement practice by being able to negotiate for lower prices and/or better payment terms in relation to the purchase of its medical instruments and consumables. In addition, the Group, as one of the leading healthcare providers in the Kingdom, benefits from its extensive scale of operations and significant presence in the most densely populated areas of the Kingdom, enabling it to negotiate favourable terms with insurance companies, thereby optimising revenue streams and enhancing overall profitability.

9.6 Group Structure



The Company's shares are listed on the Exchange. BAB is the largest shareholder in the Company with a shareholding of around 54.692 per cent. as at 18 June 2023G.

9.7 Board ownership in the Company and subsidiary

A number of the board members of the Company own shares in the Company directly and indirectly as of the date of this Base Prospectus, as shown in the table below.

Name	Position	Capacity	Nationality	Number of shares held		Shareholding (%)	
				Direct	Indirect*	Direct	Indirect*
Sobhi Abduljalil Ibrahim Batterjee	Chairman	Non-executive	Saudi national	887,026	6,042,542	0.96%	6.57%
Makarem Sobhi Abduljalil Batterjee	Vice Chairman	Non-executive	Saudi national	1,001	9,395,413	0.001%	10.21%
Mohammed Abdulrahman Mohammed Moemena	Board of Directors Member	Independent	Saudi national	1,001	N/A	0.001%	N/A
Mohammed Mostafa bin Mohammed Omar bin Mohammed Ali bin Siddiq	Board of Directors Member	Independent	Saudi national	100	N/A	0.0001%	N/A
Sultan Sobhi Abduljalil Batterjee	Board of Directors Member	Non-executive	Saudi national	1,001	3,310,095	0.001%	3.60%
Khaled Abduljalil Ibrahim Batterjee	Board of Directors Member	Non-executive	Saudi national	1,001	1,894,883	0.001%	2.06%
Amr Mohammed Khalid Khashoggi	Board of Directors Member	Independent	Saudi national	N/A	N/A	N/A	N/A

Source: The Company.

* Representing shares in the Company indirectly owned by board members through (i) their ownership in companies that in turn own shares in the Company, or (ii) shares in the Company directly owned by the relatives (which include spouses and minor children) of the board members.

Further, as at the date of the Base Prospectus, each of Dr. Makarem Sobhi Abduljalil Batterjee and Dr. Khaled Abduljalil Ibrahim Batterjee owns 1,000 shares, which represents 0.01%, of the share capital of NHC, which is a subsidiary of the Company. Otherwise, none of the members of the board of directors owns shares directly or indirectly in NHC as at the date of the Base Prospectus, except for their indirect ownership in NHC through their ownership in the Company as shown in the table above.

9.8 Description of the Company's branches and subsidiary

The Group is a global network of hospitals, clinics, medical education facilities and training institutes. Its large and expanding network of tertiary care hospitals, under the Saudi German Hospital brand, offers world-class healthcare with international accreditations and expertise, complemented by specialised outpatient clinics and strategic partnerships across healthcare and education.

The Group currently has ten branches in the Kingdom. The following table sets out a summary of key information in respect of each of the Group's hospitals and polyclinics as at 31 March 2023G:

Hospital	Land Area (m^2)	Built-Up Area (m^2)	Real estate ownership	Number of clinics	Number of licensed beds	Number of doctors
SGH Jeddah (Al-Zahra branch)	24,791	21,001 (main building) 10,700 (medical tower)	The Company	144	218	352
SGH Riyadh	29,880	35,188	The Company	150	300	122
SGH Aseer	55,644	35,356	The Company	76	400	194
SGH Madinah	70,771	34,751	The Company	56	300	139 Full-Time / 37 Part-Time
SGH Dammam	26,964	88,032.5	The Company	48	150	106
SGH Makkah	65,000	15,000	The Company	45	300	92 Full-Time / 58 Part-Time
AJ Sons	—	—	The Company	—	—	—
Beverly Clinics	7,790	2,327	The Company	20	—	11
SGH Jeddah (Al-Rawabi branch)	1,178.21	6,342	Leased	16	16	36
Abha Clinics	55,644	14,027	The Company	35	—	7
SGH Hail	44,222	22,495	NHC	38	150	85

9.8.1 SGH Jeddah (Al-Zahra branch)

Overview

SGH Jeddah (Al-Zahra branch) commenced its operations in 1988G and is a multi-specialty, tertiary care hospital with all medical and surgical specialties, diagnostic facilities and support services. The facility consists of the main inpatient hospital building, outpatient facility, the specialty centre (which includes the cardiology care unit, open heart operating room and the oncology centre), the administrative offices, and residential compounds and buildings for medical staff. SGH Jeddah (Al-Zahra branch) also has staff housing facilities that can accommodate all medical, nursing and paramedical staff. These provide significant advantage in case of medical emergencies for the concerned specialty staff to attend to such cases and greatly impact the quality of care. The hospital has also other residential compounds near the hospital campus for administrative and other staff. Despite the maturity of the facility, it continues to achieve year-on-year revenue growth through annual price revisions, capacity expansions and the introduction of more sophisticated specialisms. SGH Jeddah (Al-Zahra branch) is located in the city of Jeddah and is built on a plot of land with an area of 24,761 square meters, with a total built up area of 21,001 square meters in respect of its main building and 10,700 square meters in respect of its medical tower.

Operations, Medical Staff and Accreditation

SGH Jeddah (Al-Zahra branch) is one of the major healthcare providers in the western province of the Kingdom with 24 specialties. In 2022G, it recorded 503,276 outpatient visits, 19,241 inpatient admissions and 19,861 surgeries. As at 31 March 2023G, the capacity of SGH Jeddah (Al-Zahra branch) is 218 licensed beds and 144 outpatient clinics.

SGH Jeddah (Al-Zahra branch) has received the following accreditations:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
CBAHI	October 2021G	Fourth quarter of 2024G (expected)
Joint Commission International ("**JCI**")	June 2021G	June 2024G
JCI (Clinical Care Program Certification – Primary Stroke)	June 2021G	June 2024G
College of American Pathologists	December 2019G	October 2024G
Association for the Advancement of Blood and Biotherapies	January 2022G	January 2024G
Healthcare Information and Management Systems Society	October 2021G	October 2024G
Planetree International	June 2022G	June 2024G
Australian Council on Healthcare Standards International ("**ACHS International**") (Hemodialysis)	November 2022G	November 2025G
American Nurses Credentialing Center (Nursing)	March 2022G	March 2024G

9.8.2 SGH Riyadh

Overview

SGH Riyadh commenced its operations in 2001G and is a multi-specialty, tertiary care hospital consisting of inpatient and outpatient facilities, operating rooms, laboratories and pharmacies. SGH Riyadh is located on King Fahad Road close to the main businesses and residential districts, and is easily accessible from all areas of Riyadh city as well as neighbouring areas. It is built on a plot of 29,880 square meters with a built-up area of 35,188 square meters. SGH Riyadh is located in the city of Riyadh and is built on a plot of land with an area of 29,880 square meters, with a total built up area of 35,188 square meters.

Operations, Medical Staff and Accreditation

SGH Riyadh provides a wide range of healthcare services in both its inpatient departments and outpatient clinics. In 2022G, it recorded 273,592 outpatient visits, 11,376 inpatient admissions and 8,479 surgeries. As at 31 March 2023G, the capacity of SGH Riyadh is 300 licensed beds and 150 outpatient clinics.

SGH Riyadh has received the following accreditations and is expecting to receive JCI Clinical Care Program Certification – Stroke Unit accreditation in the fourth quarter of 2023G:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
CBAHI	March 2023G	March 2026G
JCI	October 2021G	September 2024G
Association for the Advancement of Blood and Biotherapies	October 2022G	June 2024G
College of American Pathologists	January 2023G	January 2025G
ACHS International	January 2023G	January 2026G
Healthcare Information and Management Systems Society	March 2022G	March 2025G

9.8.3 SGH Aseer

Overview

SGH Aseer commenced operations in 2000G and is a multi-specialty, tertiary care hospital which is strategically located on the Abha Khamis Mushait highway in Aseer. It stands on a large area of 55,644 square meters with the main hospital building having a built-up area of 35,893 square meters. SGH Aseer is easily accessible from the airport and other roads in Aseer and neighbouring regions.

Operations, Medical Staff and Accreditation

SGH Aseer provides a wide range of healthcare services in both its inpatient departments and outpatient clinics. In 2022G, SGH Aseer recorded 347,173 outpatient visits, 14,632 inpatient admissions and 7,377 surgeries. As at 31 March 2023G, the capacity of SGH Aseer is 400 licensed beds and 76 outpatient clinics.

SGH Aseer has received the following accreditations:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
CBAHI	June 2021G	June 2024G
JCI	March 2021G	March 2024G
Association for the Advancement of Blood and Biotherapies	October 2023G	October 2025G
College of American Pathologists	December 2022G	December 2024G
ACHS International	January 2023G	January 2026G
Planetree International	June 2022G	August 2025G
Healthcare Information and Management Systems Society	March 2022G	March 2025G

9.8.4 SGH Madinah

Overview

SGH Madinah commenced operations in 2003G and is a multi-specialty, tertiary care hospital consisting of inpatient and outpatient facilities, operating rooms, laboratories and pharmacies. SGH Madinah is located in Madinah outside the Haram area on Prince Naif bin AbdulAziz Road. The area is accessible to both Muslims and non-Muslims. It is built on a plot of 70,771 square meters, with the main hospital building having a built-up area of 34,751 square meters.

Operations, Medical Staff and Accreditation

SGH Madinah is one of the major healthcare providers in the western province of the Kingdom and provides a wide range of healthcare services in both its inpatient departments and outpatient clinics. In 2022G, it recorded 264,522 outpatient visits, 13,932 inpatient admissions and 7,055 surgeries. As at 31 March 2023G, the capacity of SGH Madinah is 300 licensed beds and 56 outpatient clinics.

SGH Madinah has received the following accreditations:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
CBAHI	March 2021G	March 2024G
JCI	December 2021G	December 2023G
Association for the Advancement of Blood and Biotherapies	December 2022G	December 2024G
College of American Pathologists	July 2023G	July 2025G
ACHS International	January 2023G	January 2026G
Planetree International	October 2022G	October 2025G
Healthcare Information and Management Systems Society	March 2022G	March 2025G
JCI Clinical Care Program Certification – Stroke Unit	December 2022G	December 2023G

9.8.5 SGH Dammam

Overview

SGH Dammam commenced operations in 2020G and is a multi-specialty, tertiary care hospital consisting of inpatient and outpatient facilities, operating rooms, laboratories and pharmacies. SGH Dammam is located in Dammam and is built on a plot of land with an area of 26,964 square meters, with a total built up area of approximately 88,033 square meters. It forms part of Batterjee Medical City which aims to continue building comprehensive world-class care facilities in the area.

Operations, Medical Staff and Accreditation

SGH Dammam provides a wide range of healthcare services in both its inpatient departments and outpatient clinics. In 2022G, it recorded 151,733 outpatient visits, 6,334 inpatient admissions and 2,892 surgeries. As at 31 March 2023G, the capacity of SGH Dammam is 150 licensed beds and 48 outpatient clinics.

SGH Dammam has received the following accreditations:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
CBAHI	April 2021G	April 2024G
JCI	December 2022G	December 2025G
College of American Pathologists	September 2023G	September 2025G
Saudi Commission for Health Specialties	June 2022G	June 2024G
Association for the Advancement of Blood and Biotherapies	January 2023G	January 2025G
ACHS International (Dialysis)	November 2022G	January 2026G

9.8.6 SGH Makkah

Overview

SGH Makkah commenced operations in 2022G and is a multi-specialty, tertiary care hospital consisting of inpatient and outpatient facilities, operating rooms, laboratories and pharmacies. It represents a critical addition to the healthcare sector as it serves the residents of Makkah Al-Mukarramah and its visitors from all over the world. It is equipped with the latest technology and medical equipment. It is also a demonstration of the Group's investments in various cities of the Kingdom in line with the Vision 2030. SGH Makkah is located at Ibrahim Al Khalil Road Waliu Aleahd District in the city of Makkah and is built on a plot of land with an area of 57,971 square meters, with a total built up area of 57,769 square meters.

Operations, Medical Staff and Accreditation

SGH Makkah provides a wide range of healthcare services in both its inpatient departments and outpatient clinics. In 2022G, it recorded 20,529 outpatient visits, 717 inpatient admissions and 279 surgeries. As at 31 March 2023G, it has a capacity of 300 licensed beds and 45 outpatient clinics.

SGH Makkah has received the following accreditation:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
ACHS International	December 2022G	November 2026G

9.8.7 AJ Sons

AJ Sons was established in 2008G as a limited liability company named "Abduljaleel Ibrahim Batterjee Sons Development Company". Further to a corporate restructuring exercise in 2014G, AJ Sons was converted into a branch of the Company. The principal business of AJ Sons is the procurement and supply of medical instruments, implants and consumables to the Group's hospitals as well as other hospitals. The Company has entered into an exclusive reseller agreement with BAB (which, in turn, has agency agreements in place with foreign suppliers) in order to distribute products traded by AJ Sons inside the Kingdom.

9.8.8 Beverly Clinics

Overview

Beverly Clinics commenced operations in 2018G and is one of the most specialised premium clinics in Jeddah, which aims to provide the highest level of services with the latest diagnostic equipment and a variety of consultants providing medical care excellence and experience. Beverly Clinics has a group of Saudi doctors with a variety of disciplines known for their excellence and experience and international certifications. It also aspires to enhance the scientific and medical status of the Arab world and serve Saudi society in the field of specialised medicine and to improve patient health in order to preserve the health of individuals within Saudi society.

Operations, Medical Staff and Accreditation

Beverly Clinics provides a wide range of healthcare services in its outpatient clinics. In 2022G, it recorded 48,648 outpatient visits and as at 31 March 2023G, it has 20 outpatient clinics.

Beverly Clinics has received the following accreditations:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
CBAHI (Ambulatory)	January 2023G	January 2025G
ACHS International (Ambulatory)	November 2022G	November 2025G

9.8.9 SGH Jeddah (Al-Rawabi branch)

Overview

SGH Jeddah (Al-Rawabi branch) commenced operations in 2022G and provides a significant improvement in the healthcare resources available to the people in the western region of the Kingdom, in line with the Kingdom's Vision 2030. It was built according to international specifications and is equipped with the latest medical technology. SGH Jeddah (Al-Rawabi branch) is located in Al Jamia'ah District in the city of Jeddah and is built on a plot of land with an area of approximately 1,178 square meters, with a total built up area of approximately 6,342 square meters.

Operations, Medical Staff and Accreditation

SGH Jeddah (Al-Rawabi branch) provides a wide range of healthcare services in both its inpatient departments and outpatient clinics. In 2022G, it recorded 8,398 outpatient visits and 20 inpatient admissions. As at 31 March 2023G, it has a capacity of 16 licensed beds and 16 outpatient clinics.

SGH Jeddah (Al-Rawabi branch) has received the following accreditations:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
CBAHI	August 2023G	July 2026G
ACHS International (Hospital)	November 2022G	November 2025G

9.8.10 Abha Clinics

Overview

Abha Clinics was established in 2022G with a capacity of 30 clinics. It now has the following departments available, namely, obstetrics and gynaecology, paediatrics and internal medicine. It is located on Prince Sultan bin Abdul-Aziz Road (formerly Ibrahim Al-Hudhaifi Street) in Al-Samer District in the city of Abha, and inpatients will be transferred to the relevant department at SGH Aseer.

Operations, Medical Staff and Accreditation

Abha Clinics provides a wide range of healthcare services in its outpatient clinics. In 2022G, it recorded 7,147 outpatient visits. As at 31 March 2023G, it has 35 outpatient clinics.

Abha Clinics has received the following accreditation and is expecting to receive its CBAHI accreditation in the fourth quarter of 2023G:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
ACHS International (Hospital)	January 2023G	January 2026G

9.8.11 SGH Hail

SGH Hail is owned by NHC, a subsidiary of the Company, which is a closed Saudi joint stock company established pursuant to Ministerial Resolution number SW/30 dated 06/02/1428H (corresponding to 24/02/2007G) with commercial registration number 3350019735 dated 02/07/1428H (corresponding to 16/07/2007G) whose main activity includes managing, operating and maintaining hospitals. NHC's current share capital is SAR 200,000,000 divided into 20,000,000 shares with a nominal value of SAR 10 each. The Company currently owns a 53.89 per cent. stake in NHC.

SGH Hail began operations in 2017G with a capacity of 150 licensed beds. It is located in Al Khozama District, close to Prince Amir Abdul Aziz Bin Saud Palace, aiming to provide quality healthcare to people in Hail and from adjacent regions. SGH Hail consists of a main building with a built-up area of 19,456 square meters, a building for its employees and its own parking facility.

SGH Hail provides a wide range of healthcare services in both its inpatient departments and outpatient clinics. In 2022G, it recorded 114,974 outpatient visits, 7,792 inpatient admissions and 3,624 surgeries. As at 31 March 2023G, it has a capacity of 150 licensed beds and 38 outpatient clinics.

SGH Hail has received the following accreditations:

Accreditation Body	Date of Accreditation	Date of Next Accreditation
CBAHI	November 2021G	November 2024G
Association for the Advancement of Blood and Biotherapies	June 2023G (Pending result)	—
College of American Pathologists	July 2023G	July 2025G
ACHS International	January 2023G	January 2026G
Planetree International	June 2022G	June 2025G
Healthcare Information and Management Systems Society	March 2022G	March 2025G

9.8.12 Group's Hospitals Services

The Group's hospitals provide a wide range of medical services in their outpatient clinics and inpatient departments. In addition, the Group's hospitals offer emergency services, medical laboratory services, radiology services, and pharmaceutical services.

The table below sets out the categories of services provided by the medical departments within the Group's hospitals, according to inpatient hospital beds and outpatient clinics:

Specialisation	Sub Specialisation	
Anaesthesiology	General surgery Neurosurgery Obstetrics and gynaecology Eye surgery Orthopaedics Ear, nose and throat surgery Cardiothoracic surgery	Dental and maxillofacial surgery Paediatric surgery Urology Vascular surgery Plastic surgery Pain treatment
Cardiology	General cardiology Electrophysiology (only in SGH Jeddah (Al-Zahra branch))	Interventional cardiology
Dental Surgery and Maxillofacial Surgery	Oral and maxillofacial surgery Orthodontology Periodontics Dental prosthetics Paediatric dentistry (only in SGH Jeddah (Al-Zahra branch))	Endodontics Dental and oral surgery Stomatology General dentistry
Dermatology	General dermatology Plastic surgery	Andrology and venereology
Intensive Care Unit	There is no subspecialty	
Internal Medicine	General internal medicine Clinical nutrition unit (only in SGH Jeddah (Al-Zahra branch) and SGH Riyadh) Endocrine, metabolism and diabetes Gastroenterology, hepatology and endoscopy Geriatrics (only in SGH Aseer and SGH Riyadh)	Haematology Infectious diseases (only in SGH Jeddah (Al-Zahra branch)) Nephrology Pulmonology and pneumology Family medicine (only in SGH Jeddah (Al-Zahra branch) and SGH Madinah)

Specialisation	Sub Specialisation	
Medical Laboratories	Microbiology Parasites unit Virology unit Blood diseases unit and coagulation unit Medical biochemistry unit	Toxins unit Immunity and Vaccines unit Immunohematology unit (blood bank) Urine analysis unit Histopathology unit
Medical Imaging	Neuroradiology Traumatology and musculoskeletal diseases Cardiothoracic surgery Abdominal imaging	Paediatric imaging Interventional radiology Angiography Ultrasound
Neurology	Neurophysiology testing Autoimmune disorders of the central nervous Sleep lab (not available in SGH Aseer)	Epilepsy Central nervous system infections system
Neurosurgery	General neurosurgery Epilepsy surgery (only in SGH Jeddah (Al-Zahra branch) and SGH Aseer) Stereotaxic surgery (only in SGH Aseer and SGH Jeddah (Al-Zahra branch))	Brain blood vessels surgery Endoscopic brain surgery (only in SGH Aseer)
Obstetrics and Gynaecology	General obstetrics Advanced obstetric cases General gynaecology Fertilisation in medical laboratories (only in SGH Riyadh)	Gynaecologic oncology Hysteroscopy Laparoscopic surgery for women
Oncology	Systemic chemotherapy Targeted therapy External beam radiation therapy (only in SGH Jeddah (Al-Zahra branch) and SGH Aseer)	Monoclonal antibody therapy
Ophthalmology	Cataract surgery Glaucoma surgery Corneal surgery Vitreoretinal surgery (only in SGH Jeddah (Al-Zahra branch))	Lacrimal surgery Ophthalmology diagnostic investigations Refractive surgery
Orthopaedics	Spine surgery Healing joints Hand and shoulder Paediatrics (only in SGH Jeddah (Al-Zahra branch)) Oncology and microscopic surgery (only in SGH Jeddah (Al-Zahra branch))	Traumatology Arthroscopy Sports injuries Arthroplasty
Paediatrics	General paediatrics Neonatology Paediatric cardiology (diagnostic service) (only in SGH Jeddah (Al-Zahra branch)) Paediatric gastroenterology (only in SGH Jeddah (Al-Zahra branch))	Paediatric cardiology (Interventional) Paediatric endocrinology (only in SGH Jeddah (Al-Zahra branch)) Paediatric haematology (only in SGH Jeddah (Al-Zahra branch)) Paediatric surgery (only in SGH Jeddah (Al-Zahra branch) and SGH Riyadh)

Specialisation	Sub Specialisation	
Physiotherapy	Orthopaedic and traumatology laboratory Rehabilitation after neurosurgeries and neurological diseases Women's health programme Oncology rehabilitation Rehabilitation after sports injuries	Geriatric rehabilitation Paediatric rehabilitation Weight losing programme Swimming and hydrotherapy Home care services Rehabilitation after cardiopulmonary surgeries and entering the cardiac care unit Intensive care unit and paediatric intensive care unit services
Psychology	Adult psychiatry Adult and paediatric psychiatry Geriatric psychiatry Addiction psychiatry Psychotherapy (not available in SGH Madinah)	Psychosomatic medicine Treatment with pain Emergency psychiatry (General psychiatry is available within the Group's hospitals, while subspecialties are not available except in SGH Jeddah (Al-Zahra branch))
Rheumatology	General rheumatology Osteoporosis Connective tissue disorders Crystal related arthropathies	Inflammatory musculoskeletal disorders Degenerative arthropathies Autoimmune disorders Paraneoplastic musculoskeletal disorders Inherited collagen disorder
Surgery	Plastic surgery (reconstructive and cosmetic) General surgery Gastrointestinal surgery	Traumatology Endocrine surgery Head and neck surgery
Urology	General urology department Kidney surgery Endoscopic urinary track surgery (only in SGH Jeddah (Al-Zahra branch))	Ureteral endoscopic surgery Oncological surgery

9.9 Group's hospitals Main Departments

The Group's hospitals include medical departments providing similar medical services as well as multiple administrative departments in order to manage operations in each hospital. Furthermore, each hospital has a number of specialised medical committees that are responsible for monitoring the quality of medical services provided together with the performance of the medical staff at the Group's hospitals, in order to report to the hospital's senior management.

The main medical departments within the Group's hospitals include the following:

9.9.1 Department of Anaesthesia

The Department of Anaesthesia is a critical department within the Group's hospitals, monitoring the use and practice of any type of sedation performed by any other department. Anaesthesiologists prepare the patient before the operation and monitor the patient during and after the operation to ensure a successful recovery from the anaesthetics. The Department of Anaesthesia not only manages patients undergoing operations, but also provides services to terminal patients to help them control the pain.

9.9.2 Department of Cardiology

The Department of Cardiology provides services for the treatment of various heart conditions, including preventative and intervening treatments. The Department of Cardiology provides various diagnostic services which include ECG (electrocardiogram), echocardiography, with the possibility of using stress testing in both modalities and diagnostic cardiac catheter. Nuclear imaging of the heart is also a major diagnostic tool to assess the function of the muscle of the heart and assess the site of infection.

Interventional or management services provided by the Department of Cardiology include managing emergency cases, such as acute coronary syndrome and acute myocardial infarction.

9.9.3 Department of Cardiothoracic Surgery

The Department of Cardiothoracic Surgery works closely with the Department of Cardiology by intervening in cardiac cases where non-surgical measures fail or in cases when surgery is necessary. The Department of Cardiothoracic Surgery also assists the department specialising in chest medicine (which is a subspecialty of internal medicine) by providing surgical services for patients with chest-related illnesses.

Surgeries of the heart include heart valve repair or replacement whether with artificial or tissue valve, coronary arteries bypass and graft, repair of congenital heart abnormalities. Chest surgery include major surgeries of the lungs, such as the removal of lungs or their lobes, biopsies, repair of hernias of the diaphragm and removal of tumours.

9.9.4 Department of Dentistry, Oral and Maxillofacial Surgery

The Department of Dentistry, Oral and Maxillofacial Surgery provides services to patients who require head, neck, teeth or jaw treatment. It also provides high quality services covering a wide range of specialties and subspecialties.

In addition to general dentistry, the Department of Dentistry, Oral and Maxillofacial Surgery also includes paediatric dentistry, periodontics, oral cavity, dentures and dental implants, endodontics, orthodontics as well as oral and maxillofacial surgery.

9.9.5 Department of Dermatology

The Department of Dermatology treats ailments affecting a patient’s skin, including both medical and cosmetic conditions, and now also features cosmetic services for otherwise healthy patients. The department is considered a highly specialised centre within The Group’s hospitals, due to the calibre of its staff in terms of medical experience and reputation for quality care.

The Department of Dermatology provides services which range from simple diagnostic tests like allergy testing to advanced procedures such as melanocyte transplants. The department is also equipped with advanced laser equipment to treat skin lesions (including pigmented lesions) and vascular diseases as well as to reduce and remove unwanted hair, reduce scarring and wrinkles and even tighten skin.

9.9.6 Emergency Department

The Group considers trauma as one of its core services, and focuses on providing the highest quality services possible to trauma patients through its Emergency Department. The Emergency Department is further organised into a “trauma team” or “code yellow team” which is trained to deal with multi-trauma cases or disaster scenarios. The scope of services provided by the department is not confined to trauma and extends to all care services for all emergency patients in order to meet the broad requirements of the Emergency Department in a challenging health care environment.

9.9.7 Intensive Care Unit (“ICU”)

The ICU is the major care provider that provides support to critical cases admitted under different specialties, in which patients are in need of immediate and extensive care. Bringing in doctors with varying specialties, the ICU is able to provide multiple services for patients whose lives are in danger. The ICU is therefore equipped with the equipment and staff necessary to closely monitor a patient’s physiological functions.

In addition to vital signs, the ICU can monitor cardiac status both invasively and non-invasively, intra-arterial blood pressure and respiratory carbon dioxide.

The ICU team has extensive experience in managing trauma patients, post-operative care and providing total parenteral nutrition (being nutrition for long cases of coma or cases with major gastrointestinal diseases).

9.9.8 Department of Internal Medicine

The Department of Internal Medicine is considered a multi-disciplinary department that offers basic medical care to its patients and to many patients under other departments. It has an especially high flow of outpatients and deals with the most prevalent and important diseases in society like diabetes mellitus and hypertension. It also deals with dangerous infections such as dengue fever and coronaviruses. It has a full range of subspecialties, staff with extensive experience and fully equipped units, providing supervision and integration of food and care services for respiratory tract diseases.

9.9.9 Medical Laboratories Department

The Medical Laboratories Department is a medical infrastructure department on which all other departments depend. The Medical Laboratories Department also acts as a referral lab for many local labs and hospitals in the community. It provides all routine laboratory tests for inpatients, outpatients, emergency room patients and nursing facility patients at all times of the day.

9.9.10 Neurology Department

The Neurology Department treats medical matters dealing with the brain and/or the nervous system, and is among the Group's fastest-growing departments.

The Neurology Department offers diagnostic tools, like an electroencephalogram (EEG), digital EEG with different provocative tests, as well as prolonged EEG with video monitoring for some epileptic cases, nerve conduction studies, and evoked potential testing.

The sleep lab is a diagnostic modality available at SGH Jeddah (Al-Zahra branch) and SGH Madinah to diagnose sleep disorders and some respiratory disorders.

The stroke unit is a specialised unit which deals with cases of cerebral strokes or haemorrhages. The stroke unit has already been established in SGH Riyadh, and there are plans to establish similar units in SGH Madinah and SGH Jeddah (Al-Zahra branch) in the near future.

9.9.11 Department of Neurosurgery

The Department of Neurosurgery is considered as one of the main departments that deals with trauma cases, playing a significant role in providing emergency services to patients. Equipped with highly trained staff and the latest equipment, the Department of Neurosurgery is able to leverage its extensive experience to deal with cases such as brain tumours, neurovascular disorders, spine disorders and trauma. Neurosurgeons use advanced diagnostic methods, including neurosurgical radiology, stereotactic biopsies and functional neurosurgical procedures.

9.9.12 Department of Obstetrics and Gynaecology

The Department of Obstetrics and Gynaecology offers a large variety of quality services to female patients, provides treatment for a wide range of disorders of the female body and can also perform advanced laparoscopic gynaecological procedures in addition to handling advanced obstetric cases.

9.9.13 Department of Oncology

The Department of Oncology provides diagnostic, therapeutic and palliative care for cancer patients, using a comprehensive approach and offering both radiation as well as chemotherapy services. In particular, the Department of Oncology provides diagnosis and treatment for different types of tumours using different treatment modalities including external beam radiation therapy, systemic chemotherapy, monoclonal antibody therapy and targeted therapy.

9.9.14 Department of Ophthalmology

The Department of Ophthalmology is equipped with the latest diagnostic modalities like applanation tonometry, retinoscopic visualisation and visual field assessment, which enables ophthalmologists to diagnose and treat complex diseases and lesions of the eye. The Department of Ophthalmology specialises in cataract surgery, dealing with traumatic and haemorrhagic accidents of the eye, scleral and conjunctival anomalies.

9.9.15 Department of Orthopaedics

The Department of Orthopaedics is considered to be one of the most important departments within The Group's hospitals as it treats all patients, from paediatric to geriatric patients. Diagnosing and treating bone injuries and diseases has become efficient and with quick turn-around, as a result of the use of advanced imaging methods. The Department of Orthopaedics has unique expertise in sports injuries, spine surgery, trauma management, and paediatric developmental anomalies of the limbs and spine, including scoliosis. Hand surgery specialists manage deformities of the hand and wrist across all of the Group's hospitals, and SGH Jeddah (Al-Zahra branch) specialises in hip and knee replacement surgeries.

9.9.16 Department of Paediatrics

The Department of Paediatrics provides medical care for children who have experienced trauma or need medical treatment. The department offers both outpatient and inpatient services, Neonatal Intensive Care Units (NICU), and Paediatric Intensive Care Units (PICU). The Department of Paediatrics comprises a bundle of subspecialties including general Paediatrics; Neonatology, Paediatric Cardiology (diagnostic and interventional), Paediatric Gastroenterology, Paediatric Endocrinology, Paediatric Haematology and Paediatric surgery. The Department of Paediatrics is a centre of excellence to which patients, in the areas where it is located, are referred.

9.9.17 Department of Physiotherapy and Rehabilitation

The Department of Physiotherapy and Rehabilitation plays a key role in the care of trauma patients, assisting patients in recovering normal movement of the body after traumas and shocks. The Department of Physiotherapy and Rehabilitation provides continuous support for other departments such as the Department of Orthopaedics, and the Department of Obstetrics and Gynaecology helping with the recovery of their patients.

9.9.18 Department of Surgery

The Department of Surgery covers a vast number of pathologies and specialties, ranging from plastic surgery to oncology. The Group's hospitals are composed of departments specialised in general and vascular surgery, which constantly implement state-of-the-art techniques in treating patients.

The Department of Surgery has experienced staff in various modalities, including general abdominal surgery, oncological surgery, laparoscopic surgery, bariatric surgery and trauma management. Surgical staff include a number of specialists and surgeons who are experts in their fields, and use the latest diagnostic methodologies including CT, MRI and diagnostic laparoscopic procedures, diagnose and manage complex procedures involving the gastrointestinal tract, hepatobiliary system and various pathologies of the head, neck and thorax (excluding those of neurosurgery and cardiothoracic surgery domains).

The Department of Surgery also has a subspecialty in vascular surgery, which deals with the vascular system. Expert vascular surgeons use the latest and advanced radiological methodologies including four-dimensional duplex and Doppler studies. Common vascular procedures covering pathologies and anomalies of the vascular systems include thrombus extraction, vessel grafting, stenting, vessel stripping, vessel repair and bypass.

9.9.19 Department of Psychiatry

The Department of Psychiatry deals carefully with psychiatric and mental disorders of adults, children and the elderly. Psychiatric services are rendered by professionals in the fields of medicine, nursing, psychology and social work. The need for psychiatric care is on the rise in the Kingdom, especially in the paediatric age group, where cases of autism and attention deficit and hyperactivity disorder are increasing. The Department of Psychiatry treats young adults suffering from addiction and stress reactions, as well as elderly patients with Alzheimer's, dementia and other age-related complications.

9.9.20 Department of Radiology and Medical Imaging

The Department of Radiology and Medical Imaging was established as a result of continuous technological developments, which has led to the adoption of new technologies, including PACS/RIS/Speech Recognition and Teleradiology, with the aim of paperless and filmless medical images. Images produced by the Department of Radiology and Medical Imaging are used in all departments within the Group's hospitals.

9.9.21 Department of Rheumatology

The Department of Rheumatology treats patients with joint problems and autoimmune system diseases. The Department of Rheumatology provides treatment with new forms of medications that promise better results, less complications and higher success rate from the previously refractory cases.

9.9.22 Department of Urology

The Department of Urology treats medical diseases of the urinary tract system and the male reproductive system. It is concerned with treating the kidneys, ureters, urinary bladder, urethra and the male reproductive organs.

The Department of Urology has expert staff who use the latest diagnostic methodologies like uroflowmetry, diagnostic ureteroscopy and contrast urinary tract radiology. Urologists diagnose patients and manage the pathologies of the renal and urinary tract, such as urethritis, stones, hypertrophied prostate, bladder tumours and hypospadias. The Department of Urology has specialists in ureteroscopic procedures, ureteral stenting, transurethral resection of the prostate and bladder and kidney surgeries.

9.10 Hospital Management Business

Since early 2010G, BAB has gradually transferred and assigned to the Company multiple hospital management supervision agreements entered into with entities affiliated to it, which own hospitals operating under the brand name of "Saudi German Hospital" outside the Kingdom. As a result of such assignments, the Company has replaced BAB in supervising the management of such hospitals and is now entitled to receive management fees. Under such management supervision agreements, the Company has no shareholding in these hospitals and offers management supervision under its asset-light revenue model. This strategy helps the Group fulfil its vision to be the regional healthcare leader through the largest network of hospitals.

The following hospitals in the United Arab Emirates, Egypt and Yemen are under the management of the Company in accordance with the management supervision agreements.

9.10.1 United Arab Emirates

SGH Dubai was opened in 2012G and as at 31 March 2023G, SGH Dubai has a licensed capacity of 231 inpatient beds and 89 outpatient clinics. SGH Dubai is owned by Emirates Healthcare Development Company of which BAB is the majority shareholder.

SGH Sharjah was opened in 2018G and as at 31 March 2023G, SGH Sharjah has a licensed capacity of 32 inpatient beds and 25 outpatient clinics. SGH Sharjah is owned by THC of which BAB is the majority shareholder.

SGH Ajman was opened in 2019G and as at 31 March 2023G, SGH Ajman has a licensed capacity of 116 inpatient beds and 45 outpatient clinics. SGH Ajman is owned by AHDC of which BAB is the majority shareholder.

9.10.2 Egypt

SGH Cairo was opened in 2016G and as at 31 March 2023G, SGH Cairo has a licensed capacity of around 219 inpatient beds and 66 outpatient clinics. It is one of the major tertiary care hospitals in Cairo and Egypt and offers a wide range of medical services including all kinds of specialties, sub-specialties, and critical cares and management of complicated cases, with the highest international standards. SGH Cairo is owned by Egyptian Saudi Healthcare Company of which BAB is the majority shareholder.

9.10.3 Yemen

SGH Sanaa was opened in 2016G. SGH Sanaa is owned by Saudi Yemeni Healthcare Company where BAB is the majority shareholder.

9.10.4 International Expansion

Apart from the above hospitals in the MENA region which are already under management of the Group, the Group is also actively seeking cooperation with hospitals in Egypt (Alexandria and Giza, which are the second and third largest cities in Egypt, respectively), Pakistan (Lahore, Islamabad, Karachi and Lahore) and Morocco (Casablanca).

9.11 Affiliation with the Mayo Clinic Healthcare Network

The Mayo Clinic Healthcare Network ("**Mayo Clinic**") is a group of carefully vetted independent health systems which share the goal of providing patients with the care they need, close to home, and at no additional cost to the patient. With the aim of improving the lives of patients, providing high-quality medical services, having critical cases reviewed by doctors from Mayo Clinic and reaching a treatment course without the need for the patient to travel abroad, the Company signed a cooperation agreement with Mayo Clinic on 20 January 2022G and became a member of its network.

This partnership with Mayo Clinic, one of the best hospitals in the United States, grants the Group access to a wide range of services and world-class medical expertise that help the Group enhance the quality of care it offers its patients. The benefits enjoyed by the Group as a Mayo Clinic member include consultation with Mayo Clinic specialists for a second opinion on the diagnosis or treatment plans for patients, connecting with a multidisciplinary panel of Mayo Clinic specialists to review complex cases and discussing the treatment of hospitalised patients for semi-urgent or urgent intervention with a Mayo Clinic specialist, etc.

9.12 Customers

The Group's customers are divided into four main categories:

9.12.1 Customers covered by private insurance companies:

This category includes patients whose treatment costs are borne by the insurance company.

9.12.2 Customers referred from MOH:

This category includes patients referred from public hospitals by MOH who bears their treatment costs.

9.12.3 Cash customers:

This category includes patients who directly pay themselves for treatment.

9.12.4 Direct customers from companies:

This category includes patients whose treatment costs are borne by their employers.

The below sets out the nature of the Group's relationship with each of its customers.

9.12.5 Customers covered by private insurance companies

The Group enjoys strong relationships with leading insurance companies in the Kingdom and has entered into a number of agreements with such insurance companies in order to provide their customers with medical services. Customers covered by private insurance companies represent the Group's largest customer base in terms of contribution towards its net revenues. Each of the Group's hospital enters into a separate agreement with an insurance company which typically contain similar terms and conditions. The terms and conditions include the type of medical services which are covered under the insurance policy such as medical examination, radiology, laboratories, medications, inpatient services and dentistry, which the insured may benefit from. Medical insurance cards usually vary in terms of the medical coverage provided and proportion of medical services costs incurred by the patient in accordance with the insurance plan provided by the relevant insurance company.

The terms of these agreements range from one to four years and renew automatically or are renewable by mutual agreement unless one party notifies the other of its intention not to renew before the termination date of the agreement.

Most of these agreements state that the Company shall provide medical services to medical insurance card holders after confirming their identity and the medical coverage provided to them by the relevant insurance company. Then, an invoice is to be sent to the insurance company with the costs of medical services provided to the cardholder in accordance with the agreed upon prices for medical services and deducting the agreed upon proportion to be incurred by the cardholder and the discount percentage. The agreements further state that the Company has the right to annually increase the prices of medical services after notifying the insurance company. The insurance company is required to settle invoices submitted to it by the Company with regards to services provided to its insured customers within 60 days from receiving the invoice as supported by relevant documents.

The Company prepares an itemised invoice for each outpatient and inpatient discharged from the hospitals and sends it to the insurance company on a monthly basis. Each invoice is inspected and audited by the authorised personnel in charge of billings at each Group hospital and doctors working in the accounts receivables department (doctors responsible for inspecting and auditing invoices do not provide medical services) prior to issuing it to the insurance company. Once issued, the authorised personnel in charge of collections who work in the accounts receivables department are then tasked with the responsibility of collecting against all outstanding invoices.

The insurance company pays a portion of the amount of the invoice upon receiving it from the hospital, and pays the remainder after it inspects and audits the invoice. Insurance companies typically reject a portion of the claims submitted to it based on administrative reasons or otherwise, at which point the management division of the hospital negotiates with the insurance company to reach a final settlement for the outstanding portion of the claim.

9.12.6 Customers referred from MOH

MOH referrals of patients to the Group's hospitals for treatment constitute the Group's second largest customer base and contribution to its net revenues. The Company entered into a medical service agreement with MOH, pursuant to which the Group's hospitals provide medical services to patients referred by MOH for hospitalisation. Patients referred by the MOH are admitted into hospitals either through the red crescent, by transfer from public hospitals or as cash customers, and in case of cash customers, approvals are obtained from the MOH. The medical services included in the agreement cover intensive care for adults, children and new-born babies, in addition to provision of nursery and neonatal intensive care, and such medical services are provided against a price table agreed upon between the Company and MOH (either a packaged price structure or a price structure based on individual medical services). At the end of each month, the hospitals send their invoices directly to the medical affairs department of the MOH based in each relevant city who then inspects and audits the claims submitted and then submits the invoices to the financial affairs department who in turn inspects and audits the invoices and thereafter submits them to the financial affairs representative of the MOH's local department in the relevant city. The financial representatives inspect and audit the invoices from a medical and financial perspective before submitting them to the general affairs department who are ultimately responsible for payment against the invoices claimed. During this process, the Group's hospitals face the possibility of a portion of their invoices being rejected by the local department of the MOH.

9.12.7 Cash customers

Cash customers represent the Group's third largest customer base in terms of contribution towards its net revenues. Cash customers are customers who are not covered by the MOH, insurance companies or any other company, and pay directly to the relevant Group's hospital for medical services rendered. Although the number of policyholders continues to increase in the Kingdom, the Group has taken many initiatives to increase the number of cash customers through a rewards card programme presented to a certain segment of its customers and setting up an awareness programme for several medical conditions and treatments in relation to such conditions in the Group's hospitals.

9.12.8 Direct customers from companies

Direct customers represent companies and corporations who have direct agreements with the Company for the provision of medical services to their employees. The Company has entered into several agreements with companies and corporations (including Saudi Aramco and GOSI) for the provision of medical services to their employees and staff. Pursuant to such agreements, employees and their families and retired employees and staff of Saudi Aramco and GOSI are entitled to receive routine medical services from the Group's hospitals, and invoices relating to such medical services are billed on a monthly basis. Revenues generated from such customers makes up the fourth largest contributor to the Group's net revenues. The terms of these agreements range from one to four years and are renewed subject to mutual agreement.

9.13 Related Party Transactions

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.

The following is a list of related party transactions and balances of the Group as at and for the years ended 31 December 2022G, 2021G and 2020G:

Related Party	Nature of Transactions	Transactions for the Year			Balance as at 31 December		
		2022G	2021G	2020G	2022G	2021G	2020G
		SAR					
Amounts due from related parties							
Bait Al Batterjee Company for Education & Training	Staff training	—	—	241,993	—	—	7,164,940
Emirates Healthcare Development Company	Management fee	5,760,236	8,778,641	8,675,187	4,811,594	10,702,133	10,557,883
Egypt Healthcare Company	Management fee	3,017,107	4,114,720	1,048,699	1,017,479	787,004	985,645
Bait Al Batterjee Medical College	Training fee	390,012	542,278	1,069,883	321,218	4,349,873	5,095,235
Al Bait International Company	Medical services	—	—	—	—	—	3,203,073
Saudi German Hospital Sana'a	Medical services	—	—	—	—	895,675	895,675
Saudi German Hospital Ajman	Medical services	—	—	—	—	857,979	3,298,326
Bait Al Batterjee Fitness Company	Medical services	—	—	33,586	122,672	112,955	133,506
					6,272,963	**17,705,619**	**24,934,283**
Prepayments and other current assets							
Megamind IT Solution Company	Advance against outsourced IT services	198,220,042	145,890,763	—	33,691,866	2,585,038	12,503

Related Party	Nature of Transactions	Transactions for the Year			Balance as at 31 December		
		2022G	2021G	2020G	2022G	2021G	2020G
		SAR					
Amounts due to related parties							
Bait Al Batterjee Pharmaceutical Company	Supplies of certain pharmaceutical	42,673,880	14,416,747	16,124,727	13,212,103	2,528,390	3,057,528
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Repair of medical instruments	1,284,564	1,292,106	3,682,944	244,381	475,573	997,902
International Hospital Construction Company	Construction and renovation	149,898,920	244,979,177	85,746,243	59,141,629	128,436,823	149,575,235
Bait Al Batterjee Medical Company	Advisory fee	6,300,895	6,300,895	6,300,895	1,868,495	3,199,452	2,534,871
Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)	Janitorial services	14,881,326	19,789,628	11,769,744	449,169	—	—
					74,915,777	**134,640,238**	**153,120,511**

Source: Financial information in the table above in respect of 2022G and 2021G has been extracted from the 2022G Financial Statements, and in respect of 2020G, from the 2021G Financial Statements.

For further information, see note 24 to each of the 2022G Financial Statements and 2021G Financial Statements.

10. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Group's financial position and results of operations should be read in conjunction with the information set out in "Presentation of Financial and Other Information", "Summary of Financial Information" and the Financial Statements set forth elsewhere in this Base Prospectus.

This discussion and analysis of the Group's financial position and results of operations is based upon the Annual Financial Statements and Interim Financial Statements, which have been prepared in accordance with IFRS-KSA and IAS-34, as endorsed in Saudi Arabia, respectively, as well as the Group management's internal financial and operating records. This discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "Forecasts and Forward-Looking Statements" and "Risk Factors".

The data as at and for the three-month periods ended 31 March 2023G and 31 March 2022G has been extracted from the Interim Financial Statements prepared in accordance with IAS-34, as endorsed in Saudi Arabia. The data as at and for the year ended 31 December 2022G has been extracted from the 2022G Financial Statements prepared in accordance with IFRS-KSA. The data as at and for the year ended 31 December 2021G has been extracted from the comparative column of the 2022G Financial Statements prepared in accordance with IFRS-KSA. The data as at and for the year ended 31 December 2020G has been extracted from the comparative column of the 2021G Financial Statements prepared in accordance with IFRS-KSA.

See "Presentation of Financial and Other Information" for a further discussion of the source of the numbers presented in this section and certain other relevant information. In particular, that section explains that all financial information as at and for the three-month periods ended 31 March 2023G and 31 March 2022G in this section is unaudited. Investors should not rely on interim results as being indicative of the results the Group may achieve for the full year.

10.1 Overview

Middle East Healthcare Company, publicly known as Saudi German Health, was incorporated as a joint stock company pursuant to Ministerial Resolution number 2554 dated 16/03/1425H (corresponding to 05/05/2004G) issued by the Minister of Commerce and was registered under commercial registration number 4030149460 on 06/04/1425H (corresponding to 25/05/2004G). The Company has a paid-up share capital of SAR 920,400,000 divided into 92,040,000 ordinary shares with a nominal value of SAR 10 per share. The Company's head office is at Batterjee Street, Al Zahra District, P.O. Box 2550, Jeddah 21461, the Kingdom of Saudi Arabia. The Company's shares were listed on the Exchange on 20/06/1437H (corresponding to 29/03/2016G).

Currently, the Group has ten branches in the Kingdom, constituting one trading branch, two polyclinics located in Abha and Jeddah, and seven hospitals in Aseer, Jeddah, Riyadh, Madinah, Dammam and Makkah under the brand name "Saudi German Hospital". The Company has a subsidiary, NHC. NHC is a closed joint stock company owning SGH Hail.

In addition to the above, the Company has branches in Dubai and Cairo whose principal business is the provision of management services. These branches do not own or operate any hospitals.

Furthermore, the Company is party to a number of management supervision agreements for hospitals owned by third parties in Dubai, Sharjah and Ajman (United Arab Emirates), Cairo (Egypt) and Sanaa (Yemen).

The operations of the Group are predominantly conducted in the Kingdom. Business in other countries primarily represent management fees on overseas hospitals which represent 0.5% of total revenue of the Group for the year ended 31 December 2022G. For management purposes, the Group is organised into business units based on its products and services and has three main reportable segments namely, inpatient services, outpatient services and pharmacy sales.

10.2 Principal Factors Affecting Results of Operations

The Group's results of operations are affected by a variety of factors. The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations. Factors other than those discussed below could also have a significant impact on the Group's results of operations and financial condition in the future. See "*Risk Factors*."

10.3 Seasonal Factors and Business Cycles

The Group's revenues and profit margins are typically affected during Ramadan, Eid Al Adha, Eid Al Fitr, the Hajj season and the summer vacation periods as a large number of people travel either overseas or to their hometown within the Kingdom, away from the main cities in which the Group's hospitals are located. Generally, this results in a decrease in outpatient visits and inpatient admissions across all of the Group's hospitals save for the Group's operations in Makkah and Madinah which are well placed to provide medical services to pilgrims to these cities during the Hajj season thereby dampening the effects of seasonality.

The Group's revenue and profit margins may be impacted by the economic cycles in Saudi Arabia, which may lead to a decrease in government healthcare spending. Despite the growth in non-oil sectors in the Kingdom, the Saudi economy and government spending are still dependent on the price of oil in the international markets. Accordingly, any fluctuations in oil prices will generally have an impact on the Saudi economy and government spending, including healthcare spending.

10.4 Revenue Drivers

10.4.1 Healthcare Sector Growth

Management believes that the healthcare sector in the Kingdom is expected to grow due to steady population growth, changing demographics, the increasing number of new diseases, among both the elderly and the young, and the increase in health insurance coverage. In addition, diseases associated with modern lifestyles and an increase in chronic diseases are also expected to increase the demand for and expenditure related to healthcare services.

Finally, Vision 2030 and its various development projects will provide a significant boost to the healthcare sector, particularly the Kingdom's stated policy of not opening any new government hospitals. This provides an opportunity to increase private sector investment in health care and thereby increase operational efficiency and overall standards for patient's service. In parallel, the Groups expects to benefit from Government's continued efforts to diversify the economy through the implementation of programmes to realise Vision 2030 via encouraging domestic and foreign investments in various sectors including tourism and therefore increased demand in healthcare services.

10.4.2 Hospital Capacity Expansion

The Group's revenue depends largely on the number of inpatients admitted and outpatients registered at its medical facilities. The Group has increased both inpatient and outpatient capacity primarily as a result of adding, in 2022G, four new medical facilities to its network, including a clinic complex in Abha, a specialised hospital in Hai Al Jamea in Jeddah, a 300 bed tertiary hospital in Makkah and a new medical tower and bed expansion in Riyadh hospital. In 2020G, the Group added a hospital in Dammam with 150 licensed beds. As at 31 March 2023G, the Group operated 560 clinics and had a total licensed capacity of 1,517 beds and operational capacity of 1,318 beds. The Group believes that growing purchasing power and awareness of healthcare services will lead to greater demand for healthcare services in the Kingdom and that the Group must be ready to meet such demand. To that end, among the Group's various expansion plans is a SAR 399 million brownfield expansion and renovation in SGH Jeddah (Al-Zahra branch) which is expected to add 194 beds and 22 clinics in the first half of 2026G. The planned expansion will nearly double the number of beds in the Group's flagship hospital, which commenced operations in 1988.

10.4.3 Cost Drivers

The Group's costs primarily include salaries and benefits paid to doctors, nurses and other medical staff in addition to hospital materials and supplies which include medical and non-medical consumables including but not limited to medicines, medical disposables, consumables, laboratory materials and food items. Any changes in these cost items can affect the Group's financial performance. For example, staff salaries and benefits (forming part of cost of revenue) increased from SAR 601.0 million in 2020G to SAR 810.4 million in 2022G. This was primarily due to 388 newly-recruited doctors and 1,007 new nurses in line with the growth in the Company's operations as a result of increase in patients for the same period. In addition, staff costs for existing staff have also increased due to inflation and competitive pressures. Reflecting the Group's recruitment efforts and these additional pressures, its average salary cost per employee grew by 5.6 per cent. in 2022G compared to 2021G and by 10.9 per cent. in 2021G compared to 2020G. At the same time, the Group's revenue from contracts with customers increased from SAR 1,750.6 million in 2020G to SAR 2,151.7 million in 2022G. As the Group continues to digitalise its operations and procedures, the Group believes that it will be able to further control and reduce its operating cost base.

The table below shows a breakdown of the Group's total number of doctors and employees as at 31 December 2020G, 31 December 2021G, 31 December 2022G and 31 March 2023G:

	31 December 2020G		31 December 2021G		31 December 2022G		31 March 2023G	
	Doctors	Employees	Doctors	Employees	Doctors	Employees	Doctors	Employees
SGH Jeddah (Al-Zahra branch)	233	1,504	222	1,358	264	1,401	352	1,655
SGH Riyadh	152	1,133	246	1,235	219	1,208	228	1,218
SGH Aseer	176	946	212	1,005	243	1,190	194	979
SGH Madinah	136	812	147	950	174	1,017	173	968
SGH Dammam	73	589	81	469	121	652	106	623
SGH Makkah	—	—	—	—	71	416	79	466
AJ Sons	—	18	—	20	—	20	—	20
Beverly Clinics	11	54	16	55	11	62	11	62
SGH Jeddah (Al-Rawabi branch)	—	—	18	67	24	105	36	142
–SGH Dubai	—	—	—	15	—	16	—	15
–SGH Cairo	—	—	—	166	—	324	—	332
Abha Clinics	—	—	—	—	7	35	7	38
SGH Hail	63	498	66	196	98	579	94	534
SGH Head Office	—	120	—	119	—	118	—	115
Total	**844**	**5,574**	**1,008**	**5,955**	**1,232**	**7,143**	**1,280**	**7,167**

Source: The Company.

In line with the growth in the Group's operations, medicine and disposal supplies increased from SAR 390.0 million in 2020G to SAR 446.3 million in 2022G. However, the Group was able to reduce the cost of medicine and disposal supplies as percentage of revenue from 22.3% in 2020G to 20.7% in 2022G due to an increase in rebates and discounts from suppliers owing to economies of scale, improved pricing with key clients and obtained accreditations across the Group which improved pricing with MOH.

10.5 Significant Accounting Policies

For a summary of the significant accounting policies applied by the Group generally, see note 3 to the 2022G Financial Statements.

10.6 Significant Accounting Judgments, Estimates and Assumptions

In preparing the Group's consolidated financial statements, management is required to make certain 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 during the periods presented. Management bases its assumptions and estimates on parameters available at the time 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. 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.

For a discussion of the most significant accounting judgments, estimates and assumptions made in the preparation of the Financial Statements, see note 5 to the 2022G Financial Statements, note 5 to the 2021G Financial Statements and note 2.5 of the Interim Financial Statements.

10.7 Key Performance Indicators

The Group considers the following metrics to be the key performance indicators it uses to help evaluate growth trends, establish budgets, and assess operational performance and efficiencies. In addition to the Group's results determined in accordance with IFRS-KSA, the Group believes that the following non-IFRS-KSA financial measures and operational information are useful in evaluating the Group's operating performance.

	As at and for the three month period ended 31 March		As at and for the year ended 31 December		
	2023	2022	2022	2021	2020 (Restated)
	(per cent., unless otherwise indicated)				
	(Unaudited)				
EBITDA (SAR)[(1)]	126,141,919	70,573,545	295,851,329	207,627,145	242,105,595
Gross profit margin[(2)]	35.3	32.1	31.6	32.5	33.0
Operating profit margin[(3)]	12.0	6.9	6.5	2.9	6.1
EBITDA margin[(4)]	19.8	13.7	13.7	11.1	13.8
Net profit margin[(5)]	8.1	3.9	3.3	0.6	4.3
Total debt (SAR)[(6)]	2,228,605,121	2,026,364,657	2,240,478,189	1,966,812,010	1,549,794,738
Total debt / equity[(7)]	1.53x	1.54x	1.59x	1.52x	1.22x

Source: The Company.

Notes:

(1) EBITDA is calculated as the sum of profit for the year/period, *Zakat*, finance cost, net, depreciation on property and equipment, depreciation on right of use assets and amortisation of intangible assets.

(2) Gross profit margin is calculated by dividing gross profit by revenue from contracts with customers.

(3) Operating profit margin is calculated by dividing operating profit by revenue from contracts with customers.

(4) EBITDA margin is calculated by dividing EBITDA by revenue from contracts with customers.

(5) Net profit margin is calculated by dividing profit for the period/year (or net profit for the year in respect of 31 December 2022G and 31 December 2021G) by revenue from contracts with customers.

(6) Total debt consists of lease obligations, total loans and borrowings.

(7) Total debt / equity is calculated by dividing total debt by total equity.

The below is a numerical reconciliation of EBITDA to the nearest IFRS-KSA measure, which is profit for the year/period.

	For the three month period ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020 (Restated)
	(SAR, unless otherwise indicated)				
	(Unaudited)				
Profit for the year/period	51,970,224	20,060,951	71,602,364	11,732,486	75,185,067
Zakat	4,625,000	6,015,736	9,616,006	7,500,000	5,500,000
Finance cost, net	23,542,041	11,509,914	68,658,881	46,985,115	34,203,315
Depreciation on property and equipment	41,954,807	30,355,179	129,563,410	130,906,528	121,006,068
Depreciation on right of use assets	3,599,466	2,277,599	14,893,533	9,121,488	4,877,271
Amortisation of intangible assets	450,381	354,166	1,517,135	1,381,528	1,333,874
EBITDA	**126,141,919**	**70,573,545**	**295,851,329**	**207,627,145**	**242,105,595**

Source: The Company.

	2020G	2021G	2022G	Y-o-Y 2020G-2021G	Y-o-Y 2021G-2022G	CAGR[(4)] 2020G-2022G
Number of inpatients[(1)]	70,434	71,329	74,044	1.3%	3.8%	1.7%
Number of outpatients[(2)]	1,169,261	1,327,853	1,739,992	13.6%	31.0%	14.2%
Total number of patients	1,239,695	1,399,182	1,814,036	12.9%	29.6%	13.5%
Number of operational beds[(3)]	1,122	1,116	1,215	(0.5)%	8.9%	2.7%
Number of inpatients / operational bed	62.8	63.9	60.9	1.8%	(4.7)%	(1.0)%
Number of clinics	417	429	503	2.9%	17.2%	6.4%
Number of outpatients / clinic	2,804.0	3,095.2	3,459.2	10.4%	11.8%	7.3%
Number of surgeries	34,533	45,116	49,566	30.6%	9.9%	12.8%
Average length of stay (days)	4.08	3.66	3.78	(10.3)%	3.3%	(2.5)%

Source: The Company.

Notes:

(1) Inpatient refers to a patient who is admitted to the Group's hospital for at least one night.

(2) Outpatient refers to a patient who receives medical treatment or consultation at the Group's clinics but is not admitted.

(3) Operational beds refer to hospital beds which are operational and revenue generating.

(4) Compound annual growth rate.

10.8 Results of Operations

The below financial information and the discussion and analysis thereof is based on information derived from the Financial Statements for the following periods: (i) the three-month period ended 31 March 2023G compared to the three-month period ended 31 March 2022G; (ii) the year ended 31 December 2022G compared to the year ended 31 December 2021G; and (iii) the year ended 31 December 2021G compared to the year ended 31 December 2020G.

Three-month period ended 31 March 2023G and three-month period ended 31 March 2022G compared

The table below sets out information relating to the Group's reportable segments for the three-month periods ended 31 March 2023G and 31 March 2022G:

	31 March 2023G (unaudited)				
	Inpatient services	Outpatient services	Pharmacy sales	Others	Total
	SAR				
Revenue	369,082,767	176,604,455	90,424,098	1,877,441	637,988,761
Cost of revenue	(218,761,817)	(120,243,261)	(73,321,531)	(166,788)	(412,493,397)
Gross profit	**150,320,950**	**56,361,194**	**17,102,567**	**1,710,653**	**225,495,364**
Operating expenses					(148,988,691)
Operating profit					**76,506,673**
Finance charges					(23,542,041)
Other income					3,630,592
Zakat					(4,625,000)
Net profit					**51,970,224**

Source: Financial information in the table above has been extracted from the Interim Financial Statements.

	31 March 2022G (unaudited)				
	Inpatient services	Outpatient services	Pharmacy sales	Others	Total
	SAR				
Revenue	290,287,985	141,032,362	78,898,358	3,103,457	513,322,162
Cost of revenue	(186,567,670)	(95,372,344)	(66,356,514)	(3,858)	(348,300,386)
Gross profit	**103,720,315**	**45,660,018**	**12,541,844**	**3,009,599**	**165,021,776**
Operating expenses					(129,745,909)
Operating profit					**35,275,867**
Finance charges					(11,509,914)
Other income					2,310,734
Zakat					(6,015,736)
Net profit					**20,060,951**

Source: Financial information in the table above has been extracted from the Interim Financial Statements.

Revenue

The Group's revenue is derived principally from (i) rendering services to patients (both inpatient and outpatient), (ii) the sale of goods such as medicines and drugs as well as (iii) other services such as hospital management services.

The Group's revenue amounted to SAR 638.0 million for the three-month period ended 31 March 2023G compared to SAR 513.3 million for the comparable period in 2022G, representing an increase of SAR 124.7 million, or 24.3%. This increase was primarily due to:

- an increase of SAR 78.8 million, or 27.1%, in the Group's revenue from inpatient services from SAR 290.3 million for the three-month period ended 31 March 2022G to SAR 369.1 million for the comparable period in 2023G. This increase in revenue from inpatient services was driven by an increase in the aggregate number of inpatients (primarily due to an increase in capacity), particularly insurance-related inpatients, improved pricing with the MOH owing to the Group obtaining certain accreditations, higher ramp-up of capacity and utilisation in SGH Dammam, boosted by the signing of a contract with Saudi Aramco and the launch of SGH Makkah in September 2022;
- an increase of SAR 35.6 million, or 25.2%, in the Group's revenue from outpatient services from SAR 141.0 million for the three-month period ended 31 March 2022G to SAR 176.6 million for the comparable period in 2023G. This increase in revenue from outpatient services (primarily due to an increase in capacity) was driven by an increase in the aggregate number of cash and insurance outpatients and the increased capacities in Riyadh and Makkah; and
- an increase of SAR 11.5 million, or 14.6%, in the Group's revenue from pharmacy sales from SAR 78.9 million for the three-month period ended 31 March 2022G to SAR 90.4 million for the comparable period in 2023G. This increase in revenue from pharmacy sales was driven by the complementary increase in inpatient and outpatient services rendered which had increased for the reasons set out above.

Cost of revenue

The Group's cost of revenue principally consists of staff salaries and benefits, medicines and disposal supplies, depreciation of property and equipment and other expenses related to the provision of its healthcare services.

The Group's cost of revenue amounted to SAR 412.5 million for the three-month period ended 31 March 2023G compared to SAR 348.3 million for the comparable period in 2022G, representing an increase of SAR 64.2 million, or 18.4%. This increase reflected:

- an increase of SAR 32.2 million, or 17.3%, in the Group's costs related to revenue from inpatient services from SAR 186.6 million for the three-month period ended 31 March 2022G to SAR 218.8 million for the comparable period in 2023G. This increase in costs was driven by an increase in consumables cost as well as staff salaries and benefits which had not only increased due to the typical annual merit increase but also due to new hires as a result of the Group's capacity expansion and higher utilisation of the Group's existing facilities;
- an increase of SAR 24.9 million, or 26.1%, in the Group's costs related to revenue from outpatient services from SAR 95.4 million for the three-month period ended 31 March 2022G to SAR 120.2 million for the comparable period in 2023G. This increase in costs was driven by an increase in consumables cost as well as staff salaries and benefits which had not only increased due to the typical annual merit increase but also due to new hires as a result of the Group's capacity expansion and higher utilisation of existing facilities; and
- an increase of SAR 6.9 million, or 10.4%, in the Group's costs related to pharmacy sales from SAR 66.4 million for the three-month period ended 31 March 2022G to SAR 73.3 million for the comparable period in 2023G. This increase in costs is related to an increase in pharmacy revenue.

Gross profit

As a result of the foregoing, the Group's gross profit amounted to SAR 225.5 million for the three-month period ended 31 March 2023G compared to SAR 165.0 million for the comparable period in 2022G, an increase of SAR 60.5 million, or 36.6%.

Operating expenses

The Group's operating expenses primarily comprise selling and marketing expenses such as advertising and marketing and sales promotion expenses as well as general and administrative expenses such as administrative staff salaries and benefits and professional services.

The Group's operating expenses amounted to SAR 149.0 million for the three-month period ended 31 March 2023G compared to SAR 129.7 million for the comparable period in 2022G, representing an increase of SAR 19.2 million, or 14.8%. This increase was primarily attributable to expenses incurred in line with the Group's capacity expansion.

Operating profit

As a result of the foregoing, the Group's operating profit amounted to SAR 76.5 million for the three-month period ended 31 March 2023G compared to SAR 35.3 million for the comparable period in 2022G, representing an increase of SAR 41.2 million, or 116.9%.

Finance charges

The Group's finance charges amounted to SAR 23.5 million for the three-month period ended 31 March 2023G compared to SAR 11.5 million for the comparable period in 2022G, representing an increase of SAR 12.0 million, or 104.5%. This increase primarily reflected increases in leverage and finance costs on borrowings and the completion of projects which no longer require capitalisation.

Other income

Other income amounted to SAR 3.6 million for the three-month period ended 31 March 2023G compared to SAR 2.3 million for the comparable period in 2022G, representing an increase of SAR 1.3 million, or 57.1%. This increase primarily reflected an increase in donations received.

Zakat

The Group's zakat expense amounted to SAR 4.6 million for the three-month period ended 31 March 2023G compared to SAR 6.0 million for the comparable period in 2022G, a decrease of SAR 1.4 million, or 23.1%. The decrease reflected a reduction in Zakat provisions for the three-month period ended 31 March 2023G as the Group's actual zakat expense for the three-month period ended 31 March 2022G amounted to SAR 4.6 million.

Profit for the period

As a result of the foregoing, the Group's profit for the period amounted to SAR 52.0 million for the three-month period ended 31 March 2023G compared to SAR 20.1 million for the comparable period in 2022G, representing an increase of SAR 31.9 million, or 159.1%.

Other comprehensive income

For the three-month period ended 31 March 2023G, the Group's other comprehensive income was SAR 22.6 thousand compared to other comprehensive income of SAR 7.0 thousand for the comparable period in 2022G. The Group's other comprehensive income for the two three-month periods comprised exchange differences on the translation of foreign operations.

Total comprehensive income

Reflecting the above factors and the Group's net profit for the respective periods, the Group's total comprehensive income for the three-month period ended 31 March 2023G was SAR 52.0 million compared to SAR 20.1 million for the comparable period in 2022G, representing an increase of SAR 31.9 million, or 159.1%.

2022G, 2021G and 2020G compared

The table below sets out information relating to the Group's reportable segments for the years ended 31 December 2022G, 2021G and 2020G.

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

Source: Financial information in the table above has been extracted from the 2022G Financial Statements.

	31 December 2021G				
	Inpatient services	Outpatient services	Pharmacy sales	Others	Total
	SAR				
Revenue	1,098,304,743	491,235,877	265,423,792	17,656,378	1,872,620,790
Cost of revenue	(713,510,824)	(330,374,291)	(215,259,947)	(5,295,605)	(1,264,440,667)
Gross profit	**384,793,919**	**160,861,586**	**50,163,845**	**12,360,773**	**608,180,123**
Operating expenses					(553,935,419)
Operating profit					**54,244,704**
Finance charges					(46,985,115)
Other income					11,972,897
Zakat					(7,500,000)
Net profit for the year					**11,732,486**

Source: Financial information in the table above has been extracted from the 2022G Financial Statements.

	31 December 2020G (Restated)				
	Inpatient services	Outpatient services	Pharmacy sales	Others	Total
	SAR				
Revenue	1,063,677,689	390,877,666	283,963,945	12,065,303	1,750,584,603
Cost of revenue	(693,829,951)	(259,890,528)	(217,730,795)	(759,184)	(1,172,210,458)
Gross profit	**369,847,738**	**130,987,138**	**66,233,150**	**11,306,119**	**578,374,145**
Operating expenses					(470,963,341)
Operating profit					**107,410,804**
Finance charges					(34,203,315)
Other income					7,477,578
Zakat					(5,500,000)
Net profit					**75,185,067**

Source: Financial information in the table above has been extracted from the 2021G Financial Statements.

Revenue

The Group's revenue amounted to SAR 2,151.7 million in 2022G compared to SAR 1,872.6 million in 2021G and SAR 1,750.6 million in 2020G, representing an increase of SAR 279.1 million, or 14.9% in 2022G compared to 2021G and an increase of SAR 122.0 million, or 7.0% in 2021G compared to 2020G.

The SAR 279.1 million increase in 2022G compared to 2021G principally reflected:

- an increase of SAR 140.7 million, or 12.8%, in the Group's revenue from inpatient services from SAR 1,098.3 million in 2021G to SAR 1,239.0 million in 2022G. This increase in revenue from inpatient services was driven by an increase in the actual number of nights stayed by inpatients resulting from the commencement of operations of SGH Makkah in September 2022G as well as an increase in the number of insurance patients post the peak of the COVID-19 pandemic;
- an increase of SAR 96.6 million, or 19.7%, in the Group's revenue from outpatient services from SAR 491.2 million in 2021G to SAR 587.9 million in 2022G. This increase in revenue from outpatient services was driven by an increase in the number of clinics primarily resulting from the opening of the Saudi German Clinics Complex at Al Samer District in Abha city as well as an increase in the number of insured patients post the peak of the COVID-19 pandemic; and
- an increase of SAR 48.1 million, or 18.1%, in the Group's revenue from pharmacy sales from SAR 265.4 million in 2021G to SAR 313.5 million in 2022G. This increase in revenue from pharmacy sales was driven by the complementary increase in inpatient and outpatient services rendered which had increased for the reasons provided above.

The SAR 122.0 million increase in 2021G compared to 2020G principally reflected:

- an increase of SAR 34.6 million, or 3.3%, in the Group's revenue from inpatient services from SAR 1,063.7 million in 2020G to SAR 1,098.3 million in 2021G. This increase in revenue from inpatient services was driven by an increase in the number of inpatients admitted to and overall capacity utilisation of SGH Dammam; and
- an increase of SAR 100.4 million, or 25.7%, in the Group's revenue from outpatient services from SAR 390.9 million in 2020G to SAR 491.2 million in 2021G. This increase in revenue from outpatient services was driven by an increase in the number of clinics at and outpatient visitors to SGH Dammam.

The increase in the Group's revenue in 2021G was partially offset by a decrease in revenue from pharmacy sales of SAR 18.5 million, or 6.5%, from SAR 284.0 million in 2020G to SAR 265.4 million in 2021G. This decrease in revenue from pharmacy sales was primarily a result of added focus given to the Group's consultancy and investigative (i.e. laboratory and radiology diagnostic tests) businesses and actively prescribing generic medication instead of brand name medication.

Cost of revenue

The table below sets out the Group's cost of revenue for the years ended 31 December 2022G, 2021G and 2020G:

	2022G	2021G	2020G
	SAR		
Staff salaries and benefits	810,436,022	678,941,295	600,969,916
Medicines and disposal supplies	446,265,740	392,585,087	390,009,379
Depreciation on property and equipment	108,038,843	100,257,502	97,341,932
Janitorial expenses	32,798,505	31,198,235	25,549,084
Utilities	26,058,139	20,809,191	22,360,495
Maintenance	16,739,512	15,137,988	11,151,333
Stationary	4,083,659	4,801,036	4,705,240
Depreciation on right of use assets	4,642,091	893,129	893,125
Travelling expense	—	—	364,219
Other expenses	22,672,722	19,817,204	18,865,735
	1,471,735,233	**1,264,440,667**	**1,172,210,458**

Source: Financial information in the table above for the years ended 31 December 2022G and 31 December 2021G has been extracted from the 2022G Financial Statements, and for the year ended 31 December 2020G, from the 2021G Financial Statements.

The Group's cost of revenue amounted to SAR 1,471.7 million in 2022G compared to SAR 1,264.4 million in 2021G and SAR 1,172.2 million in 2020G, representing an increase of SAR 207.3 million, or 16.4% in 2022G compared to 2021G and an increase of SAR 92.2 million, or 7.9% in 2021G compared to 2020G.

The SAR 207.3 million increase in 2022G compared to 2021G principally reflected (i) a SAR 131.5 million, or 19.4%, increase in staff salaries and benefits and (ii) a SAR 53.7 million, or 13.7%, increase in medicines and disposal supplies. The increase in staff salaries and benefits was driven by the typical annual merit increase as well as an increase in headcount in line with the growth in the Group's operations in Makkah, Cairo and Hai Jama. The increase in medicines and disposal supplies was similarly driven by such growth.
The SAR 92.2 million increase in 2021G compared to 2020G principally reflected a SAR 78.0 million, or 13.0%, increase in staff salaries and benefits which was driven by the typical annual merit increase as well as an increase in headcount in line with the growth in the Group's operations particularly in Cairo.

Gross profit

As a result of the foregoing, the Group's gross profit amounted to SAR 680.0 million in 2022G compared to SAR 608.2 million in 2021G and SAR 578.4 million in 2020G, representing an increase of SAR 71.8 million, or 11.8% in 2022G compared to 2021G and an increase of SAR 29.8 million, or 5.2% in 2021G compared to 2020G.

Operating expenses

The Group's operating expenses amounted to SAR 539.7 million in 2022G compared to SAR 553.9 million in 2021G and SAR 471.0 million in 2020G, representing a decrease of SAR 14.3 million, or 2.6% in 2022G compared to 2021G and an increase of SAR 83.0 million, or 17.6% in 2021G compared to 2020G.

The SAR 14.3 million decrease in 2022G compared to 2021G principally reflected (i) a SAR 16.0 million, or 41.3%, decrease in advertising and marketing expenses, (ii) a SAR 17.6 million, or 42.1%, decrease in other expenses, (iii) a SAR 9.1 million, or 29.8%, decrease in depreciation – general and administrative expenses and (iv) a SAR 7.0 million, or 16.9%, decrease in professional services expenses. The decrease in 2022G was partially offset by a SAR 15.3 million, or 111.4%, increase in allowance for expected credit loss and a SAR 13.7 million, or 6,043.0%, increase in government taxes and fees.

The SAR 83.0 million increase in 2021G compared to 2020G principally reflected (i) a SAR 41.1 million, or 13.1%, increase in staff salaries and benefits – general and administrative expenses primarily due to commencement of operations by SGH Dammam, (ii) a SAR 18.2 million, or 77.9%, increase in professional services expenses primarily due to Group's re-branding and transformation projects, (iii) a SAR 16.3 million, or 64.2%, increase in other expenses and (iv) a SAR11.5 million, or 41.9%, increase in advertising and marketing expenses primarily due to Group's re-branding project. The increase in 2021G was partially offset by a SAR 21.1 million, or 287.3%, reversal in allowance for expected credit loss.

Operating profit

As a result of the foregoing, the Group's operating profit amounted to SAR 140.3 million in 2022G compared to SAR 54.2 million in 2021G and SAR 107.4 million in 2020G, representing an increase of SAR 86.1 million, or 158.7% in 2022G compared to 2021G and a decrease of SAR 53.2 million, or 49.5% in 2021G compared to 2020G.

Finance charges

The Group's finance charges amounted to SAR 68.7 million in 2022G compared to SAR 47.0 million in 2021G and SAR 34.2 million in 2020G, representing an increase of SAR 21.7 million, or 46.1% in 2022G compared to 2021G and an increase of SAR 12.8 million, or 37.4% in 2021G compared to 2020G. The increase in both years principally reflected a SAR 24.5 million, or 58.9%, increase in finance costs on borrowings in 2022G compared to 2021G and a SAR 10.4 million, or 33.4%, increase in finance costs on borrowings in 2021G compared to 2020G.

Other income

Other income amounted to SAR 9.5 million in 2022G compared to SAR 12.0 million in 2021G and SAR 7.5 million in 2020G, representing a decrease of SAR 2.4 million, or 20.3% in 2022G compared to 2021G and an increase of SAR 4.5 million, or 60.1% in 2021G compared to 2020G. The decrease in 2022G compared to 2021G was primarily a result of exchange rate loss of SAR 4.7 million on Egyptian Pound balances booked in 2022G and the increase in 2021G compared to 2020G was primarily a result of an increase in miscellaneous income by SAR 2.4 million.

Zakat

The Group's zakat expense amounted to SAR 9.6 million in 2022G compared to SAR 7.5 million in 2021G and SAR 5.5 million in 2020G, representing an increase of SAR 2.1 million, or 28.2% in 2022G compared to 2021G and an increase of SAR 2.0 million, or 36.4% in 2021G compared to 2020G. These increases in zakat expenses were primarily a result of an increase in provisioning owing to projected growth in revenue and profitability.

The Group has filed its zakat and income tax returns with ZATCA and paid zakat for the financial years up to and including 2022G.

Net profit

As a result of the foregoing, the Group's net profit amounted to SAR 71.6 million in 2022G compared to SAR 11.7 million in 2021G and SAR 75.2 million in 2020G, representing an increase of SAR 59.9 million, or 510.3% in 2022G compared to 2021G and a decrease of SAR 63.5 million, or 84.4% in 2021G compared to 2020G.

Other comprehensive income / (loss)

The Group's other comprehensive income was SAR 41.2 million in 2022G compared to SAR 8.8 million in 2021G and other comprehensive loss of SAR 23.2 million in 2020G.

The Group's other comprehensive income in 2022G principally reflected a SAR 40.5 million remeasurement gain on employees' end-of-service benefits.

The Group's other comprehensive income in 2021G principally reflected a SAR 8.8 million remeasurement gain on employees' end-of-service benefits.

The Group's other comprehensive loss in 2020G principally reflected a SAR 23.2 million remeasurement loss on employees' end-of-service benefits.

Total comprehensive income

Reflecting the above factors and the Group's net profit for each year, the Group's total comprehensive income in 2022G was SAR 112.9 million compared to SAR 20.5 million in 2021G and SAR 52.0 million in 2020G.

10.9 Liquidity and Capital Resources

10.9.1 Overview

The Group's liquidity needs arise primary from the working capital requirements of its healthcare business as well as to fund its capital and investment expenditure. To date, the Group's liquidity needs have been funded principally through cash provided by its operating activities and third-party debt.

10.9.2 Consolidated cash flows

The tables below show the Group's cash flow from operating activities, investing activities and financing activities for the three-month periods ended 31 March 2023G and 2022G and for the years ended 31 December 2022G, 2021G and 2020G.

	Three-month period ended 31 March	
	(Unaudited)	
	2023G	2022G
	SAR	
Net cash generated from operating activities	119,515,794	23,901,487
Net cash used in investing activities	(70,089,410)	(52,780,868)
Net cash (used in) / generated from financing activities	(50,980,966)	45,739,329
Bank balances and cash at the beginning of the period	15,601,613	28,129,407
Bank balances and cash at the end of the period	14,047,031	44,989,355

Source: Financial information in the table above has been extracted from the Interim Financial Statements.

	Years ended 31 December		
	2022G	2021G	2020G
	(Restated)		
	SAR		
Net cash flows from / (used in) operating activities	76,023,275	76,621,685	(229,148,192)
Net cash flows used in investing activities	(249,396,230)	(417,388,381)	(294,114,330)
Net cash flows from financing activities	160,845,161	351,986,157	486,289,628
Cash and cash equivalents at the beginning of the year	28,129,407	16,909,946	53,882,840
Cash and cash equivalents at the end of the year	15,601,513	28,129,407	16,909,946

Source: Financial information in the table above for the years ended 31 December 2022G and 31 December 2021G has been extracted from the 2022G Financial Statements, and for the year ended 31 December 2020G, from the 2021G Financial Statements.

10.9.3 Operating activities

Three-month period ended 31 March 2023G and three-month period ended 31 March 2022G

The Group's net cash generated from operating activities for the three-month period ended 31 March 2023G was SAR 119.5 million compared to SAR 23.9 million for the comparable period in 2022G.

The Group's net cash generated from operations before changes in operating assets and liabilities amounted to SAR 138.3 million for the three-month period ended 31 March 2023G and SAR 82.0 million for the comparable period in 2022G. The Group's net cash generated from operations before changes in operating assets and liabilities in each period principally reflected its profit for the period before zakat adjusted to add back depreciation of property and equipment, financial charges related to borrowings and provision for employee benefits.

The principal changes in operating assets and liabilities for the three-month period ended 31 March 2023G were a decrease of SAR 214.2 million in trade receivables and an increase of SAR 98.3 million in trade payables. The principal changes in operating assets and liabilities for the three-month period ended 31 March 2022G were a decrease of SAR 105.8 million in trade receivables and an increase of SAR 48.6 million in accrued expenses and other current liabilities.

The years ended 31 December 2022G, 2021G and 2020G

The Group's net cash flow from operating activities for 2022G was SAR 76.0 million compared to SAR 76.6 million for 2021G and a net cash outflow of SAR 229.1 million for 2020G.

The Group's net cash from operations before changes in operating assets and liabilities amounted to SAR 346.5 million in 2022G compared to SAR 240.9 million in 2021G and SAR 291.1 million in 2020G. The Group's net cash from operations before changes in operating assets and liabilities in each year principally reflected its profit before zakat for the year adjusted to add back depreciation on property and equipment, finance charges related to borrowings and provisions for employees' end of service benefits.

The principal changes in operating assets and liabilities in 2022G were a decrease of SAR 354.0 million in trade receivables and an increase of SAR 124.1 million in trade payables. The principal changes in operating assets and liabilities in 2021G were a decrease of SAR 59.9 million in trade payables and an increase of SAR 5.0 million in accrued expenses and other current liabilities. The principal changes in operating assets and liabilities in 2020G were a decrease of SAR 473.5 million in trade receivables and an increase of SAR 27.9 million in accrued expenses and other current liabilities.

10.9.4 Investing activities

Three-month period ended 31 March 2023G and three-month period ended 31 March 2022G

Net cash flows used in investing activities for the three-month period ended 31 March 2023G was SAR 70.1 million compared to SAR 52.8 million for the comparable period in 2022G. In each period, the principal investment activities were the purchase of property and equipment, and intangible assets. The Group's purchase of property and equipment, and intangible assets amounted to SAR 70.1 million and SAR 52.8 million for the three-month periods ended 31 March 2023G and 31 March 2022G, respectively.

The years ending in 2022G, 2021G and 2020G

Net cash flows used in investing activities for 2022G was SAR 249.4 million compared to SAR 417.4 million for 2021G and SAR 294.1 million for 2020G and was primarily used to purchase property and equipment in all three years.

10.9.5 Property and Equipment

The Group's purchases of property and equipment amounted to SAR 249.5 million in 2022G compared to SAR 416.6 million in 2021G and SAR 293.1 million in 2020G. The increase in the Group's purchases of property and equipment in 2021G and subsequent decrease in 2022G is primarily attributable to capital work-in-progress in 2021G in respect of the construction of a new hospital in SGH Makkah, expansion of a hospital in Riyadh and staff accommodation in Dammam which declined in 2022G with these projects transitioning to their completion phase. In addition, the Group invested SAR 953.3 thousand in intangible assets such as software in 2021G.

The Group is planning a SAR 399 million brownfield expansion and renovation that is expected to add 194 beds and 22 clinics in SGH Jeddah (Al-Zahra branch). The expansion is expected to complete in the first half of 2026G.

The table below sets out certain information in relation to the Group's property and equipment for the years ended 31 December 2020G, 2021G and 2022G:

	Land	Buildings	Medical equipment	Motor vehicles	Furniture and equipment	Non-consumable items	Capital work in progress[1]	Total
	SAR							
Cost								
As at 1 January 2020G	**183,944,120**	**1,060,476,092**	**749,242,180**	**12,319,434**	**227,405,213**	**2,717,952**	**741,338,333**	**2,977,443,324**
Additions	—	3,599,200	41,280,804	941,806	17,354,075	959,628	228,938,148	293,073,661
Disposals	—	(3,536,678)	(48,123,269)	(592,340)	(7,772,152)	(535,626)	(54,483)	(60,614,548)
Transfers	—	154,121,416	91,535,609	—	146,704,024	4,513,214	(396,874,263)	—
Transfers to intangibles	—	—	—	—	—	—	(1,816,740)	(1,816,740)
As at 31 December 2020G	**183,944,120**	**1,214,660,030**	**833,935,324**	**12,668,900**	**383,691,160**	**7,655,168**	**571,530,995**	**3,208,085,697**
Additions	—	5,476,540	50,605,849	520,000	12,310,716	663,375	346,984,556	416,561,036
Disposals	—	(4,000)	(31,011,537)	(445,151)	(10,837,785)	(820,857)	—	(43,119,330)
Transfers	—	19,049,395	846,178	—	3,723,817	—	(23,619,390)	—
Transfers to intangibles	—	—	—	—	—	—	(885,519)	(885,519)
As at 31 December 2021G	**183,944,120**	**1,239,181,965**	**854,375,814**	**12,743,749**	**388,887,908**	**7,497,686**	**894,010,642**	**3,580,641,884**
Additions	—	13,270,918	67,551,373	147,600	8,819,925	1,179,972	158,554,290	249,524,078

	Land	Buildings	Medical equipment	Motor vehicles	Furniture and equipment	Non-consumable items	Capital work in progress[1]	Total
	SAR							
Disposals	—	—	(37,298,288)	(538,491)	(17,031,582)	(2,848,709)	—	(57,717,070)
Transfers	—	312,322,667	—	1,325,940	139,444,032	—	(454,699,041)	(1,606,402)
Reclassification from intangible assets	—	—	—	—	16,824	—	—	16,824
Translation differences	—	(354,938)	—	—	(1,119,645)	—	(56,537)	(1,531,120)
As at 31 December 2022G	**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**
Accumulated depreciation:								
As at 1 January 2020G	**—**	**430,896,202**	**485,920,032**	**7,485,393**	**141,869,592**	**1,905,287**	**—**	**1,068,076,506**
Charge during the year	—	32,439,996	57,822,916	843,046	25,345,764	4,554,346	—	121,006,068
Disposals	—	(74,033)	(47,251,591)	(551,362)	(6,241,084)	(517,229)	—	(54,635,299)
As at 31 December 2020G	**—**	**463,262,165**	**496,491,357**	**7,777,077**	**160,974,272**	**5,942,404**	**—**	**1,134,447,275**
Charge during the year	—	35,981,834	61,298,453	866,345	30,847,736	1,912,160	—	130,906,528
Disposals	—	(126)	(30,330,711)	(445,147)	(9,663,435)	(810,113)	—	(41,249,532)
As at 31 December 2021G	**—**	**499,243,873**	**527,459,099**	**8,198,275**	**182,158,573**	**7,044,451**	**—**	**1,224,104,271**
Charge during the year	—	42,992,760	53,670,523	978,016	31,104,520	817,591	—	129,563,410
Disposals	—	(389,834)	(36,335,618)	(538,485)	(16,080,513)	(2,263,116)	—	(55,607,566)
Translation differences	—	(43,254)	—	—	(184,291)	—	—	(227,545)
As at 31 December 2022G	**—**	**541,803,545**	**544,794,004**	**8,637,806**	**196,998,289**	**5,598,926**	**—**	**1,297,832,570**
Net book value								
At 31 December 2020G	183,944,120	751,397,865	337,443,967	4,891,823	222,716,888	1,712,764	571,530,995	2,073,638,422
At 31 December 2021G	183,944,120	739,938,092	326,916,715	4,545,474	206,729,335	453,235	894,010,642	2,356,537,613
At 31 December 2022G	183,944,120	1,022,617,067	339,834,895	5,040,992	322,019,173	230,023	597,809,354	2,471,495,624

Source: Financial information in the table above for the years ended 31 December 2022G and 31 December 2021G has been extracted from the 2022G Financial Statements, and for the year ended 31 December 2020G, from the 2021G Financial Statements.

Notes:

(1) Capital work-in-progress represents the progress billings for the construction of a new hospital in Makkah, expansion of a hospital in Riyadh, staff accommodation in Dammam, and renovations of several hospital buildings at different locations. The amount of borrowing costs capitalised during the year ended 31 December 2022G was SAR 10.8 million (2021G: SAR 9.4 million and 2020G: SAR 17.5 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.90% to 5.50%, which is the effective profit rate of the specific borrowing.

(2) As at 31 December 2022G, land buildings with a net book value amounting to SAR 257.0 million (2021G: SAR 368.7 million and 2020G: SAR 381.7 million) are pledged to secure loans from the MOF (see note 17 to the 2022G Financial Statements and note 22 to the 2021G Financial Statements).

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 recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

An item of property and equipment is de-recognised 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-recognised.

10.9.6 Capital work-in-progress

Capital work-in-progress is carried at cost less any recognised impairment loss and is capitalised 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.

10.9.7 Depreciation

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

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

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

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

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

The following table sets out the allocation of depreciation charges for the years ended 31 December 2022G, 2021G and 2020G:

	2022G	2021G	2020G
	SAR		
Cost of revenue	108,038,843	100,257,502	97,341,932
General and administrative expenses	21,524,567	30,649,026	23,664,136
Total	**129,563,410**	**130,906,528**	**121,006,068**

Source: Financial information in the table above for the years ended 31 December 2022G and 31 December 2021G has been extracted from the 2022G Financial Statements, and for the year ended 31 December 2020G, from the 2021G Financial Statements.

10.9.8 Financing activities

Three-month period ended 31 March 2023G and three-month period ended 31 March 2022G

Net cash used in financing activities was SAR 51.0 million for the three-month period ended 31 March 2023G compared to net cash generated from financing activities of SAR 45.7 million for the comparable period in 2022G.

For the three-month period ended 31 March 2023G, the cash flows used for the Group's principal financing activities were SAR 961.3 million in repayment of loans and borrowings and SAR 33.4 million in financial charges paid. For the three-month period ended 31 March 2022G, the cash flows used for the Group's primary financing activities were SAR 195.6 million in repayment of loans and borrowings and SAR 9.1 million in financial charges paid.

10.9.9 The years ending in 2022G, 2021G and 2020G

The Group's net cash flows from financing activities was SAR 160.8 million in 2022G compared to SAR 352.0 million for 2021G and SAR 486.3 million for 2020G.

In 2022G, the cash flows used for the Group's primary financing activities were SAR 937.0 million in repayment of loans and SAR 69.6 million in finance charges paid. In 2021G, the cash flows used for the Group's primary financing activities were SAR 695.7 million in repayment of loans and SAR 47.1 million in finance charges paid. In 2020G, the cash flows used for the Group's principal financing were SAR 413.7 million in repayment of loans and SAR 30.3 million in finance charges paid.

10.10 Funding

10.10.1 Capitalisation

The Group's equity funding comprises mainly share capital, the statutory reserve and retained earnings.

As at 31 March 2023G, the Group's share capital amounted to SAR 920.4 million, comprising 92.04 million shares of SAR 10 par value each. As at the same date, the Group's statutory reserve amounted to SAR 201.1 million and its retained earnings amounted to SAR 292.8 million.

In accordance with Saudi Regulations for Companies and the Company's bylaws, the Group is establishing the statutory reserve by appropriation of 10.0% of the annual net profit until the reserve is equal to 30.0% of share capital. This statutory reserve is not available for distribution to shareholders.

The Group's other reserves comprise a foreign currency translation reserve which amounted to SAR 0.7 million as at 31 March 2023G.

10.10.2 Loans and Borrowings

The Group's loans and borrowings as at 31 March 2023G, 31 December 2022G, 31 December 2021G and 31 December 2020G comprise the following:

	31 March 2023G	2022G	2021G	2020G
	(Unaudited)			
	SAR			
Loan from the Ministry of Finance	197,944,042	200,247,683	183,283,563	158,589,873
Less: Unamortised portion of transaction cost[1]	(12,128,116)	(12,128,116)	(13,602,238)	(15,247,580)
Loan from the Ministry of Finance, net[2]	185,815,926	188,119,567	169,681,325	143,342,293
Long term loans[3]	1,162,204,227	1,180,320,704	1,039,999,055	816,101,271
Short term loans[4]	813,029,378	803,218,790	722,324,720	563,218,626
	2,161,049,531	**2,171,659,061**	**1,932,005,100**	**1,522,662,190**
Current portion				
Long term loans	180,674,684	180,674,684	174,475,468	107,142,856
Short-term borrowings	813,029,378	803,218,790	722,324,720	563,218,626
Loan from the Ministry of Finance, net	9,230,097	7,078,671	7,008,378	4,900,343
	1,002,934,159	**990,972,145**	**903,808,566**	**675,261,825**
Non-current portion				
Long term loans	981,529,543	999,646,021	865,523,588	708,958,415
Loan from the Ministry of Finance, net	176,585,829	181,040,895	162,672,946	138,441,950
	1,158,115,372	1,180,686,916	1,028,196,534	847,400,365
	2,161,049,531	**2,171,659,061**	**1,932,005,100**	**1,522,662,190**

Source: Financial information in the table above as at 31 March 2023G has been extracted from the Interim Financial Statements, as at 31 December 2022G and 31 December 2021G, from the 2022G Financial Statements, and as at 31 December 2020G, from the 2021G Financial Statements.

Notes:

(1) See note 18 to the 2022G Financial Statements and note 18 to the 2021G Financial Statements.

(2) The outstanding balance comprises:

- an interest free loan to support the construction of a hospital by NHC. The loan is to be repaid in 20 equal annual instalments commencing in 2018. The net amount payable as at 31 December 2022G was SAR 52.2 million (2021G: SAR 55.7 million); and
- a Murabaha facility for the construction of Dammam Hospital. The loan carries mark-up at the rate of 2.5% on the outstanding balance. The loan is repayable in 16 semi-annual instalments commencing in February 2022G. The net amount payable as at 31 December 2022G was SAR 148.0 million (2021G: SAR 127.6 million).

The loans from the MOF are secured by the mortgage of the lands and buildings of Saudi German Hospital – Madinah, Dammam and Hail. See note 7 to the 2022G Financial Statements, note 7 to the 2021G Financial Statements and note 5.3 to the Interim Financial Statements.

(3) The long-term loans were obtained from local commercial banks and the outstanding balance comprises:

- a Murabaha term facility from a commercial bank for part funding the construction of hospital projects at Dammam and Makkah amounting to SAR 500.0 million. The loan was available for drawdown over a period of three years started from December 2017G. The first repayment was due in June 2021G and the last will be in December 2026G. This loan is secured by promissory note from the Company. As at 31 December 2022G, the net amount payable is SAR 357.1 million (2021G: SAR 399.3 million);
- a long-term loan amounting to SAR 185.0 million approved during the year ended 31 December 2021G. The net amount payable as at 31 December 2022G was SAR 165.4 million (2021G: SAR 110.7 million). This loan is secured by promissory note from the Company;
- a Murabaha facility from a commercial bank amounting to SAR 500.0 million secured by the Company in July 2018 for part funding the construction of a hospital project at Makkah and the expansion and medical tower project at SGH Riyadh. The loan was to be drawn over a period of three years started from July 2018. The first repayment was in September 2021G and last payment will be in March 2028. This loan is secured by promissory note from the Company. The net amount payable as at 31 December 2022G was SAR 435.6 million (2021G: SAR 480.7 million);
- a long-term loan amounting to SAR 100.0 million which was approved during the year ended 31 December 2019G by a commercial bank. The net amount payable as at 31 December 2022G was SAR 66.1 million (2021G: SAR 49.3 million); and
- a long-term loan amounting to SAR 200.0 million which was approved during the year ended 31 December 2022G by a commercial bank. The net amount payable as at 31 December 2022G was SAR 156.0 million (2021G: nil). This loan is secured by promissory note from the Company.

(4) The short-term loans were obtained from various banks which are secured by promissory notes from the Company. The outstanding balance comprises:

- a short-term loan amounting to SAR 120.0 million obtained by the Company in December 2020G for the working capital management. The net amount payable as at 31 December 2022G was SAR 118.0 million (2021G: SAR 118.6 million);
- a revolving working capital facility which was increased from SAR 35.0 million to SAR 150.0 million pursuant to an amendment to the Islamic financing agreement signed between the Group and a commercial bank. The net amount payable as at 31 December 2022G was SAR 94.7 million (2021G: SAR 149.7 million);
- a loan facility amounting to SAR 250.0 million received in October 2018G from a commercial bank. The net amount payable as at 31 December 2022G was SAR 149.8 million (2021G: SAR 172.0 million);
- a short-term loan amounting to SAR 100.0 million which was approved during the year ended 31 December 2020G from a commercial bank for working capital purposes. The net amount payable as at 31 December 2022G was SAR 99.8 million (2021G: SAR 66.7 million);
- a loan amount of SAR 150.0 million which was approved during the year ended 31 December 2019G from a commercial bank. The net amount payable as at 31 December 2022G was SAR 146.2 million (2021G: SAR 137.0 million);
- a loan amount of SAR 150.0 million which was approved during the year ended 31 December 2019G from a commercial bank. The net amount payable as at 31 December 2022G was SAR 149.8 million (2021G: SAR 78.4 million); and
- a loan amount of SAR 50.0 million which was approved during the year ended 31 December 2022G from a commercial bank. The net amount payable as at 31 December 2022G was SAR 44.8 million (2021G: nil).

(5) Short term and long-term loans from commercial banks are borrowed at SIBOR plus an agreed mark up.

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

Save as set out in the notes to the table above, there are no other mortgages, rights or charges on the Group's properties.

The table below shows the maturity profile of the Group's loans and borrowings as at 31 December 2022G.

Repayable within 12 months (SAR)	990,972,145
Repayable between one to five years (SAR)	924,716,266
Repayable in more than five years (SAR)	255,970,650
	2,171,659,061

Source: Financial information in the table above as at 31 December 2022G has been extracted from the 2022G Financial Statements.

There has not been any commissions, discounts, brokerages or other non-cash compensation granted within the three years immediately preceding the application for registration and admission to listing in connection with an issue or offer of any securities by the Issuer or any of the Issuer's subsidiaries.

The Issuer does not have any holdings which significantly affect the assessment of the Issuer's financial position.

10.11 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 maximise 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 2022G, 31 December 2021G and 31 December 2020G.

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.

The table below sets out the capital and net debt position of the Group as at 31 December 2022G, 2021G and 2020G:

	2022G	2021G	2020G
	(SAR except percentage)		
Loans and borrowings	2,171,659,061	1,932,005,100	1,522,662,190
Lease liabilities	68,819,128	34,806,910	27,132,548
Other financial liabilities	11,814,777	18,528,874	25,938,548
Trade and other payables	613,482,182	438,637,327	493,580,058
Less: Cash and cash equivalents	(15,601,613)	(28,129,407)	(16,909,946)
Net debt	**2,850,173,535**	**2,395,848,804**	**2,052,403,398**
Equity	1,408,159,846	1,295,307,741	1,274,793,325
Capital and net debt	**4,258,333,381**	**3,691,156,545**	**3,327,196,723**
Gearing ratio(1)	67%	65%	62%

Source: Financial information in the table above as at 31 December 2022G and 31 December 2021G has been extracted from the 2022G Financial Statements, and as at 31 December 2020G, from the 2021G Financial Statements.

Note:

(1) Calculated as net debt divided by capital and net debt.

The Directors confirm that none of the Company's or its subsidiary's capital is under option.

The Directors also confirm that neither the Company nor its subsidiary have any debt instruments and did not authorise the issuance of such instruments as at the date of this Base Prospectus.

The Directors confirm that the Group is not aware of any governmental, economic, fiscal, monetary or political policies or other factors that have materially affected, or could materially affect, directly or indirectly, the operations of the Group.

10.12 Commitments and Contingencies

As at 31 March 2023G, the Group had the following commitments and contingent liabilities:

- certain employees have filed cases against the Group relating to unlawful dismissal, dismissal without notice and other compensation. As at 31 March 2023G, the total claims amounted to SAR 5.8 million (31 December 2022G: SAR 3.5 million). Most of the cases are currently being heard in labour courts. Management is confident that these cases will be resolved in the Group's favour and thus no provision is required in this regard;
- the Company and its subsidiary are contesting various cases of alleged non-compliance of regulations. As at 31 March 2023G, the total amount under consideration is SAR 1.4 million (31 December 2022G: nil). Most of the cases are currently being heard. Management is confident that these cases will be resolved in the Group's favour and thus no provision is required in this regard;
- as at 31 March 2023G, the Group had commitments with related parties amounting to SAR 23.0 million (31 December 2022G: SAR 207.1 million) relating to capital expenditures;
- as at 31 March 2023G, the Group had outstanding open Zakat and WHT assessment with the ZATCA for the years 2015G to 2018G amounting to SAR 122.0 (SAR 83.0 million related to Zakat differences and SAR 39.0 million related to WHT). The Company has made an appeal to the Tax Violation and Dispute Appellate Committee in respect of such assessment. The Group also had outstanding Zakat assessment for the years 2019G to 2020G amounting to SAR 68.0 million as at 31 March 2023G which it is in the process of appealing against. Management believes that it has a strong chance to win both cases above. See note 4 to the Interim Financial Statements; and
- as at 31 March 2023G, the Group had outstanding letters of guarantee amounting to SAR 40.1 million to the favour of ZATCA against the assessment of Zakat and tax for the years ended 31 December 2014G, 31 December 2019G and 31 December 2020G with cover of 14.5 million. See note 8 to the Interim Financial Statements.

10.13 Supplemental financial and operating data

The tables set out below contain selected supplemental financial and operating data for the Group for the periods set out below (the "**Supplemental Information**"). The Supplemental Information was derived from Group's management's internal financial and operating records. Investors should note that the Supplemental Information is not based on IFRS-KSA, has not been reviewed or audited by either EY or KPMG, and is provided for the purposes of supplemental information only. Investors are strongly cautioned not to place undue reliance on the Supplemental Information.

The tables below show a breakdown of the Group's revenue by client category for the three-month periods ended 31 March 2023G and 31 March 2022G, and the years ended 31 December 2022G, 31 December 2021G and 31 December 2020G:

	31 March 2023G		31 March 2022G	
	Amount SAR	Contribution %	Amount SAR	Contribution %
Customers covered by private insurance companies	334,503,429	52.2	275,036,363	53.4
Customers referred from MOH	176,846,000	27.6	114,133,396	22.2
Cash customers	112,684,563	17.6	106,896,952	20.8
Direct customers from companies	12,077,328	1.9	11,384,083	2.2
Others[1]	5,236,240	0.8	7,413,969	1.4
	641,347,560	**100.0**	**514,864,763**	**100.0**
Less: Elimination[2]	3,358,799		1,542,601	
Total	**637,988,761**		**513,322,162**	

Source: The Company.

Notes:

(1) Comprising management fees and trading and ancillary revenue.

(2) Intra-group income relating to transactions between members of the Group are eliminated in full on consolidation.

	31 December 2022G		31 December 2021G		31 December 2020G	
	Amount SAR	Contribution %	Amount SAR	Contribution %	Amount SAR	Contribution %
Customers covered by private insurance companies	1,107,889,111	51.4	884,522,335	47.1	810,819,418	46.2
Customers referred from MOH	565,212,259	26.2	533,571,398	28.4	562,229,086	32.0
Cash customers	417,402,948	19.4	395,047,647	21.1	335,177,975	19.1
Direct customers from companies	49,894,730	2.3	41,911,235	2.2	29,963,441	1.7
Others[1]	16,319,185	0.8	21,322,203	1.1	16,644,658	0.9
	2,156,718,233	**100.0**	**1,876,374,818**	**100.0**	**1,754,834,578**	**100.0**
Less: Elimination[2]	4,974,497		3,754,028		4,249,975	
Total	**2,151,743,736**		**1,872,620,790**		**1,750,584,603**	

Source: The Company.

Notes:

(1) Comprising management fees and trading and ancillary revenue.

(2) Intra-group income relating to transactions between members of the Group are eliminated in full on consolidation.

The tables below show a breakdown of the Group's revenue by the geographical regions in which the Group operates for the three-month periods ended 31 March 2023G and 31 March 2022G, and the years ended 31 December 2022G, 31 December 2021G and 31 December 2020G:

	31 March 2023G		31 March 2022G	
	Amount SAR	Contribution %	Amount SAR	Contribution %
Jeddah[1]	179,143,151	27.9	170,068,690	33.0
Asser[2]	115,943,757	18.1	90,509,196	17.6
Riyadh	103,068,732	16.1	97,465,373	18.9
Madinah	93,889,372	14.6	81,506,286	15.8
Hail	44,832,500	7.0	33,203,778	6.4
Dammam	69,254,367	10.8	39,489,566	7.7
Makkah	33,924,881	5.3	—	—
Cairo	(72,192)	0.0	1,284,529	0.2
Other[3]	1,362,992	0.2	1,337,345	0.3
	641,347,560	100.0	514,864,763	100.0
Less: Elimination[4]	3,358,799		1,542,601	
Total	**637,988,761**		**513,322,162**	

Source: The Company.

Notes:

(1) Comprising revenue generated by SGH Jeddah (Al-Zahra branch), SGH Jeddah (Al-Rawabi branch), Beverly Clinics and the head office.

(2) Comprising revenue generated by SGH Aseer and Abha Clinics.

(3) Comprising revenue generated by AJ Sons.

(4) Intra-group income relating to transactions between members of the Group are eliminated in full on consolidation.

	31 December 2022G		31 December 2021G		31 December 2020G	
	Amount SAR	Contribution %	Amount SAR	Contribution %	Amount SAR	Contribution %
Jeddah[1]	675,985,984	31.3	558,962,687	29.8	553,423,993	31.5
Asser[2]	412,733,437	19.1	374,217,839	19.9	335,671,184	19.1
Riyadh	373,537,068	17.3	378,135,569	20.2	393,868,880	22.4
Madinah	332,447,386	15.4	315,718,324	16.8	297,589,651	17.0
Hail	145,958,959	6.8	119,610,482	6.4	101,074,760	5.8
Dammam	188,485,891	8.7	116,424,823	6.2	66,659,882	3.8
Makkah	17,010,559	0.8	—	—	—	—
Cairo	3,017,107	0.1	4,114,720	0.2	—	—
Other[3]	7,541,842	0.3	9,190,374	0.5	6,546,227	0.4
	2,156,718,233	100.0	1,876,374,818	100.0	1,754,834,578	100.0
Less: Elimination[4]	4,974,497		3,754,028		4,249,975	
Total	**2,151,743,736**		**1,872,620,790**		**1,750,584,603**	

Source: The Company.

Notes:

(1) Comprising revenue generated by SGH Jeddah (Al-Zahra branch), SGH Jeddah (Al-Rawabi branch), Beverly Clinics and the head office.

(2) Comprising revenue generated by SGH Aseer and Abha Clinics.

(3) Comprising revenue generated by AJ Sons.

(4) Intra-group income relating to transactions between members of the Group are eliminated in full on consolidation.

11. REGULATORY FRAMEWORK FOR THE HEALTHCARE SECTOR

All information and data contained in this section have been extracted from the laws, regulations, regulatory arrangements and decisions issued by the relevant authorities as of the date of this Base Prospectus. This section includes the applicable legal provisions and the provisions that will enter into force within the period specified in the relevant legal instruments. It is worth noting that directives, decisions and circulars may be issued after the date of this Prospectus amending, excluding, suspending or postponing the implementation of any of the provisions contained in such laws, regulations and regulatory arrangements. The Group believes that the information and data contained in this section help build a perception of the current regulatory environment for the healthcare sector. However, they shall not constitute a basis for making any investment decision in relation to the Sukuk.

11.1 INTRODUCTION

Healthcare is one of the first issues guaranteed by the Government and is included in the Basic Law of Governance as one of the basic rights of citizens. Article 31 of the Basic Law of Governance stipulates the following: "The State shall be responsible for public health and shall provide healthcare to every citizen and their family in cases of emergency, illness, disability and old age." Furthermore, the Health Law promulgated by Royal Decree No. M/11, dated 23/03/1423H, corresponding to 04/06/2002G, is considered one of the first specialised laws for the healthcare sector. According to Article 2 thereof, the Health Law aims to "ensure the provision of comprehensive and integrated healthcare for all the population in a fair and accessible manner". Following that, laws, regulations, controls and standards regulating the healthcare sector and its various activities in the Kingdom were successively issued.

11.2 COMPONENTS OF THE HEALTHCARE SECTOR

For the purpose of preparing this section, the key components of the healthcare system in the Kingdom were taken into account, the most prominent of which are the following: (1) Public health for citizens and residents, (2) healthcare service providers in the public and private sectors, (3) health practitioners, (4) health insurance, (5) medicines and pharmacies, and (6) medical devices and facilities.

11.3 REGULATORY AND SUPERVISORY AUTHORITIES WITHIN THE HEALTHCARE SECTOR

The healthcare sector is regulated and supervised by a variety of competent authorities. Each authority has a regulatory, supervisory, or both regulatory and supervisory functions. An authority may undertake more than one healthcare component, and more than one authority may be responsible for regulating different parts of a single healthcare component. These regulatory authorities are as follows:

11.3.1 Ministry of Health

The actual beginnings for the provision of healthcare services in the Kingdom were after the establishment of the General Directorate of Health and Ambulance in 1344H, whose name was changed to the Ministry of Health in 1370H pursuant to Royal Decree No. 8697/11/5. Since then, the MOH has undertaken regulatory and supervisory functions and the provision of health services until the establishment of the Health Holding Company pursuant to the Council of Ministers Resolution No. 469, dated 19/08/1443H, corresponding to 23/03/2022G, which transfers MOH's function of providing healthcare services to the Health Holding Company and limiting MOH's functions to having a regulatory and supervisory role over public and private health institutions. The resolution stipulated that the Health Holding Company would establish health clusters as independent companies known as "Health Cluster Companies". The resolution also allowed the Health Holding Company to establish other subsidiaries in accordance with its bylaws.

Articles 5 and 6 of the Health Law highlight the most important regulatory and supervisory powers of the MOH. These include setting the necessary controls and requirements for licensing private health institutions and their employees, monitoring their activity and the quality of their performance, ensuring the correct practice of health professions and the extent of employees' commitment to the rules and ethics of the profession, organising and monitoring the circulation of medicines and drugs in a way that ensures their availability, suitability, proper use, and appropriate prices, in addition to developing the necessary strategies and plans to achieve MOH's objectives and developing the healthcare sector in the Kingdom.

11.3.2 Saudi Health Council

The Saudi Health Council was established pursuant to Article 16 of the Health Law. Its main mandate is to issue regulations that ensure coordination and integration between the health authorities in order to improve and enhance healthcare. Council of Ministers' Resolution No. 418, dated 29/10/1435H, corresponding to 25/08/2014G, granted further powers to the Saudi Health Council, including conducting studies about health services regulations and proposing amendments and developments thereto, as well as evaluating health policies and plans and reviewing them periodically.

11.3.3 Public Health Authority

The Public Health Authority is the new form of the Saudi Centre for Disease Prevention and Control, pursuant to Council of Ministers' Resolution No. 401, dated 18/07/1442H, corresponding to 02/03/2021G. The Public Health Authority aims to protect and promote public health, prevent disease, and raise public preparedness to respond to emergencies. In accordance with its regulatory arrangements issued pursuant to the abovementioned Council of Ministers' Resolution, the Public Health Authority is responsible for preparing professional standards, approving policies and procedures for the work of public health laboratories, accrediting specialised laboratories in the fields of public health, setting the necessary technical standards and requirements for laboratories, coordinating with the relevant authorities to link the licences of such laboratories with obtaining accreditation certificates, and approving procedures for sample referral and transfer between public health laboratories and laboratories of other sectors, both public and private.

11.3.4 CBAHI

CBAHI is organisationally linked to the Saudi Health Council in accordance with the CBAHI Regulations issued by Council of Ministers Resolution No. 346, dated 22/07/1436H, corresponding to 11/05/2015G. Pursuant to Article 3 of the CBAHI Regulations, CBAHI is responsible for adopting unified national standards for all health facilities in the Kingdom in all fields of health practices, including medical, pharmacy, facility safety, quality and patient safety, administrative leadership, laboratory services and other technical departments, in addition to reviewing approved standards periodically – whenever necessary or at least every four years – and ensuring their suitability to the health work environment in the Kingdom.

11.3.5 Saudi Commission for Health Specialties

The Saudi Commission for Health Specialties, in accordance with its regulations issued by Royal Decree No. M/2, dated 01/01/1413H, corresponding to 10/07/1992G, is the authority concerned with all health practitioner affairs. The key functions of the Saudi Commission for Health Specialties include the evaluation and equivalence of professional health certificates, the recognition of health institutions for the purposes of training and specialisation post-evaluation, and the establishment of principles and standards for practicing health professions, including the principles for professional ethics and professional registration of health practitioners. The Commission issued the General Regulations for Professional Classification and Registration, through which it aims to keep pace with developments in professional registration and classification and make them available for the public to view the Commission's policy in assessing qualifications and abilities.

11.3.6 Saudi Food and Drug Authority

The Saudi Food and Drug Authority was established pursuant to Council of Ministers' Resolution No. 1, dated 07/01/1424H, corresponding to 10/03/2003G, as an independent public body which carried out all procedural, executive and oversight functions to ensure the safety of food and medicine for humans and animals and the safety of biological and chemical preparations as well as electronic products that affect human health.

In accordance with Article 5 of the Saudi Food and Drug Authority Law issued pursuant to Royal Decree No. M/6, dated 25/01/1428H, corresponding to 13/02/2007G, one of the key powers of the Saudi Food and Drug Authority is to set mandatory standard specifications for health biologics, cosmetics and medicinal plants and herbs, laboratory and diagnostic reagents, medical devices and supplies, as well as electronic devices that affect human health. The Saudi Food and Drug Authority is also responsible for setting controls and procedures regulating the inspection of pharmaceutical products, the raw materials used in their manufacture, medical devices, and everything related to the Saudi Food and Drug Authority's scope of work. In addition, the Saudi Food and Drug Authority carries out the duties of monitoring and inspecting the relevant authorities to ensure the correct implementation of the provisions of the laws, regulations, procedures and standards issued by it.

11.3.7 Council of Health Insurance

The Council of Health Insurance was established under the Cooperative Health Insurance Law promulgated by Royal Decree No. M/10, dated 01/01/1420H, corresponding to 17/04/1999G, which aims to regulate the provision of healthcare to all non-Saudi residents in the Kingdom; where everyone who sponsors a resident is obligated to participate for their benefit in the cooperative health insurance. A residence permit is only granted or renewed after obtaining the cooperative health insurance document, provided that its duration covers the period of residence. The Cooperative Health Insurance Law may also be applied to other citizens as pursuant to the Council of Ministers Resolution No. 206 dated 15/08/1423H, corresponding to 22/10/2002G, the Cooperative Health Insurance Law will be applied to citizens working in private companies and institutions.

The Council of Health Insurance undertakes a number of functions, the most notable of which are: qualifying cooperative insurance companies to work in the field of cooperative health insurance and accrediting health facilities that provide cooperative health insurance services, in addition to issuing the necessary decisions to regulate changing matters regarding the application of the provisions of the Cooperative Health Insurance Law, including determining the stages of its implementation, determining the beneficiary's family members covered by the insurance and the contribution percentage of both the beneficiary and the employer to the subscription value of the cooperative health insurance, and determining the upper limit of such value based on a specialised study that includes insurance accounts.

11.3.8 Centre for National Health Insurance ("CNHI")

CNHI became the body responsible for healthcare coverage under the CNHI regulations issued pursuant to Council of Ministers' Resolution No. 469, dated 19/08/1443H, corresponding to 22/03/2022G, following completion of the privatisation as part of the Health Sector Privatization Program under the National Transformation Program and the transfer of healthcare provision to Health Holding Company.

CNHI specialises in providing healthcare insurance coverage via accredited health institutions for all citizens entitled to healthcare services, unless they are covered by private healthcare systems provided by an entity other than the MOH, or if such services are not covered by insurance in the cooperative health insurance document. Coverage also includes non-Saudis working in government sectors unless they are covered by other private systems. In all cases, the Council of Ministers has the authority to approve the provision of services to citizens included in private systems and programmes upon the recommendation of the relevant authorities.

CNHI is also responsible for approving policies that achieve its objectives, mechanisms for dealing with accredited health institutions, proposing draft laws, regulations and resolutions, and approving the healthcare coverage document based on the forthcoming healthcare coverage regulations, as well as issuing any necessary evidence related to healthcare purchasing controls.

11.3.9 National Health Information Centre ("NHIC")

The NHIC was established pursuant to the National Health Information Centre Statute issued by Council of Ministers' Resolution No. 333, dated 19/10/1434H, corresponding to 26/08/2013G. The NHIC is a point of contact for automatic organisation and exchange of health information between health sector agencies and other relevant agencies. The NHIC is responsible for determining the health data and information that must be provided by the entities concerned with health services; setting the necessary rules and mechanisms for the exchange of this information between such entities; developing standards for healthcare information technology and ancillary databases, including standards for their maintenance and protection; providing technical support and advice to health authorities in the field of health information systems; and providing health information to beneficiary entities in accordance with the governing laws, regulations and rules.

11.4 Health Institution Licences

The MOH undertakes licensing functions related to the healthcare sector, including licensing private health institutions of all types, such as health centres and complexes, hospitals, clinics, laboratories and specialised health departments; licensing health practitioners; and licensing pharmaceutical facilities and preparations. The licences required to undertake healthcare services are not limited to MOH licences. Health and pharmaceutical facilities and health practitioners are also obligated to obtain the necessary licences in accordance with the rules and regulations of other relevant regulatory authorities, including, for example, a licence from the Ministry of Investment in case of a foreign investor, a licence from the Ministry of Commerce, a licence from the Ministry of Municipal, Rural Affairs and Housing, a licence from the General Directorate of Civil Defence, a licence from the Saudi Food and Drug Authority, accreditation from the Saudi Commission for Health Specialties, accreditation from CBAHI, and accreditation from the Council of Cooperative Health Insurance.

11.4.1 Licensing Private Health Institutions

Health institutions are licensed in accordance with the Private Health Institutions Law promulgated by Royal Decree No. M/40, dated 03/11/1423H, corresponding to 06/01/2003G, and its implementing regulations issued by Ministerial Resolution No. 020092-43-101, dated 13/09/1443H, corresponding to 15/04/2022G. A private health institution means any private sector health institution intended for treatment, diagnosis, nursing, medical testing, rehabilitation, or for the accommodation of patients, whether they are hospitals, medical complexes, clinics, laboratories, specialised radiology centres, day surgery centres, supportive health services centres, or ambulance transportation services centres.

The MOH grants health institutions licences over two stages: in the first stage, the MOH grants initial approval after verifying that the health institution fulfils the conditions of private health institutions, obtaining municipal approval for the suitability of the location, and determining the specialty of the health institution. This is to enable investors to complete the necessary preparations and procedures prior to commencement of the healthcare activity. The second stage is the issuance of a final licence upon completion of the health institution's preparedness to practice health business. In order to obtain a MOH licence, health institutions must comply with the terms and conditions stipulated in the Private Health Institutions Law and its implementing regulations. These terms and conditions are divided into general provisions to which all health institutions are subject, and special provisions that are unique to each type of health institution separately:

11.4.2 General Provisions for Licensing Private Health Institutions

A licence is only granted to a health institution after its buildings satisfy safety conditions, engineering specifications and adequate distribution and contain the necessary furniture, equipment, and medical and non-medical devices. Health institutions must also appoint a dedicated technical supervisor who specialises in the nature of their work. Furthermore, a licence shall only be granted upon establishment of a medical waste disposal system, an infection control system, and a system for dealing with health information in accordance with the relevant laws and regulations. Health institutions are also obliged to determine the prices of the services they provide for the purpose of approval thereof from the MOH and to ensure their suitability in accordance with the standards set thereby. Such pricing may not be modified except with the approval of the MOH.

Upon fulfilment of the conditions by health institutions, the MOH grants five-year licences thereto. The license will expire upon the expiration of the term unless the licensee does not request renewal thereof. The expiry of the license does not preclude applying for a new licence after fulfilment of the regulatory conditions. The licence shall also expire six months after the death of the owner of the health institution if its owner is a natural person unless the heirs submit a request to retain the licence within six months, however, MOH has the authority to determine this period on a case-by-case basis.

When a health institution intends to transfer ownership to another owner, modify its activity, or change the place designated therefor to carry out its activity, it must obtain the approval of the MOH. If any of the preceding procedures are taken without the approval of the MOH, the licence will be considered void without the need for any action from the MOH. Anyone who opens a private health institution without a prior licence shall be punished by closure of the health institution and a ban from obtaining a licence for a period of not less than six months and not more than two years from the date of closure, in addition to the imposition of a fine of a variable amount depending on the type of health institution. The committees of each directorate of health affairs are responsible for inspecting health institutions to ensure their implementation of the provisions of the law, its implementing regulations, and the resolutions issued by the MOH pursuant thereto. Such committees may take precautionary measures, such as stopping practice of the activity in question if there is strong evidence of the occurrence of violations indicated by the preliminary investigation, the penalty for which, if proven, shall be withdrawal of the licence or closure of the health institution.

11.4.3 Special Provisions for Licensing Private Health Institutions

Below is a brief summary of the key special provisions related to the main types of health institutions in accordance with the provisions of the Private Health Institutions Law and the Private Laboratories Law:

11.4.3.1 Hospitals

According to the Private Health Institutions Law, the medical director of a hospital must be a qualified Saudi doctor, and the hospital must be equipped with the necessary medical devices and equipment, a laboratory and a radiology unit in accordance with its specialisations, dedicated isolation rooms, intensive care beds and the emergency services stipulated in the implementing regulations of the Private Health Institutions Law, along with an in-house pharmacy pursuant to the conditions and specifications stipulated in the Law of Pharmaceutical and Herbal Establishments and Preparations promulgated by Royal Decree No. M/108, dated 22/08/1441H, corresponding to 16/04/2020G. The number of beds must not be less than thirty beds in a general hospital, twenty beds in a dual-specialty hospital, and ten beds in a single-specialty hospital. In addition, hospitals must provide the necessary number of resident doctors, specialists, consultants, pharmacists, technicians, nurses, and supportive health workers. Hospitals shall also commit to providing the necessary services according to their capacity and degree of classification in accordance with the standards and controls contained in the implementing regulations of the Private Health Institutions Law.

11.4.3.2 Health Clinics

The Private Health Institutions Law requires that the owner of clinics must be a Saudi doctor who specialises in the clinic's work, supervises it, and devotes himself fully thereto. It also requires the presence of a nurse licensed to practice the profession, and permits the use of clinical assistants or health assistants in place of the nurse, in accordance with the clinic's specialty. Clinics must have a sufficient quantity of medicines and emergency equipment as specified in the implementing regulations of the Private Health Institutions Law, which the clinic is prohibited from selling.

11.4.3.3 Medical Complexes

The MOH licenses two types of medical complexes: general medical complexes and specialised medical complexes. The Private Health Institutions Law requires that each complex, whether a general or specialised medical complex, have a supervisor who must be a doctor or a professional specialised in the complex's work, whether they are the owner, one of the partners, or others. The supervisor must be fully devoted to this purpose. The supervisor is also required to be Saudi. If this condition is not met, the supervisor may be of another nationality, according to specific controls. Another of the conditions for licensing general or specialised medical complexes is that there be at least one consultant in each of the main licensed specialties, and at least one nurse must be allocated to each clinic. If the complex is determined by the Ministry of Health to be in a remote area, the number of consultants may be reduced to one, or specialists may suffice.

11.4.3.4 Private Laboratories

In addition to the Private Health Institutions Law referred to above, private laboratories are subject to other requirements under the Private Laboratories Law promulgated by Royal Decree No. M/3, dated 08/02/1423H, corresponding to 21/04/2002G. The Private Laboratories Law requires the availability of the necessary cadres of specialists, equipment and devices necessary to work in laboratories in accordance with the volume of work and the category of the laboratory, as determined by the implementing regulations of the Private Laboratories Law. The licensee is granted a period not exceeding one and a half years, commencing from the date of obtaining the licence, to obtain CBAHI accreditation. If the period expires without the laboratory obtaining accreditation, the licence shall be considered void.

11.4.4 International Standards and Accreditations

Obtaining a MOH licence is not sufficient to operate a private health institution and the health institutions are subject to tests of their systems, operations and performance by qualified auditors and evaluators, in order to ensure that they conform to national quality standards. CBAHI is the authority responsible for issuing and reviewing such accreditations.

CBAHI has issued three accreditation programmes: the Hospital Accreditation Program, the Primary Healthcare Centre Accreditation Program, and the Clinical Laboratories and Blood Banks Accreditation Program. In addition, CBAHI issued the Essential National Requirements for Patient Safety, which is a list of twenty essential national standards for hospitals that must be fully adhered to in order to ensure the safety of patients from healthcare-related errors. These requirements were prepared based on the results of hospital evaluations during previous years, the history of serious medical errors reported to the MOH, and the outcomes of medical research related to patient safety worldwide. Health institutions are only eligible to obtain accreditation from CBAHI after at least (12) months have passed from the commencement of the health institution's operation. In the event that a health institution obtains accreditation, such accreditation shall be valid for three years from the date of issuance thereof. Health institutions shall also obtain CBAHI accreditation upon the expiration of the previous accreditation period.

11.4.5 Safety Requirements Related to Health Institutions

The General Directorate of Civil Defence is the authority responsible for issuing safety regulations related to all public and private entities. The General Directorate of Civil Defence has issued three regulations related to the healthcare sector: a regulation for hospitals, a regulation for pharmacies and drug warehouses, and a regulation for laboratories. Under these regulations, health institutions are obligated to obtain a licence from the General Directorate of Civil Defence for the approval of safety requirements, and health institutions may not expand or make any modifications to buildings without submitting a study prepared by one of the offices or technical authorities for safety, alarm and fire-fighting work. Such study must be approved by the General Directorate of Civil Defence and show the extent of compliance with the specifications and directives contained in these regulations.

11.4.6 Council of Health Insurance Accreditation ("CHIA")

In order for a health institution to provide healthcare services under health insurance documents, the institution must be accredited by the CHIA. Such accreditation aims to ensure that the service provider has qualified human cadres and the appropriate administrative and technical capabilities to deal professionally with qualified insurance companies in providing health insurance services to CHIA's beneficiaries.

The unified policy of the Health Insurance Law covers basic health services such as medical examination, preventive measures, laboratory tests, hospital stays and treatment of dental diseases. Employers have the right to expand the scope of health services under additional annexes to the unified policy.

The CHIA may cancel the accreditation of a service provider pursuant to a decision by the chairman of the CHIA if the health institution violates one of the licensing controls, including cancellation or withdrawal of the MOH's licence, or there is evidence of a violation of accreditation requirements, or if the CHIA is provided incorrect information or data, or failure to pay the financial fees for renewal of accreditation.

11.4.7 Licensing of Health Practitioners

According to the Law of Practicing Healthcare Professions promulgated by Royal Decree No. M/59, dated 04/11/1426H, corresponding to 06/12/2005G, it is prohibited to practice any healthcare profession in the Kingdom without a licence from the MOH. To obtain a licence, the MOH requires that health practitioners possess the qualifications required for the profession from any medical college, college of pharmacy, college of applied medical sciences, college of health, health institute, or other qualifications required to practice healthcare professions recognised by the Saudi Commission for Health Specialties, or that health practitioners obtain a foreign certificate which is recognised by the Saudi Commission for Health Specialties, in addition to completing the compulsory training period prescribed for the profession and being physically fit, as well as not having previously been convicted of a crime prejudicial to honour or trust, unless rehabilitated.

Once a health practitioner's licence is issued, they shall be prohibited from requesting, accepting, or taking a commission, reward, or benefit in exchange for promoting or committing to prescribe medications or devices, or directing patients to a specific pharmacy, hospital, laboratory, or the like.

11.5 Obligations of Health Institutions

Certain components of healthcare are subject to special rules and regulations that clarify the health institution's obligations and service provision standards, in addition to the rights of patients and the body responsible for oversight of these components in particular. This section aims to review the key provisions and obligations contained in the relevant laws and regulations:

11.5.1 Mental Healthcare

Private psychiatric institutions and their health practitioners are obligated to comply with the provisions of the Mental Health Care Law promulgated by Royal Decree No. M/56, dated 20/09/1435H, corresponding to 17/07/2014G. Pursuant to the Mental Health Care Law, the General Supervisory Board for Mental Health Care was established with responsibility for general supervision of the application of the Mental Health Care Law, ensuring that psychiatric treatment institutions in all sectors adhere to the provisions related to the rights of psychiatric patients and the procedures for voluntary and emergency admission to psychiatric facilities, and the conditions and procedures for compulsory admission for treatment. The General Supervisory Board for Mental Health Care is responsible for establishing and supervising local boards. It is also responsible for considering grievances submitted by patients, their families, or their representatives, upon completion of grievance procedures before the Local Supervisory Board for Mental Health Care. The Mental Health Care Law prescribes penalties for violations of its provisions, up to imprisonment for a period not exceeding two years and a fine not exceeding two hundred thousand Saudi Riyals, or one of them.

11.5.2 Use of Narcotic and Psychotropic Substances

The MOH has issued procedures and controls concerned with regulating the provisions for dealing with narcotic substances and the procedures for their import, export, and disposal by health institutions. The controls impose a number of obligations on health institutions, including the formation of two internal committees. The first committee shall undertake the reviewing the procedures for the prescription of narcotic drugs or psychotropic substances to verify the accuracy of the reasons for prescription thereof in accordance with accepted medical principles. The committee shall consist of two doctors and a pharmacist, provided that such committee meets annually, prepares a report on the results of the review and maintains the same in a separate register. The second committee shall undertake the procedures for dispensation of such medications and verifying the accuracy of the reasons for their dispensation. The committee shall consist of a doctor and two pharmacists, one of whom shall be responsible for the custody of narcotic drugs and psychotropic substances. This committee shall also meet annually and prepare a report thereon. If one of the two committees detects any violation of the controls for prescription and dispensation of drugs and substances, such committee must inform the relevant department at the MOH or the Saudi Food and Drug Authority directly.

11.5.3 Private Laboratory Services

The Private Laboratories Law and its implementing regulations specify the procedures for handling and analysis of samples and define the responsibilities of laboratories to retain records of test results for a period of no less than five years, in addition to adhering to performance and accuracy levels in accordance with the principles of the profession. The Private Laboratories Law stipulates a number of penalties in the event of violation of any of the provisions thereof, which start with a warning and then a financial fine of not less than five thousand Saudi Riyals and not more than twenty thousand Saudi Riyals. Such penalties may also include suspension of the licence for a period of not less than thirty days and not more than sixty days, or withdrawal of the licence in the event of a repeat violation.

11.5.4 Fertilisation, Utero-Foetal and Infertility Treatment

Pursuant to the Law of Fertilisation, Utero-Foetal and Infertility Treatment Units promulgated by Royal Decree No. M/76, dated 21/11/1424H, corresponding to 14/01/2004G, the provision of fertilisation, utero-foetal and infertility treatment services require a licence, after securing all the necessary equipment and facilities according to the specifications and service levels specified by the Law of Fertilisation, Utero-Foetal and Infertility Treatment Units and its implementing regulations. Health units and staff must adhere to the provisions related to the methods of providing such services and submit an annual report that includes comprehensive statistics and statements on the cases that were examined and treated. In addition, the Law of Fertilisation, Utero-Foetal and Infertility Treatment Units forms two committees; the first is responsible for supervising such services and is the committee to which annual reports are submitted. The other committee is responsible for looking into violations of the provisions of the Law of Fertilisation, Utero-Foetal and Infertility Treatment Units.

11.5.5 Requirements for Medical Devices and Supplies

Health institutions must comply with the Medical Devices and Supplies Law promulgated by Royal Decree No. M/54, dated 06/07/1442H, corresponding to 18/02/2021G, in addition to the provisions of other rules, regulations and any other relevant legal instrument, including the technical regulations, decisions and circulars issued by the Saudi Food and Drug Authority. Saudi Food and Drug Authority inspectors are responsible for monitoring the application of technical regulations within healthcare facilities, to ensure the safety, security and adequacy of medical devices and supplies in diagnosis and treatment.

The Medical Devices and Supplies Law also stipulates penalties for violations of the law and its implementing regulations. The penalties vary from the imposition of fines not exceeding an amount of ten million Saudi Riyals, temporary closure of the facility, or the cancellation of licences in the event of violation of any of its provisions, such as using false information to promote medical devices and supplies, transporting or storing medical devices or supplies in contravention of the conditions of transport and storage, or introducing unregistered or fraudulent medical devices or supplies.

11.6 Rights of Beneficiaries of Healthcare Services

This section explains the key rights of beneficiaries of health services in the relevant laws and regulations:

11.6.1 Liability for Professional Malpractice

Health practitioners are obligated to compensate for any health malpractice that results in harm to the patient, and any condition that limits or exempts health practitioners from liability shall be void. Pursuant to the Law of Practicing Healthcare Professions and the Private Health Institutions Law, the Sharia Health Authority under MOH had the authority to determine the amount of such compensation and to consider the responsibility of private health institutions for professional medical malpractice. However, on 10/05/1444H, corresponding to 24/12/2022G, the Ministry of Justice and the Ministry of Health announced the completion of the transfer of the powers of Sharia Health Authority from the MOH to the public judiciary, following the signature of an executive memorandum of understanding between the two ministries. The transferred authorities are limited to health professional malpractice related to private rights, such as blood money, compensation and damages, and health professional malpractice that results in death, damage to a limb, or loss of all or some of benefits thereof, even if there is no claim for such private rights, as well as consideration of the responsibility of private health institutions for professional medical malpractice for which a private or public claim is filed.

Health professional malpractice includes treatment errors, lack of follow-up, ignorance of technical matters that someone in a similar specialty is expected to know, undertaking experimental and unprecedented surgical operations on humans in violation of the rules regulating the same, conducting experiments or scientific research that is not based on the patient, providing medicine to a patient as a test, using machines or medical devices without sufficient knowledge of how to use them or without taking precautions to prevent harm from such use, or negligence in supervision and not consulting those whose help the patient's condition requires.

11.6.2 Health Information and Personal Data Protection

In accordance with the provisions of the Law of Practicing Healthcare Professions, health practitioners are obligated to preserve secrets they learn through their profession. They may not disclose such secrets unless the disclosure is intended to report a death resulting from a criminal incident or to prevent the commission of a crime. In such case, disclosure is not permissible except to the competent official authority. Disclosure may also be made in order to report a contagious or infectious disease, to defend against an accusation made against a health practitioner by the patient or his family related to competence or the practice of their profession, or if the owner of the secret agrees in writing to disclosure thereof, if disclosure to the patient's family is conducive to their treatment, or if an order to do so is issued by a judicial authority. All public and private entities are also obligated to comply with the provisions of the Personal Data Protection Law.

11.6.3 Personal Data Protection Law

The Personal Data Protection Law was promulgated by Royal Decree No. M/19, dated 09/02/1443H, corresponding to 16/09/2021G, and regulates all processes related to personal data and the controls thereof, the rights of individuals in relation to their personal data, and the penalties of violating the provisions of the Personal Data Protection Law and its implementing regulations.

The Personal Data Protection Law differentiates between personal data and sensitive personal data as it emphasises the protection of sensitive personal data, which includes health and genetic data, in the processing and transfer provisions. The Personal Data Protection Law also allocates additional controls and procedures related to accessing and processing health data, including limiting the right of access to the smallest possible number of employees and only to the extent necessary, as well as restricting the processing thereof to the minimum amount necessary for providing health services or providing health insurance programmes.

Persons with a special natural or legal capacity who are covered by the Personal Data Protection Law shall be punished if they violate any of its provisions, without prejudice to any more severe penalty stipulated in another law, with a notice or a fine not exceeding five million Saudi Riyals. A committee of not less than three members shall be responsible for considering violations and imposing warnings or fines. Such committee shall comprise a legal or regulatory advisor. In the event of disclosure or publication of sensitive data, the penalty shall be imprisonment for a period not exceeding two years and a fine not exceeding three million Saudi Riyals, or one of these two penalties, if the same is committed with the intention of harming the owner of such data or with the intention of achieving a personal benefit. Anyone who transmits personal data in a manner that violates the specified controls shall be punished with imprisonment for a period not exceeding one year and a fine not exceeding one million Saudi Riyals, or one of these two penalties. In these two cases, the Public Prosecution shall have jurisdiction to investigate the violation and prosecute it before the competent court, and the competent court shall consider the lawsuits arising therefrom and impose the prescribed penalties.

12. SUMMARY OF CERTAIN PRINCIPAL SUKUK DOCUMENTS

The following is a summary of certain provisions of certain principal Sukuk Documents and is qualified in its entirety by reference to the detailed provisions of such principal Sukuk Document. Copies of such Sukuk Documents will be available for inspection at the offices of the Issuer. Words and expressions defined in this Base Prospectus shall have the same meanings in this section.

12.1 Master Mudaraba Agreement

The Master Mudaraba Agreement will be entered into on 14 January 2024G between the Issuer (as Mudareb) and the Sukukholders' Agent (as *rab-al-maal*) and will be governed by the laws and regulations of Saudi Arabia.

The Issuer and the Sukukholders' Agent are party to the Master Mudaraba Agreement, pursuant to which the Sukukholders' Agent (on behalf of the Sukukholders) irrevocably appoints the Issuer as Mudareb. The relationship between the Mudareb on the one hand and the Sukukholders' Agent (on behalf of the Sukukholders) on the other is that of *Mudareb* and *rab-al-maal* respectively.

In respect of each Tranche, the Sukukholders' Agent shall pay (or procure to be paid by the Payment Administrator) to the Mudareb, on the relevant Issue Date, an amount equal to the applicable Mudaraba Capital to apply as the capital of the Mudaraba and, in accordance with the terms of the Master Mudaraba Agreement, the Mudareb shall invest the Mudaraba Capital as follows:

(i) the Mudareb shall ensure that an amount of suchthe Mudaraba Capital of such Tranche (together with, if applicable, an amount of the Mudaraba Capital of each other Tranche of the relevant Series) equal to the Available Amount in respect of the relevant Series will (for so long as any Sukuk of such Series remains current) be invested in the Mudaraba as immediately available funds, which are available to the Mudareb in accordance with the terms of the Master Mudaraba Agreement; and

(ii) the remainder of the Mudaraba Capital will be invested by the Mudareb in the Business Portfolio.

The Mudareb shall manage the Mudaraba based on its expertise and shall be entitled to share in the profit arising from the Mudaraba in accordance with the terms of the Master Mudaraba Agreement. The interests of the Sukukholders' Agent in the Mudaraba Assets and the payment obligations of the Mudareb under the Master Mudaraba Agreement will form part of the Sukuk Assets to be held by the Sukukholders' Agent on its behalf and for the benefit of the Sukukholders.

The Mudareb's duties, obligations and liabilities are limited to those specifically provided for in the Master Mudaraba Agreement and the other Sukuk Documents.

Subject as provided in clause 4 (*Duties and Discretions of the Mudareb*) of the Master Mudaraba Agreement, the Conditions, the Sukuk Documents and to applicable laws and regulations, the Mudareb shall manage, administer, perform and discharge its obligations relating to the Mudaraba Assets with absolute freedom and discretion and, in particular and without prejudice to the generality of the foregoing, shall comply with and shall perform its obligations under the Master Mudaraba Agreement including, *inter alia*, the following duties in respect of the Mudaraba Assets of each Series (for so long as such Series remain current):

(a) maintain appropriate collection procedures in relation to the timely collection of amounts falling due in respect of the share of the Sukukholders' Agent (for the benefit of the Sukukholders) in the Mudaraba Assets consistent with the collection procedures adopted by the Mudareb in respect of its own assets;

(b) calculate the Mudaraba Profit and ensure that all Mudaraba Profit (if any) is credited to the Collection Account;

(c) ensure that accounting books and income, expenses, profits and losses of the Mudaraba Assets, including the Mudaraba Income and the Mudaraba Profit, are regularly recorded and that its accounts are prepared in conformity with the International Financial Reporting Standards issued by the International Accounting Standards Board and as adopted by SOCPA in the Kingdom of Saudi Arabia, consistent with the procedures adopted by the Mudareb in respect of its own assets;

(d) ensure that all material regulatory, *zakat* and taxation requirements in respect of the Mudaraba Profit are met;

(e) notwithstanding the general discretions afforded to it pursuant to clause 3.3 (*Use of Mudaraba Assets*) and clause 4 (*Duties and Discretions of the Mudareb*) of the Master Mudaraba Agreement, prior to utilising the Available Amount (or any part thereof) in respect of such Series in a manner other than as expressly contemplated in clause 3.2(a) (*Investment in the Mudaraba Assets*) and clause 6 (*Liquidation and Partial Liquidation of Mudaraba*) of the Master Mudaraba Agreement, to (i) promptly give written notice to the Sukukholders' Agent of its intention with respect thereto and (ii) obtain the prior consent of the Sukukholders' Agent with respect thereto; and

(f) use all reasonable efforts to ensure that the value of the Sukukholders' share in the Business Portfolio in respect of each Series is not less than 33 per cent. of the value of the Sukuk Assets.

The Mudareb shall be entitled, at its sole and absolute discretion, to make payments of Mudaraba Profit on account of expected earnings, if any, **provided that** the aggregate of all such payments may not exceed an amount equal to the Mudaraba Capital less the applicable Available Amount (if any).

The Sukukholders' Agent (for the benefit of the Sukukholders) and the Issuer shall each have an undivided ownership share of the Business Portfolio and all assets acquired from or through the Business Portfolio on the basis of the sharing of profits and the bearing ofand shall share in the profit and bear any losses *pro rata* to their respective shares.

At or prior to 10:00 a.m. one Business Day prior to each relevant Periodic Distribution Date or Partial Periodic Distribution Date, the Mudareb shall transfer the amounts standing to the credit of the relevant Collection Account to the Sukuk Account in the amount necessary to fund each amount due to be paid from the Sukuk Account under Condition 6.7 (*Application of proceeds*). For the avoidance of doubt, all Periodic Distribution Amounts and any Partial Periodic Distribution Amount payable by the Issuer under the Sukuk will be solely funded by the Mudaraba Assets and the returns therefrom.

Any surplus Mudaraba Profit remaining in the relevant Collection Account after the application of the amounts referred to above shall be reinvested by the Mudareb (for the benefit of the Sukukholders' Agent) in the Business Portfolio, subject at all times to compliance with Condition 7 (*Issuer's Covenants*) and clause 5.5 of the Master Mudaraba Agreement.

In relation to each Series, the Mudareb shall liquidate the Mudaraba Assets at or prior to 10:00 a.m. one Business Day prior to the applicable Liquidation Date. The proceeds of such liquidation (being, the Available Amount (if applicable)) and the then current value of the Sukukholders' Agent's share (for the benefit of the Sukukholders) of the Mudaraba Assets (other than the Available Amount (if applicable)) shall be, subject to clause 6.2 (*Partial Liquidation*) of the Master Mudaraba Agreement, used by the Mudareb to pay to the Sukukholders' Agent any amounts due but unpaid on such Liquidation Date by payment of such amounts into the Sukuk Account at or prior to 10:00 a.m. one Business Day prior to the Liquidation Date (but only to the extent that, at such time on the Liquidation Date, amounts are required by the Sukukholders' Agent to be credited to the Sukuk Account in order for the Sukukholders' Agent to be able to pay all amounts due but unpaid to the Sukukholders under the Sukuk and the Sukuk Documents in full on the Liquidation Date). Any surplus proceeds of such liquidation, after payment of the amounts (if any) described in this paragraph (including, for the avoidance of doubt, any amounts accruing pursuant to Condition 8.3 (*Cessation of accrual*) or Condition 9.4 (*Cessation of accrual*) (as applicable)), may be retained by the Mudareb as an incentive fee for its own account.

If: (i) Sukukholders elect to redeem some, but not all, of the Sukuk in accordance with Condition 12.4 (*Redemption at the option of the Sukukholders*); or (ii) the Issuer or any of its Subsidiaries purchase some, but not all, of the Sukuk in the open market in accordance with Condition 10 (*Purchase and Cancellation of Sukuk*) and such Sukuk are cancelled, the Mudareb shall partially liquidate the Mudaraba Assets at or prior to 10:00 a.m. one (1) Business Day prior to the Sukukholder Optional Redemption Date or on the date on which the Sukuk are cancelled in accordance with Condition 10 (*Purchase and Cancellation of Sukuk*). The Mudaraba Assets (including the Available Amount) shall be reduced by the Relevant Fraction. In the event of a partial liquidation of the Mudaraba Assets as a result of Sukukholders electing to redeem some, but not all, of the Sukuk in accordance with Condition 12.4 (*Redemption at the option of the Sukukholders*), the Mudareb shall credit the proceeds of the partial liquidation of the Mudaraba Assets to the relevant Collection Account and such proceeds shall be used to satisfy the Issuer's obligations to the Sukukholders.

Any payment by the Mudareb to the Sukukholders' Agent under the Master Mudaraba Agreement shall be made without set-off or counterclaim or any other restriction and free and clear of any deduction or withholding unless required by law. In the event of such deduction or withholding, the Mudareb shall pay all additional amounts as will result in payment to the Sukukholders' Agent of such net amount as would have been received if no such deduction or withholding had been made. Notwithstanding the foregoing, the Mudareb shall not pay any such additional amounts in respect of any deductions or withholding required by law to any person who holds Sukuk but is not a Qualified Person.

12.2 Master Murabaha Agreement

The Master Murabaha Agreement will be entered into on 14 January 2024G between the Issuer (as purchaser) and the Sukukholders' Agent (as seller) and will be governed by the laws and regulations of Saudi Arabia.

The Issuer (in its capacity as Purchaser), the Sukukholders' Agent (in its capacity as Seller) are party to a Master Murabaha Agreement, pursuant to which the Purchaser may avail itself of a murabaha-based financing facility (the Murabaha Facility) to be made available to it by the Seller.

In respect of each Tranche, the Murabaha Facility may only be used for one Murabaha Transaction.

Subject to clause 6 (*Payment of Deferred Sale Price*) and clause 7 (*Acceleration*) of the Master Murabaha Agreement, at least one Business Day prior to the relevant Deferred Sale Price Payment Date, the Purchaser shall pay to the order of the Seller, in full, the Deferred Sale Price due on such date in accordance with the applicable Confirmation of Terms.

Under the relevant Murabaha Contract, and subject to the terms and conditions of the Master Murabaha Agreement, the Seller, on behalf of, and for the benefit of the Sukukholders agrees to sell to the Purchaser certain Commodities purchased by the Seller from the nominated Suppliers at a price negotiated between the Purchaser and the Seller. Once the Seller has acquired the Commodities, the Seller will sell the Commodities to the Purchaser on deferred payment terms at the Deferred Sale Price in accordance with the terms of the Master Murabaha Agreement.

The Purchaser shall apply the proceeds from the on-sale of any Commodities purchased by it under a Murabaha Contract for use in accordance with "*Use of Proceeds*" above, as supplemented or amended by the Applicable Final Terms. The Seller shall not be bound to monitor or verify the purpose or purposes for which the Purchaser uses the proceeds of any on-sale of Commodities purchased by it under any Murabaha Contract.

Subject to clause 6.2 (*Payment of Deferred Sale Price on the Liquidation Date (other than the Expiry Date)*) and clause 6.3 (*No set-off*) of the Master Murabaha Agreement, by no later than 10:00 a.m. one Business Day prior to the Deferred Sale Price Payment Date, the Purchaser shall pay to the Seller, by payment directly to the Sukuk Account, the Deferred Sale Price falling due on the relevant Deferred Sale Price Payment Date in full in accordance with the applicable Confirmation of Terms and the Seller hereby acknowledges that such payment shall constitute payment in full made or otherwise made to its order of the Deferred Sale Price falling due under the Master Murabaha Agreement on the Deferred Sale Price Payment Date in respect of such Series.

Notwithstanding clause 6.1 (*Payment of Deferred Sale Price on the Expiry Date*) of the Master Murabaha Agreement:

(a) on the Issuer Optional Redemption Date, the Tax Redemption Date, any Clean Up Redemption Date or an Event of Default Date (as applicable), the relevant Total Murabaha Deferred Sale Price Outstanding shall become immediately due and payable and shall be credited to the Sukuk Account in the case of any Liquidation Date other than the Event of Default Date, at or prior to 10:00 am one Business Day prior to such date and, in the case of the Event of Default Date, on such date;

(b) on any Sukukholder Optional Redemption Date, an amount equal to the applicable Optional Murabaha Settlement Amount, shall become immediately due and payable and shall be credited to the Sukuk Account at or prior to 10:00 am one Business Day prior to such Sukukholder Optional Redemption Date and each subsequent payment of the Deferred Sale Price, where applicable, in respect of any Murabaha Transaction, shall be reduced accordingly on a *pro rata* basis; and

(c) if the Issuer or any of its Subsidiaries purchase some, but not all, of the Sukuk in the open market in accordance with Condition 10 (*Purchase and Cancellation of Sukuk*) and such Sukuk are cancelled, on the date on which the Sukuk are cancelled in accordance with Condition 10 (*Purchase and Cancellation of Sukuk*), the Relevant Fraction of the outstanding Deferred Sale Price shall be cancelled with effect from the same date and each subsequent payment of the Deferred Sale Price in respect of any Murabaha Transaction, where applicable, shall be reduced accordingly on a *pro rata* basis.

On the occurrence of an Event of Default in relation to any Series and at any time during which such Event of Default is continuing and has not been waived by the Sukukholders' Agent pursuant to the terms of the Declaration of Agency, the Seller may demand that the Purchaser immediately pay the Total Murabaha Deferred Sale Price Outstanding in full in relation to that Series directly into the Sukuk Account and that the Purchaser immediately pay any other sums owed to the Seller by the Purchaser under the Master Murabaha Agreement in relation to that Series of Sukuk, whereupon the same shall become so payable provided that no such demand may be made by the Seller prior to the Exercise Notice being delivered to the Issuer by the Sukukholders' Agent (and any demand made prior to such Exercise Notice is delivered shall be invalid).

Any payment by the Purchaser to the Seller under the Master Murabaha Agreement shall be made without set-off or counterclaim or any other restriction and free and clear of any deduction or withholding unless required by law. In the event of such deduction or withholding, the Purchaser shall pay all additional amounts as will result in payment to the Seller of such net amount as would have been received if no such deduction or withholding had been made. Notwithstanding the foregoing the Purchaser shall not pay any additional amounts in respect of any deductions or withholding required by law to any person who holds Sukuk but is not a Qualified Person.

12.3 Master Declaration of Agency

The Master Declaration of Agency will be entered into on 14 January 2024G between the Issuer and the Sukukholders' Agent and will be governed by the laws and regulations of Saudi Arabia.

Pursuant to the Master Declaration of Agency, each Sukukholder, by completing an Investor Application Form or by subscribing to, acquiring or holding Sukuk, shall be deemed:

(a) to have appointed the Sukukholders' Agent as its agent in relation to the relevant Series on the terms set out in the Master Declaration of Agency, the relevant Supplemental Declaration of Agency and the Conditions;

(b) to have ratified and accepted the entry by the Sukukholders' Agent into the Sukuk Documents to which it is a party; and

(c) to have given irrevocable and unconditional instructions requiring the Sukukholders' Agent to, on the relevant Liquidation Date, upon satisfaction of the relevant Payment Obligations, transfer and assign all (or part) of the remaining portion of the Sukuk Assets to the Issuer (for its own account).

The Issuer covenants and undertakes to the Sukukholders' Agent that, so long as any Sukuk remains current, it shall, in respect of each Series, satisfy the Payment Obligations to the order of the Sukukholders' Agent, as and when each such payment shall be required to be made in accordance with the Applicable Final Terms and the Conditions, and shall make such payments in the manner specified in the Applicable Final Terms, the Conditions and the Payment Administration Agreement.

The Issuer further covenants and undertakes to the Sukukholders' Agent that, so long as any Sukuk remains current, it shall comply with and perform and observe all the provisions of the Master Declaration of Agency, each relevant Supplemental Declaration of Agency, the other Sukuk Documents, the Applicable Final Terms and the Conditions which are expressed to be binding on it.

The Master Declaration of Agency specifies, *inter alia*, that in relation to each Series of Sukuk:

(a) if an Event of Default has occurred and is continuing, the Sukukholders' Agent may, by notice in writing to the Issuer and the Payment Administrator, require the Payment Administrator to act thereafter as its agent in accordance with the Payment Administration Agreement;

(b) the Sukukholders' Agent may, without any consent or sanction of the Sukukholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act, from time to time and at any time, but only if and in so far as in its opinion the interests of the Sukukholders are not materially prejudiced thereby, determine whether or not a breach in the performance or observance by the Issuer of any obligation under the provisions of the Master Declaration of Agency, the relevant Supplemental Declaration of Agency, the other Sukuk Documents or of any provision of the Conditions is capable of remedy, authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any breach or prospective breach of any of the covenants or provisions contained in the Master Declaration of Agency, the relevant Supplemental Declaration of Agency, any other Sukuk Document, the Applicable Final Terms or the Conditions or determine that any Event of Default shall not be treated as such for the purposes of the Master Declaration of Agency, the relevant Supplemental Declaration of Agency, the Applicable Final Terms and the Conditions; any such authorisation, waiver or determination shall be binding on the Sukukholders and, if, but only if, the Sukukholders' Agent shall so require, the Issuer shall cause such authorisation, waiver or determination to be notified to the Sukukholders as soon as practicable thereafter in accordance with Condition 18 (*Notices*), **provided, however, that** the Sukukholders' Agent shall not exercise any powers conferred upon it by clause 7.1 (*Waiver*) of the Master Declaration of Agency Agreement in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the Required Sukukholders (but no such direction or request shall affect any authorisation, waiver or determination previously given or made);

(c) subject to applicable law, the Sukukholders' Agent may from time to time and at any time without the consent or sanction of the Sukukholders concur with the Issuer in making any modification to the Master Declaration of Agency, the relevant Supplemental Declaration of Agency, the Applicable Final Terms, the Conditions, or any other Sukuk Documents, which modification is in the opinion of the Sukukholders' Agent:

(i) not materially prejudicial to the interests of the Sukukholders; or

(ii) of a formal, minor or technical nature or made to correct a manifest error or to comply with mandatory provisions of law;

(d) if and to the extent that the Issuer exercises its rights under Condition 19 (*Further Issues*) to issue Additional Sukuk in respect of a Series, on the date upon which any such Additional Sukuk are created and issued, each of Issuer and the Sukukholders' Agent will execute a declaration of commingling of assets (in the form set out in Schedule 7 (*Form of Declaration of Commingling of Assets*)) for and on behalf of the holders of the existing Sukuk and the holders of such Additional Sukuk so issued, agreeing and declaring that the relevant Mudaraba Assets (in respect of the issuance of the Additional Sukuk) and the Mudaraba Assets as in existence immediately prior to the creation and issue of the Additional Sukuk and the rights of the Seller under the Master Murabaha Agreement and each Murabaha Transaction are commingled and shall collectively comprise part of the Sukuk Assets for the benefit of the holders of the existing Sukuk and the holders of such Additional Sukuk *pro rata* according to the Aggregate Nominal Amount of Sukuk held by each Sukukholder, in accordance with the Master Declaration of Agency; and

(e) following the occurrence of an Event of Default, the Sukukholders' Agent may at any time, at its sole and absolute discretion and without notice, in accordance with the Sukuk Documents, take such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Sukuk and the Sukuk Documents, but it shall not be bound in any circumstances to take any such action unless directed or requested to do so:

(i) pursuant to Condition 13 (*Events of Default*);

(ii) by an Extraordinary Resolution; or

(iii) in writing by the Required Sukukholders,

and, in each case, then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, **provided however, that**, in each case, the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any amount to the Sukukholders at a time earlier than it would otherwise have to do so in accordance with the Conditions and the Sukuk Documents.

13. TAXATION AND *ZAKAT*

The following is a general description of certain Zakat/tax considerations relating to the Sukuk issued under the Base Prospectus and it is only summary does not purport to be a comprehensive description of all the tax/Zakat considerations relating to this Base Prospectus and is not intended as tax/Zakat advice which may be relevant to a decision to subscribe for, purchase, own or dispose of the Sukuk and does not purport to deal with the tax/Zakat consequences applicable to all categories of investors, some of which (such as dealer(s) in securities or commodities) may be subject to special rules. Prospective purchasers of the Sukuk should consult their tax advisers as to the consequences under the tax laws of the country in which they are resident for tax purposes of acquiring, holding and disposing of the relevant Sukuk and receiving payments under those Sukuk. This summary is based upon the laws in force in the Kingdom as in effect on the date of this Base Prospectus and is subject to any change in laws that may take effect after such date, which changes could be made on a retroactive basis.

13.1 Income Tax

According to the Income Tax Law issued under Royal Decree No. M/1 dated 15/1/1425H (corresponding to 6 March 2004) and its Implementing Regulations issued under Ministerial Resolution No. 1535 dated 11/6/1425 in the Hijri calendar (corresponding to 11 August 2004), as amended from time to time (the "**Income Tax Law**"), a resident company in the Kingdom with foreign (i.e., non-GCC) ownership (on its foreign partner's (shareholder's) share) and a non-resident who carries out business in the Kingdom through a Permanent Establishment (as defined below, other than a Permanent Establishment of GCC persons that meets the conditions set out under Article 2(4) of the Previous Zakat Regulations, as defined below) are subject to corporate income tax in the Kingdom at the rate of 20 per cent. (if not engaged in oil and hydrocarbon production activities). Resident companies wholly-owned by GCC Persons (in addition to persons subject to Zakat listed below under the section entitled "*Zakat*") are subject to Zakat instead of corporate income tax. Resident companies owned jointly by GCC and non-GCC Persons are subject to corporate income tax in respect of the share of their taxable profit attributable to the ownership (legal or beneficial) percentage held by non-GCC Persons and Zakat on the ownership (legal or beneficial) percentage held by GCC Persons.

Shares held directly by GCC Persons or via other GCC companies (where the shareholding structure does not fall outside of the GCC) in a resident company are subject to Zakat and not income tax. However, shares of resident capital company owned either directly or indirectly by a non-GCC person are subject to Corporate Income Tax. In determining the tax/Zakat profile of a Saudi tax/Zakat resident company, the ZATCA applies a "look-through" approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC (i.e. look through the ownership structure until the ultimate owner).

Non-GCC natural persons resident in the Kingdom who are not performing commercial activities in the Kingdom (as defined in Chapter 1—Article 1 of the Income Tax Law, and Chapter 1—Article 1 of the Previous Zakat Regulations, as defined below) are not currently subject to income tax or Zakat in the Kingdom according to existing practices of ZATCA (as compliance/administration of Income Tax Law is not currently enforced by ZATCA on individuals).

13.2 *Zakat*

Zakat is a religious levy imposed on Muslims under *Shari'ah* rules to pay a fixed percentage of their wealth for the relief of poverty. In the past, Zakat has been imposed based on various Fatwas issued by religious scholars based on *Shari'ah* principles and also based on the various circulars issued by the ZATCA from time to time. In 2017, Zakat implementing regulations of the Kingdom were issued by the Ministry of Finance under Ministerial Resolution No. 2082 dated 01/06/1438H (corresponding to 28 February 2017G) (the "**Previous Zakat Regulations**").

The Previous Zakat Regulations were effective from the date of their issuance and superseded all prior directives, resolutions, instructions and circulars issued by the ZATCA. Subsequently, in 2019, the Ministry of Finance issued Zakat implementing regulations under Ministerial Resolution No. 2216 dated 07/07/1440H (corresponding to 14 March 2019G) (the "**Zakat Regulations**"). The Zakat Regulations came into effect (and replaced the Previous Zakat Regulations issued in 2017) for financial years starting from 1 January 2019. According to the Zakat Regulations, Zakat is assessed on Saudi/GCC nationals or entities owned by Saudi/GCC nationals carrying out business activities in the Kingdom.

The rules governing the calculation of Zakat are complex. Separate rules are applicable for the calculation of Zakat by Zakat payers who are engaged in the Kingdom in financing activities (licensed by the Saudi Central Bank) and Zakat payers who are engaged in the Kingdom in non-financing activities. This "*Taxation and Zakat*" section broadly covers the Zakat consequences of investment in Sukuk by investors who are engaged in non-financing activities in the Kingdom.

According to the Zakat Regulations, Zakat is assessed on and applicable to:

- GCC Persons resident in the Kingdom;
- resident companies wholly-owned by GCC Persons that are resident in GCC and on the ownership (legal or beneficial) percentage held by GCC Persons with respect to a resident company jointly owned by GCC and non-GCC Persons;
- GCC Persons that are resident in GCC carrying out activities in the Kingdom through a Permanent Establishment for Zakat purposes ("**PE – Zakat**") as defined under Chapter 1—Article 2(4) of the Zakat Regulations (except for non-resident GCC Persons who do not meet certain conditions, as mentioned below, in which case they would be subject to Zakat (and not corporate income tax)); and
- resident companies listed on a financial market in the Kingdom on the shares held by GCC persons and non-GCC Persons (except for ownership by founder shareholders and those considered founder shareholders based on the articles of association or other legal documents), and on the shares held by government entities.

Notwithstanding the above, Zakat is not assessed/applicable to:

(i) resident companies operating in the oil and hydrocarbon production sector; and
(ii) any entity (or zakat payer) for which ZATCA issues a decision to exempt from Zakat.

For completeness, as per the Zakat Regulations, a PE – Zakat of GCC Persons in the Kingdom is subject to Zakat on its worldwide activities provided at least two of the following three conditions are met in respect of the central management of such Permanent Establishment (as set out under Chapter 1 - Article 2(4)):

(a) board of directors' ordinary meetings which are held regularly and where main policies and decisions relating to management and running of the Permanent Establishment's business are held and made in the Kingdom;
(b) senior executive decisions relating to the Permanent Establishment's functions such as executive directors and deputies' decisions are made in the Kingdom; and
(c) the Permanent Establishment's business is mainly (i.e. 50 per cent. or more of its revenues) generated from the Kingdom.

There are certain rules that apply to the method of calculating the Zakat liability. In general, Zakat on zakat payers engaged in non-financing activities is currently levied on the higher of the adjusted Zakatable profits or the Zakat base (following a Hijri year) which, in general, comprises equity, loans and credit balances (subject to certain conditions) and provisions reduced by, among other items, certain deductible long-term investments, tangible and intangible assets. The Zakat rate on the Zakat base is 2.578 per cent. if a zakat payer is following the Gregorian financial year and 2.5 per cent. if a Zakat payer is following Hirji financial year. The Zakat rate on Zakatable profit is 2.5 per cent. regardless of the financial year (Gregorian or Hijri) followed by the zakat payer.

The Zakat Regulations were amended and supplemented by the Ministerial Resolution No. 58705 dated 21/09/1444H (corresponding to 12 April 2023G) (the "**Amended Zakat Regulations**"). Pursuant to the Amended Zakat Regulations, Zakat payers' investment in sukuk, with no considerations of the classification of such sukuk in the financial statements, are eligible for deduction from Zakat base provided these sukuk are not for trading purposes. Each investor must examine their own particular circumstances as to how the Zakat Regulations and the Amended Zakat Regulations may apply to their investment.

GCC individuals resident in the Kingdom for tax/Zakat purposes should in principle be subject to Zakat in the Kingdom if they carry out activities in the Kingdom.

13.3 Withholding Tax

Saudi Arabian resident persons and Permanent Establishments of non-resident entities in the Kingdom are required to withhold taxes on payments to non-residents, including GCC residents, if such payment is from a source of income in the Kingdom. Withholding tax rates vary from 5 per cent. to 20 per cent. depending on the nature of the underlying payment. Rental charges and financing fees (akin to interest) paid to non-residents attract a 5 per cent. withholding tax.

Withholding tax is imposed on payments against services and not on goods. Services are defined to mean any work performed for compensation except for the purchase and sale of goods or any other properties.

Withholding tax is reduced or eliminated pursuant to the provisions of an applicable double tax treaty signed between a non-resident's country of tax residence and the Kingdom. The application of double tax treaties in the Kingdom may take place under one of two methods: (i) a refund mechanism which requires the payor to subject the relevant payment to withholding tax based on the domestic tax regulations and then submit a refund request to the ZATCA based on the exemptions and benefits available based on the provisions of the relevant double tax avoidance treaties; or (ii) the upfront application of double tax avoidance treaties which provides for the possibility of the payor to not subject the relevant payment to withholding tax in the first place. Both mechanisms require the beneficiary/recipient to provide certain documents and forms to the ZATCA (such as, among others, Form Q7/B issued by the ZATCA, i.e. a tax residency certificate).

Income earned by Sukukholders from their investment in the Sukuk in the nature of profit is akin to a financing activity and as such, should be considered as a Loan Charge as per Article 5(1) of the Implementing Regulations to the Income Tax Law. A Loan Charge paid to a non-resident attracts 5 per cent. withholding tax.

13.4 Capital Gains Tax ("CGT")

According to Article 2 of the Income Tax Law, Persons Subject to Taxation (as defined below) include non-residents in the Kingdom with taxable income generated from sources in the Kingdom and without a Permanent Establishment for tax purposes in the Kingdom (other than PE – Zakat of a GCC person as defined under Article 2 of the Zakat Regulations, the treatment of which is discussed in "—*Zakat*" above).

Further, Article 1(2) of the Implementing Regulations to the Income Tax Law defined the applicable tax on such a Person as to being subject to the following:

(a) withholding tax, if the income generated is stipulated under Article 68 of the Income Tax Law (as discussed in "— *Withholding Tax*" and "—*Certain tax and Zakat implications for Sukukholders—Sukukholders who are Non-resident in the Kingdom*"); and

(b) capital gains tax, if the income is derived from disposal of fixed and traded assets, or from disposal of shares in a resident company under the general provisions of the Income Tax Law.

Based on the above, if the sale of the Sukuk by the Sukukholders is considered a source of income in the Kingdom, then the related income (or capital gain) will be subject to 20 per cent. corporate income tax in the Kingdom according to the rules for computation of capital gain tax provided in the Income Tax Law for non-Residents.

Capital gains realised from disposal of securities (such as the Sukuk) traded inside or outside the Kingdom are exempt from tax in the Kingdom if the following conditions are met:

(a) The disposal is carried out in accordance with the regulations of the Tadawul or the disposal is carried out outside of the Kingdom, but such securities are also traded on the Exchange; and

(b) The investor did not hold the securities before the effective date of the Income Tax Law (i.e., 30 July 2004).

Capital gains realised from disposal of the Sukuk by: (a) a resident Sukukholder; (b) a non-resident Sukukholder with a Permanent Establishment for tax purposes (if such gain is attributed to such Permanent Establishment's activities); and (c) a Permanent Establishment of a Sukukholder that is a GCC person as defined under Article 2 of the Zakat Regulations (if such gain is attributed to the Permanent Establishment's activities) will not be subject to capital gains tax. However, such gains will be included in the total income of such Sukukholders subject to corporate income tax or Zakat in the Kingdom.

13.4.1 Certain tax and Zakat implications for GCC Sukukholders who are Resident in the Kingdom

Sukukholders who are GCC persons and tax residents in the Kingdom are not subject to Saudi Arabian income tax, whether by withholding or direct assessment, in respect of any payment or gain realised in respect of the Sukuk. However, such Sukukholders could be subject to Zakat if the ownership of the Sukuk is attributable to their business activities. This summary does not consider the extent to which such Sukukholders would be liable to Zakat as a consequence of acquiring, holding or disposing of its Sukuk. However, pursuant to the Amended Zakat Regulations, Zakat payers' investment in sukuk, with no considerations of the classification of such sukuk in the financial statements, and provided the Issuer adds such sukuk as part of its equity, are eligible for deduction from the Zakat base provided these sukuk are not for trading purposes.

13.4.2 A natural person with a permanent residence in the Kingdom

A natural person who is resident in the Kingdom will not be subject to Zakat and tax, whether by withholding or direct assessment, in respect of payments in the nature of profits or gains realised in respect of the Sukuk, provided the ownership of the Sukuk is not attributable to any business activities conducted by the natural person. If such income is connected to such Sukukholders' business activity in the Kingdom, such amounts generally will be subject to Zakat in the Kingdom.

13.4.3 A legal entity established under the law of a GCC country other than the Kingdom, with a Permanent Establishment in the Kingdom

A legal entity of a GCC country having a Permanent Establishment in the Kingdom (i.e. a branch of a GCC legal entity) will be subject to Saudi Arabian corporate tax on the income of the Permanent Establishment, including any income from the Sukuk, which is attributable to a Permanent Establishment. All payments in the nature of profit (except capital gains arising from a disposal of securities traded on the Exchange) in respect of the Sukuk will be part of such Sukukholder's gross income, if the payment is attributable to the Permanent Establishment. The gross income, less deductible costs and certain other adjustments, will be subject to income tax at the current rate of 20 per cent.

Furthermore, any transfer of the after tax profit to the head office of the Permanent Establishment will be considered to be a distribution of profit and will be subject to a further 5 per cent. withholding tax.

13.4.4 Non-GCC Sukukholders who are Resident in the Kingdom

Sukukholders who are non-GCC persons (excluding natural persons) which are resident in the Kingdom, defined in Article 3 of the Income Tax Law, will be subject to corporate tax.

All payments in the nature of profit (except capital gains arising from a disposal of securities traded on the Exchange) in respect of the Sukuk will be part of the Sukukholder's gross income. The gross income, less deductible costs and certain other adjustments, will be subject to corporate tax at the current rate of 20 per cent.

Sukukholders who are non-GCC natural persons and resident in the Kingdom who are not performing commercial activities in the Kingdom (as defined in Chapter 1—Article 1 of the Income Tax Law) are not currently subject to Saudi Arabian income tax on any profit payment received or gain realised in respect of the Sukuk, according to existing practices of ZATCA (as compliance/administration of Income Tax Law is not currently enforced by ZATCA on individuals).

13.4.5 Sukukholders who are Non-resident in the Kingdom

Sukukholders, either natural persons or legal entities, who are not resident in the Kingdom (whether such Sukukholders are Saudi Arabian nationals or non-Saudi Arabian nationals, including Sukukholders resident in the GCC) should be subject to Saudi Arabian withholding tax on income paid to them from the Issuer, in respect of the Sukuk, on the basis that such payments are received from, prima facie, a Saudi resident entity which is incorporated in the Kingdom.

Application of double tax treaties in the Kingdom may take place under one of two methods: (i) a refund mechanism which requires the payor to subject the relevant payment to withholding tax after which a refund request of the withholding tax may be submitted to ZATCA; or (ii) application of double tax treaties which provides for the possibility of the payor not subjecting the relevant payment to withholding tax. Both mechanisms require the beneficiary to provide certain documents and forms to ZATCA (such as a tax residency certificate).

For completeness, as the payment of profits (if any) on the Sukuk will be made through the Payment Administrator (as defined in the Conditions), some Sukukholders (subject to tax advice sought for specific cases and in relevant jurisdictions by the Sukukholders) may not be able to prove to their local tax authorities that withholding tax has been applied to profit payments, and therefore may not be able to obtain the benefit of any applicable double tax treaty relief or credit for tax withheld.

Notwithstanding the above, pursuant to the terms of the Sukuk, to the extent that any withholding tax is deducted, the Issuer will generally be obligated to pay such additional amounts as will result in receipt by the Sukukholders, after such withholding or deduction, of such amounts as would have been received by them had no such withholding or deduction been required. Sukukholders who are non-residents with a Permanent Establishment in the Kingdom (as defined in Article 4 of the Income Tax Law) will be subject to Saudi Arabian income tax on a Permanent Establishment's income, including income from the Sukuk which is attributable to a Permanent Establishment. Furthermore, pursuant to Article 63(6) of the Implementing Regulations of the Income Tax Law, a Permanent Establishment will be subject to a withholding tax at the rate of 5 per cent. on remittance of after-tax profits / deemed profit to its head office.

13.5 Indirect Taxes

13.5.1 VAT

Certain financial services, including those where the consideration payable in respect of the services is by way of an implicit margin or spread (including but not limited to interest, spread, margin or other implicit margin), are treated as exempt supplies from a Saudi Arabian VAT perspective. Further, the exemption also applies to the issue or transfer of a debt security, equity security, or any other transferable document recognising an obligation to pay a monetary amount to the bearer.

"Sukuk" is not a defined term for Saudi Arabian VAT purposes, but is akin in nature to a debt security. According to Article 29(3) of Saudi Arabian VAT implementing regulations, Islamic finance products, being financial products under contract which are *Shari'ah* compliant, and which simulate the intention and achieve effectively the same result as a non-*Shari'ah* compliant financial product will be treated in the same manner as the equivalent non-*Shari'ah* financial product for the purpose of applying exemption from VAT. Any additional fee in respect of a service by way of an explicit fee, such as an administration charge in relation to the issue of a security, would be treated as consideration for a taxable supply subject to VAT at standard rate where the supply is made in Saudi Arabia. Such an additional fee could be subject to VAT under a reverse charge mechanism if it is received by a VAT-registered taxpayer in the Kingdom from a supplier located outside Saudi Arabia.

Income generated by holding the Sukuk or trading gains from its sale should be treated as VAT-exempt or outside the scope of VAT (depending on the client-specific circumstances of the transaction) for Saudi Arabian VAT purposes. The VAT exemption does not apply to fees charged by intermediary parties for their services.

The precise reporting requirements related to the various payments and receipts associated with the aforementioned transactions will depend on the residence of the Sukukholders, their types of activity and whether they are registered for Saudi Arabian VAT purposes. However, with the exception of explicit fees or charges, any trading gains should not be subject to VAT as they should either be treated as outside the scope or exempt for the purposes of Saudi Arabian VAT.

13.5.2 General

Natural persons who are Sukukholders at the time of their death are generally not subject to inheritance or other taxes of a similar nature in the Kingdom, although distribution on inheritance is considered a disposal of the asset for tax purposes.

Sukukholders will not be deemed to be resident, domiciled or carrying on business in the Kingdom solely by reason of holding any Sukuk.

For the purposes of this summary:

"**Article 63 (6) of the income tax law's implementing regulations**" is as follows:

"**Dividends**" means any distribution by a resident company to a non-resident shareholder, and any profits transferred by a permanent establishment to related parties; the following should be considered:

- Dividends by companies engaged in natural gas investment, oil and hydrocarbons are not subject to withholding tax;
- Partial or full liquidation of a company is deemed to be dividends for payments in excess of paid- in capital; and
- Subjection of a distributing company to income tax shall not preclude imposition of withholding tax on its dividends;

"**GCC person**" means: (a) a citizen of any of the member countries of the Cooperation Council of the Arab States of the Gulf (namely, the Kingdom, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar and the State of Kuwait); and (b) any legal entity owned by GCC citizens and established under the laws of a GCC country with no non-GCC entity in the chain of ownership between GCC citizens and the legal entity;

"**Income Tax Law**" means the Income Tax Law issued under Royal Decree No. M/1 dated 15/01/1425H (corresponding to 6 March 2004G) and the implementing regulations thereof;

"**Permanent Establishment**" means a permanent enterprise of a non-resident in the Kingdom which represents a permanent place for the non-resident's activity where it conducts the activity either fully or partly; this also includes the activities conducted by the non-resident through a dependent agent (dependent agent having the meaning specified in the Income Tax Law). A non-resident carrying out an activity in the Kingdom through a licensed branch (as defined in Article 4(b)4 of the Income Tax Law) is considered to have a Permanent Establishment in the Kingdom;

"**Persons Subject to Taxation**" as defined in Article 2 of the Income Tax Law, are:

(a) a resident capital company with respect to the shares owned directly or indirectly by non-Saudi partners, as well as the shares owned directly or indirectly by persons working in the production of oil and hydrocarbonates. Excluding shares owned directly or indirectly by persons working in the production of oil and hydrocarbonates in resident capital companies listed in the Saudi capital markets and the shares owned directly or indirectly by these companies in capital companies;

(b) a resident non-Saudi natural person who carries on business activities in the Kingdom;

(c) a non-resident who carries on business activities in the Kingdom through a Permanent Establishment;

(d) a non-resident with other income subject to tax from sources within the Kingdom;

(e) a person engaged in the field of natural gas investment; and

(f) a person engaged in the production of oil and hydrocarbon materials; and

A person is "**resident**" in the Kingdom (as defined in Article 3 of the Income Tax Law) as follows:

(a) A natural person is considered a resident in the Kingdom for a taxable year if he meets either of the two following conditions:

(i) he has a permanent place of abode in the Kingdom and is physically residing in the Kingdom for a period, in aggregate, of not less than 30 days during the taxable year; or

(ii) he is physically residing in the Kingdom for a period of not less than 183 days in the taxable year.

For the purposes of this paragraph, residence in the Kingdom for part of a day is considered residence for the whole day, except in the case of a person in transit between two points outside the Kingdom.

(b) A company is considered resident in the Kingdom during the taxable year if it meets either of the following conditions:

(i) it is formed in accordance with the Companies Regulations; or

(ii) its central management is located in the Kingdom.

14. SUBSCRIPTION AND SALE

14.1 Programme Agreement

The Sole Arranger and Dealer has entered into a programme agreement dated 14 January 2024G (as the same may be amended, supplemented or novated, the "**Programme Agreement**") with the Issuer. Pursuant to the Programme Agreement, the Issuer has agreed with the Sole Arranger and Dealer a basis upon which the Sole Arranger and Dealer, and each further Dealer appointed under the Programme, may from time to time agree to procure persons to purchase Sukuk issued under the Programme. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Sukuk*". The Issuer may pay each relevant Dealer a commission as agreed between the Issuer and the relevant Dealer in respect of Sukuk placed by it.

The Issuer has agreed to indemnify the Dealer(s) against certain liabilities in connection with the offer and sale of the Sukuk. The Programme Agreement entitles the Dealer(s) to terminate any agreement that they make to place Sukuk in certain circumstances prior to payment for such Sukuk being made to the Issuer including in the event that certain conditions precedent are not delivered or met to their satisfaction on the Issue Date. In this situation, the issuance of the Sukuk may not be completed. Investors will have no rights against the Issuer or Dealer(s) in respect of any expense incurred or loss suffered in these circumstances.

14.2 Application by Prospective Investors

The Offer Period for each Tranche will be notified to prospective investors. The Issue Date for each Tranche of Sukuk will be a date notified by the Issuer and the relevant Dealer(s) to the prospective investors after the end of the relevant Offer Period and shall be specified in the Applicable Final Terms. During the Offer Period, the relevant Dealer(s) may solicit expressions of interest from prospective investors for acquiring the Sukuk of the relevant Series, during which time the Issuer and the relevant Dealer(s) shall consult and agree on the Profit Rate or (where the Applicable Final Terms specify that Floating Periodic Distribution Provisions are to apply) the Margin, as the case may be.

Persons wishing to purchase the Sukuk of the relevant Series will be required to submit a duly completed Investor Application Form to the relevant Dealer(s) or the Receiving Bank(s), as applicable and as specified in the Applicable Final Terms, before the end of the Offer Period and shall make payment for the Sukuk of such Series as per the instructions contained in the Investor Application Form. Investor Application Forms will be available from the relevant Dealer(s), or from the Receiving Bank(s), as applicable, in respect of such Series. For the avoidance of doubt, eligible natural persons shall only liaise with the Receiving Bank(s) in respect of their purchase of the Sukuk of the relevant Series. Applications to purchase Sukuk for less than the Specified Denomination will not be accepted. The Applicable Final Terms will specify whether Receiving Bank(s), if any, will be appointed in respect of the issuance of each Series of Sukuk.

Persons wishing to purchase the Sukuk will be required to declare that they have read and understood this Base Prospectus (including sections entitled "*Risk Factors*" and "*Terms and Conditions of the Sukuk*") and the terms and conditions of the Investor Application Form and accept in full and agree to the basis on which the offer of Sukuk is made. They will also be required to declare that all the information provided in the Investor Application Form is true and correct.

Allocation of the Sukuk of each Tranche will be at the discretion of the Issuer and the relevant Dealer(s) and will be made following the end of the Offer Period. Once the allocation of Sukuk of such Tranche has been completed, the Issuer will cause the Profit Rate and/or the Margin, as the case may be, and the aggregate nominal amount, together with the anticipated aggregate net proceeds, of the Sukuk of such Tranche, to be communicated to investors.

All prospective investors must carefully read the Conditions prior to completing an application for the purchase of the Sukuk since the execution of the Investor Application Form constitutes acceptance of, and agreement to, the Conditions.

14.3 Treatment of Sukuk for Zakat Purposes

The Zakat Regulations were amended and supplemented by the Ministerial Resolution No. 58705 dated 21/09/1444H (corresponding to 12 April 2023G) (the "**Amended Zakat Regulations**"). Pursuant to the Amended Zakat Regulations, Zakat payers' investment in sukuk, with no considerations of the classification of such sukuk in the financial statements, are eligible for deduction from Zakat base provided these sukuk are not for trading purposes. Each investor must examine their own particular circumstances as to how the Zakat Regulations and the Amended Zakat Regulations may apply to their investment. The Applicable Final Terms will specify the treatment of the relevant Series of Sukuk for Zakat purposes.

14.4 The Kingdom of Saudi Arabia

The Sole Arranger and Dealer have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will only offer the Sukuk in the Kingdom in accordance with any laws or regulations applicable in the Kingdom governing the issue, offering and sale of securities.

14.5 General

The Sole Arranger and Dealer have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Sukuk or possesses or distributes this Base Prospectus.

Offers and sales of the Sukuk in the secondary market may only take place in compliance with any applicable restrictions and requirements in the relevant jurisdiction and in all cases, the Sukuk shall not be offered or sold to retail clients outside of the Kingdom.

None of the Issuer, the Sole Arranger, the Dealer(s) and the Sukukholders' Agent represents that Sukuk may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Base Prospectus or any Sukuk may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of Sukuk. All purchasers of Sukuk must abide by, and are responsible for ensuring compliance with, all legal and regulatory restrictions and obligations applicable to them in all relevant jurisdictions.

14.6 Transfers and Payments

The Registrar will maintain the Register in respect of the Sukuk in accordance with the provisions of the Registry Agreement. Investors must either maintain an account directly with the Registrar or through a custodian or other intermediary in order to hold Sukuk. All the transfers shall be effected as per Condition 4 (*Register, Title and Transfers*).

In addition, pursuant to Condition 11 (*Payments*) all payments under the Sukuk will be made to Saudi Riyal denominated accounts in the Kingdom as notified from time to time to the Issuer, the Registrar and the Payment Administrator. Accordingly, investors will need to make appropriate arrangements to receive payments under the Sukuk in such an account. Investors are required to consult with their own advisers as to the requirements of setting up the accounts referred to above and must take any necessary action in respect of opening such account themselves. None of the Issuer, the Sukukholders' Agent, the Payment Administrator, the Sole Arranger and the Dealer(s) shall have any responsibility for ensuring that investors comply with the correct process, regulations and requirements in relation to opening such accounts in order to hold Sukuk and receive payments and none of them accept any liability for any loss arising directly or indirectly as a consequence of any action or inaction in respect of setting up such accounts.

14.7 Sole Arranger and the Dealers transacting with the Issuer

The Sole Arranger, the Dealer(s) and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business for which they may receive fees.

In particular, in the ordinary course of its business activities, the Sole Arranger, the Dealer(s) and each of their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates (including the Sukuk). The Sole Arranger, the Dealer(s) and each of their respective affiliates that have a financing relationship with the Issuer and its affiliates routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, the Sole Arranger, the Dealer(s) and each of their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Sukuk. Any such short positions could adversely affect future trading prices of the Sukuk. The Sole Arranger, the Dealer(s) and each of their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with any offering of Sukuk, the Sole Arranger, the Dealer(s) and each of their respective affiliates may act as an investor for its own account and may take up Sukuk in the offering and in that capacity may retain, purchase or sell for its own account such Sukuk and any securities of the Issuer or related investments and may offer to sell such securities or other investments otherwise than in connection with an offering. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

15. LEGAL AND GENERAL INFORMATION

15.1 Litigation

The Company and its subsidiary are parties to a number of lawsuits and disputes within their ordinary course of business. Such lawsuits and disputes generally relate to medical malpractice, debt collection, and labour claims.

The total number of outstanding claims filed against the Group is approximately 76 legal claims for a total determinable amount of approximately SAR 25.0 million as at 31 July 2023G. As for outstanding claims filed by the Group, there are approximately 445 legal claims for a total amount of approximately SAR 37.6 million as at 31 July 2023G.

It should be noted that as at 31 July 2023G the plaintiffs in 52 of the lawsuits against the Group did not specify their claim amount. Accordingly, the amounts that may be paid by the Group as a result of such lawsuits will be determined at the discretion of the respective judge and, therefore, the Group is unable to provide an estimate for such claims at present.

The Company and its subsidiary confirm that they are not subject to any claims or legal proceedings that may, separately or jointly, materially affect the Group's operations or its financial position which amount to 5 per cent. or more of the Issuer's net assets based on its latest annual financial statements.

15.2 Authorisation of Sukuk

The establishment of the Programme, the creation and issue of the Sukuk and the authorising of the Issuer's representatives to conclude the Issuer's entry into the Sukuk Documents has been authorised by a resolution of the Board of Directors of the Issuer dated 12/02/1445H (corresponding to 28/08/2023G).

The Issuer's application for registration and offer of the Sukuk was approved by the CMA on 20/05/1445H (corresponding to 04/12/2023G). The Issuer's application for listing the Sukuk was approved by Tadawul on 11/04/1445H (corresponding to 26/10/2023G).

15.3 Expert's statement

The independent auditor of the Issuer is EY. The 2022G Financial Statements and the 2021G Financial Statements were audited by EY and the 2020G Financial Statements were audited by KPMG, in each case without qualification, in accordance with the International Standards on Auditing that are endorsed in the Kingdom, as stated in their respective reports incorporated by reference herein.

Each of EY and KPMG has given and has not withdrawn their written consent to the incorporation by reference in the Base Prospectus of their respective reports appended to the relevant Annual Financial Statements.

Each of EY and KPMG is an institution authorised by SOCPA, the professional body that oversees audit firms in the Kingdom, to conduct independent audits of corporations in the Kingdom.

As at the date hereof, the advisers listed on pages v to xii have given and have not withdrawn their written consent to the publication of their names, addresses, logos and statements / reports (as applicable) in this Base Prospectus as presented herein. The Base Prospectus does not include statements from any experts.

15.4 Guarantees

The Issuer confirms that it will not provide any guarantees, pledges or other similar commitments in connection with the Sukuk.

15.5 Licenses and Certificates

The table below sets out the material regulatory and operational certificates and licenses obtained by the Group as at 31 July 2023G.

No.	License Type	Purpose	License Number	Expiry Date	Issuing Authority
The Company					
1-	Registration Certificate of a Joint Stock Company	Registering the Company with the commercial registration	4030149460	20/05/1449H (corresponding to 20/10/2027G)	MOC
SGH Jeddah (Al-Zahra branch)					
2-	Commercial Registration Certificate of a Branch	Branch registration	4030124187	10/05/1445H (corresponding to 24/11/2023G)	MOC
3-	Medical License	License of SGH Jeddah (Al-Zahra branch)	2610101001000020	28/06/1447H (corresponding to 19/12/2025G)	MOH
4-	Civil Defense License	Safety license	Pending	—	General Directorate of Civil Defense
5-	Accreditation Certificate	Accreditation in implementing the national hospital standards of quality	JED-PRV- HOS-117-0031-1015	09/03/1446H (corresponding to 13/09/2024G)	CBAHI
SGH Aseer					
6-	Commercial Registration Certificate of a Branch	Branch registration	5855019364	10/05/1445H (corresponding to 24/11/2023G)	MOC
7-	Medical License	License of SGH Aseer	7210201001210006	25/05/1446H (corresponding to 27/11/2024G)	MOH
8-	Civil Defense License – Medical Tower	Safety license	100117439944	23/12/1445H (corresponding to 30/06/2024G)	General Directorate of Civil Defense
9-	Accreditation Certificate	Accreditation in implementing the national hospital standards of quality	ASR/PVT/HOS/0243	22/12/1445H (corresponding to 29/06/2024G)	CBAHI
10-	Balady (Municipal)	Commercial activity license	390951422	06/06/1445H (corresponding to 19/12/2023G)	Balady
SGH Madinah					
11-	Commercial Registration Certificate of a Branch	Branch registration	4650032396	10/05/1445H (corresponding to 24/11/2023G)	MOC
12-	Medical License	License of SGH Madinah	4810101001210006	18/02/1447H (corresponding to 13/08/2025G)	MOH
13-	Civil Defense License	Safety license	1-000-879144-43	Under renewal	General Directorate of Civil Defense

No.	License Type	Purpose	License Number	Expiry Date	Issuing Authority
14-	Accreditation Certificate	Accreditation in implementing the national hospital standards of quality	MAD/PVT/HOS/0290	05/09/1445H (corresponding to 15/03/2024G)	CBAHI
15-	Balady (Municipal)	Commercial activity license	40112498880	28/07/1445H (corresponding to 09/02/2024G)	Balady
SGH Riyadh					
16-	Commercial Registration Certificate of a Branch	Branch registration	1010162269	23/07/1448H (corresponding to 01/01/2027G)	MOC
17-	Medical License	License of SGH Riyadh	1410101001200019	10/02/1445H (corresponding to 27/08/2023G)	MOH
18-	Civil Defense License	Safety license	Pending	—	General Directorate of Civil Defense
19-	Accreditation Certificate	Accreditation in implementing the national hospital standards of quality	RYD/PVT/HOS/0707	24/09/1447H (corresponding to 13/03/2026G)	CBAHI
20-	Balady (Municipal)	Commercial activity license	40031766987	08/04/1445H (corresponding to 23/10/2023G)	Balady
SGH Dammam					
21-	Commercial Registration Certificate of a Branch	Branch registration	2050105713	16/07/1446H (corresponding to 16/01/2025G)	MOC
22-	Medical License	License of SGH Dammam	3810301001210011	21/05/1446H (corresponding to 19/12/2025G)	MOH
23-	Civil Defense License	Safety license	4-000462892-44	01/09/1445H (corresponding to 11/03/2024G)	General Directorate of Civil Defense
24-	Accreditation Certificate	Accreditation in implementing the national hospital standards of quality	EST/PVT/HOS/134540	09/03/1446H (corresponding to 13/09/2024G)	CBAHI
25-	Balady (Municipal)	Commercial activity license	41052644293	09/05/1445H (corresponding to 23/11/2023G)	Balady
SGH Makkah					
26-	Commercial Registration Certificate of a Branch	Branch registration	4031215509	18/10/1448H (corresponding to 26/03/2027G)	MOC
27-	Medical License	License of SGH Makkah	2500020433	28/02/1449H (corresponding to 02/08/2027G)	MOH
28-	Civil Defense License	Safety license	1-000928903-43	Under renewal	General Directorate of Civil Defense

No.	License Type	Purpose	License Number	Expiry Date	Issuing Authority
AJ Sons					
29-	Commercial Registration Certificate of a Branch	Registration of AJ Sons	4030181710	04/08/1448H (corresponding to 12/01/2027G)	MOC
30-	Medical Device Establishment License	License of AJ Sons	7012792334	07/02/1446H (corresponding to 11/08/2024G)	Saudi Food and Drug Authority
Beverly Clinics					
31-	Commercial Registration Certificate of a Branch	Registration of Beverly Clinics	4030297688	25/02/1446H (corresponding to 29/08/2024G)	MOC
32-	Medical License	License of Beverly Clinics	2610101301200391	14/07/1449H (corresponding to 19/12/2025G)	MOH
33-	Civil Defense License	Safety license	3-000627606-44	13/10/1445H (corresponding to 22/04/2024G)	General Directorate of Civil Defense
34-	Accreditation Certificate	Accreditation in implementing the national hospital standards of quality	JED/PVT/AMB/148415	17/08/1447H (corresponding to 05/02/2026G)	CBAHI
SGH Jeddah (Al-Rawabi branch) [1]					
35-	Commercial Registration Certificate of a Branch	Branch registration	4030124187	12/05/1445H (corresponding to 25/11/2027G)	MOC
36-	Medical License	License of SGH Jeddah (Al-Rawabi branch)	2600029403	01/03/1449H (corresponding to 04/08/2027G)	MOH
37-	Civil Defense License	Safety license	2-000829676-44	01/05/1446H (corresponding to 03/11/2024G)	General Directorate of Civil Defense
38-	Balady (Municipal)	Commercial activity license	43047951859	22/05/1445H (corresponding to 06/12/2023G)	Balady
Abha Clinics [1]					
39-	Commercial Registration Certificate of a Branch	Registration of Abha Clinics - Aseer	5850124337	23/09/1445H (corresponding to 02/04/2024G)	MOC
40-	Medical License	License of Abha Clinics - Aseer	7200029668	14/01/1449H (corresponding to 19/06/2027G)	MOH
41-	Civil Defense License	Safety license	200085318144	23/12/1445H (corresponding to 30/06/2024G)	General Directorate of Civil Defense
42-	Balady (Municipal)	Commercial activity license	43069053291	19/08/1445H (corresponding to 29/02/2024G)	Balady
NHC (SGH Hail)					

No.	License Type	Purpose	License Number	Expiry Date	Issuing Authority
43-	Commercial Registration Certificate of a Joint Stock Company	Commercial Registration Certificate of NHC	3350019735	01/07/1447H (corresponding to 21/12/2025G)	MOC
44-	Medical License	License of National Hail Company for Healthcare - Hail	6500101001010005	18/07/1448H (corresponding to 27/12/2026G)	MOH
45-	Civil Defense License	Safety license	2-000281441-41	Under renewal	General Directorate of Civil Defense
46-	Accreditation Certificate	Accreditation in implementing the national hospital standards of quality	HAL/PVT/HOS/03170	09/03/1446H (corresponding to 13/09/2024G)	CBAHI
47-	Balady (Municipal)	Commercial activity license	40011644579	02/08/1446H (corresponding to 01/02/2025G)	Balady

Source: The Company.

Note:

(1) SGH Jeddah (Al-Rawabi branch) obtained its CBAHI accreditation in August 2023G while Abha Clinics is expecting to receive its CBAHI accreditation in the fourth quarter of 2023G.

For further details on the accreditations of the Company and its subsidiary, see section entitled "*Description of the Group's Business – Description of Company's branches and subsidiary*".

15.6 Real Estate Summary

The Company owned the following properties in the Kingdom as at 31 July 2023G:

No.	Deed Number and Date	Area (m²)	Location	Description of Use	Book Value (SAR)
1-	320206016857 dated 03/02/1436H (corresponding to 25/11/2014G)	14,101	Zahra District, Jeddah	Main building of SGH Jeddah	34,242,883
2-	320223012697 dated 03/09/1435H (corresponding to 30/06/2014G)	667,50	Zahra District, Jeddah	Specialist centre in SGH Jeddah	844,800
3-	320223012708 dated 03/09/1435H (corresponding to 30/06/2014G)	1,320	Zahra District, Jeddah	Medical tower in SGH Jeddah	7,765,000
4-	320223012720 dated 03/09/1435H (corresponding to 30/06/2014G)	1,311,66	Zahra District, Jeddah	Nephrology centre in SGH Jeddah	3,270,000
5-	820215025622 dated 02/03/1436H (corresponding to 24/12/2014G)	674,80	Zahra District, Jeddah	Psychiatric centre in SGH Jeddah	1,369,088
6-	320223012696 dated 03/09/1435H (corresponding to 30/06/2014G)	697,04	Zahra District, Jeddah	Procurement building in AJ Sons	2,750,000
7-	920223012719 dated 03/09/1435H (corresponding to 30/06/2014G)	600	Zahra District, Jeddah	Housing building in SGH Jeddah	1,635,000
8-	820223012721 dated 03/09/1435H (corresponding to 30/06/2014G)	567	Al-Salamah District, Jeddah	Housing building in SGH Jeddah	1,000,000

No.	Deed Number and Date	Area (m^2)	Location	Description of Use	Book Value (SAR)
9-	220223012718 dated 03/09/1435H (corresponding to 30/06/2014G)	1,440	Zahra District, Jeddah	Housing building in SGH Jeddah	8,175,000
10-	520223012717 dated 03/09/1435H (corresponding to 30/06/2014G)	600	Al-Nahdha District, Jeddah	Residential building in SGH Jeddah	3,900,000
11-	420223012722 dated 03/09/1435H (corresponding to 30/06/2014G)	660	Al-Salamah District, Jeddah	Housing building in SGH Jeddah	2,415,000
12-	320206016856 dated 03/02/1436H (corresponding to 25/11/2014G)	8,567,89	Zahra District, Jeddah	Housing building in SGH Jeddah	20,674,584
13-	420206016855 dated 03/02/1436H (corresponding to 25/11/2014G)	2,728,23	Zahra District, Jeddah	Parking garage in SGH Jeddah	6,370,320
14-	710107035090 dated 27/11/1435H (corresponding to 22/09/2014G)	29,880	Al-Sahafa District, Riyadh	SGH Riyadh	20,920,000
15-	810122031346 dated 30/02/1436H (corresponding to 22/12/2014G)	875	Al-Sahafa District, Riyadh	Housing building in SGH Riyadh	3,500,000
16-	310115039796 dated 01/03/1436H (corresponding to 23/12/2014G)	947,43	Al-Malqa District, Riyadh	Housing building in SGH Riyadh	3,647,605
17-	310115041266 dated 22/07/1436H (corresponding to 01/05/2015G)	3,700	Al-Sahafa District, Riyadh	Housing building in SGH Riyadh	3,184,500
18-	310117030149 dated 28/04/1436H (corresponding to 17/02/2015G)	4,000	Riyadh	Housing building in SGH Riyadh	2,700,000
19-	230108011063 dated 08/02/1435H (corresponding to 11/12/2013G) (1)	90,000	Dammam	SGH Dammam project's land	42,200,000
20-	1/199/49 dated 15/08/1415H (corresponding to 17/01/1995G)	55,664	Khamis Mushait	SGH Aseer's land	8,906,240
21-	340105012299 dated 14/04/1436H (corresponding to 03/02/2015G)	41,274,42	Madinah	SGH Madinah	—(2)
22-	940105012298 dated 14/04/1436H (corresponding to 03/02/2015G)	24,332,43	Madinah	Housing Building in SGH Madinah	—(2)

Source: The Company.

Notes:

(1) The ownership of the whole 90,000 m^2 land, owned by Sobhi Abduljaleel Batterjee, is currently being transferred (including the 30,000 m^2 land purchased by the Company). The reason behind the transfer of the ownership of the whole land rather than the purchased plot only is that the land is covered by a single deed and singling out the purchased land in a separate deed is a time consuming process. Therefore, the Company and Sobhi Abduljaleel Batterjee have agreed to transfer the whole land to the Company and the purchased part shall later be singled out by the Company.

(2) No book value as the land in Madinah on which these properties are situated is granted by the government and free of cost.

The following properties are owned by NHC:

No.	Deed Number and Date	Area (m²)	Location	Description of Use	Book Value (SAR)
1-	938/25 dated 02/02/1434H (corresponding to 15/12/2012G)	22,495,50	Hail	SGH Hail project's land	4,474,100
2-	938/23 dated 02/02/1434H (corresponding to 15/12/2012G)	22,495,50	Hail	SGH Hail project's land	
3-	24/938 dated 02/02/1434H (corresponding to 15/12/2012G) (1)	44,222,26	Hail	SGH Hail project's land	

Source: The Company.

Note:

(1) Pledged to MOF for the repayment of SAR 69.7 million loaned by MOF.

15.7 Insurance Summary

The Group has entered into various insurance policies providing a range of insurance coverage which the Group believes is appropriate for its business. The following table sets out the key particulars of the insurance policies held by the Group as at 31 July 2023G:

No.	Scope of Insurance Coverage	Insurance Company	Insured Amount / Coverage (SAR)	Insurance Premium	Coverage Expiry Date
Insurance policies relating to the Company					
1-	Comprehensive Public Liability	Walaa Co	3,750,000 annually	51,779	07/06/2024G
Insurance policies relating to SGH Asser					
2-	Malpractice Insurance for Doctors	Tawuniya	3,500,000	312,508	12/12/2023G
3-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	88,223	04/08/2024G
4-	Employee Medical Insurance	Tawuniya	1,000,000	5,081,230	31/09/2023G
5-	Vehicles Comprehensive Insurance	MedGulf	10,000,000	22,601	26/09/2023G
6-	Money Insurance	Walaa Co	25,000,000	5,820	07/06/2024G
7-	Fidelity Guarantee	Walaa Co	1,100,000	3,134	07/06/2024G
8-	Property All Risk Insurance	Walaa Co	646,769,170	120,311	07/06/2024G
Insurance policies relating to SGH Madinah					
9-	Malpractice Insurance for Doctors	Tawuniya	1,500,000	245,894	12/12/2023G
10-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	75,000	04/08/2024G
11-	Employee Medical Insurance	Tawuniya	1,000,000	5,524,845	31/09/2023G
12-	Vehicles Comprehensive Insurance	MedGulf	10,000,000	23,788	26/09/2023G
13-	Money Insurance	Walaa Co	10,000,000	2,345	07/06/2024G
14-	Fidelity Guarantee	Walaa Co	1,000,000	2,099	07/06/2024G
15-	Property All Risk Insurance	Walaa Co	219,650,041	49,617	07/06/2024G
Insurance policies relating to SGH Riyadh					
16-	Malpractice Insurance for Doctors	Tawuniya	3,500,000	232,707	12/12/2023G

No.	Scope of Insurance Coverage	Insurance Company	Insured Amount / Coverage (SAR)	Insurance Premium	Coverage Expiry Date
17-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	85,207	04/08/2024G
18-	Employee Medical Insurance	Tawuniya	1,000,000	5,765,962	31/09/2023G
19-	Vehicles Comprehensive Insurance	MedGulf	10,000,000	41,966	26/09/2023G
20-	Money Insurance	Walaa Co	25,000,000	6,307	07/06/2024G
21-	Fidelity Guarantee	Walaa Co	7,500,000	9,551	07/06/2024G
22-	Property All Risk Insurance	Walaa Co	379,896,515	116,876	07/06/2024G
Insurance policies relating to SGH Jeddah (Al-Zahra branch)					
23-	Malpractice Insurance for Doctors	Tawuniya	3,500,000	665,974	12/12/2023G
24-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	95,110	04/08/2024G
25-	Employee Medical Insurance	Tawuniya	1,000,000	8,390,041	31/09/2023G
26-	Vehicles Comprehensive Insurance	MedGulf	10,000,000	47,110	26/09/2023G
27-	Money Insurance	Walaa Co	106,000,000	23,684	07/06/2024G
28-	Fidelity Guarantee	Walaa Co	1,600,000	3,341	07/06/2024G
29-	Property All Risk Insurance	Walaa Co	508,871,372	95,293	07/06/2024G
Insurance policies relating to SGH Hail					
30-	Malpractice Insurance for Doctors	Tawuniya	3,500,000	173,194	12/12/2023G
31-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	40,370	04/08/2024G
32-	Employee Medical Insurance	Tawuniya	1,000,000	2,371,220	31/09/2023G
33-	Vehicles Comprehensive Insurance	MedGulf	10,000,000	9,758	26/09/2023G
34-	Money Insurance	Walaa Co	10,000,000	2,443	07/06/2024G
35-	Fidelity Guarantee	Walaa Co	1,015,000	2,220	07/06/2024G
36-	Property All Risk Insurance	Walaa Co	135,450,887	45,206	07/06/2024G
Insurance policies relating to SGH Makkah					
37-	Malpractice Insurance for Doctors	Tawuniya	3,500,000	117,600	12/12/2023G
38-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	33,099	04/08/2024G
39-	Employee Medical Insurance	Tawuniya	1,000,000	616,536	31/09/2023G
40-	Vehicles Comprehensive Insurance	MedGulf	10,000,000	22,253	26/09/2023G
41-	Property All Risk Insurance	Walaa Co	550,220,943	104,433	07/06/2024G
Insurance policies relating to SGH Jeddah (Al-Rawabi branch)					
42-	Malpractice Insurance for Doctors(1)	Tawuniya	—	—	—
43-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	13,409	04/08/2024G
44-	Employee Medical Insurance(1)	Tawuniya	—	—	—

No.	Scope of Insurance Coverage	Insurance Company	Insured Amount / Coverage (SAR)	Insurance Premium	Coverage Expiry Date
45-	Vehicles Comprehensive Insurance(1)	MedGulf	—	—	—
46-	Money Insurance(1)	Walaa Co	—	—	—
47-	Fidelity Guarantee(1)	Walaa Co	—	—	—
48-	Property All Risk Insurance	Walaa Co	68,273,033	15,413	07/06/2024G
Insurance policies relating to Beverly Clinics					
49-	Malpractice Insurance for Doctors(1)	Tawuniya	—	—	—
50-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	6,590	04/08/2024G
51-	Employee Medical Insurance	Tawuniya	1,000,000	343,611	31/09/2023G
52-	Vehicles Comprehensive Insurance(1)	MedGulf	—	—	—
53-	Money Insurance(1)	Walaa Co	—	—	—
54-	Fidelity Guarantee(1)	Walaa Co	—	—	—
55-	Property All Risk Insurance	Walaa Co	27,359,965	5,355	07/06/2024G
Insurance policies relating to Abha Clinics					
56-	Malpractice Insurance for Doctors(2)	Tawuniya	—	—	—
57-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	5,173	04/08/2024G
58-	Employee Medical Insurance	Tawuniya	1,000,000	113,875	31/09/2023G
59-	Vehicles Comprehensive Insurance(2)	MedGulf	—	—	—
60-	Money Insurance(2)	Walaa Co	—	—	—
61-	Fidelity Guarantee(2)	Walaa Co	—	—	—
62-	Property All Risk Insurance	Walaa Co	65,665,753	12,489	07/06/2024G
Insurance policies relating to SGH Dammam					
63-	Malpractice Insurance for Doctors	Tawuniya	3,500,000	137,618	12/12/2023G
64-	Malpractice Insurance for Nursing and Allied	Tawuniya	100,000	54,731	04/08/2024G
65-	Employee Medical Insurance	Tawuniya	1,000,000	3,319,802	31/09/2023G
66-	Vehicles Comprehensive Insurance	MedGulf	10,000,000	24,079	26/09/2023G
67-	Money Insurance	Walaa Co	12,000,000	1,594	07/06/2024G
68-	Fidelity Guarantee	Walaa Co	6,000,000	4,169	07/06/2024G
69-	Property All Risk Insurance	Walaa Co	384,770,559	95,796	07/06/2024G

Source: The Company.

Notes:

(1) Covered under SGH Jeddah (Al-Zahra branch)'s insurance policies.

(2) Covered under SGH Aseer's insurance policies.

15.8 Material Agreements

15.8.1 Leases

The Group has entered into several lease agreements (as lessee) to lease buildings and apartments for staff accommodation. The Group has also entered into several lease agreements (as lessor) to lease certain commercial units in the Group's hospitals, which are used for purposes of selling different products or services, including selling food and beverages, eyewear, toys, gifts, flowers and sweets. The terms of such lease agreements range from one to three years, and most of which are renewable by mutual agreement. As at 31 March 2023G, the aggregate number of the Group's lease agreements (as lessee) is 41, with an aggregate annual rental value of SAR 14,447,189. As at 31 March 2023G, the aggregate number of the Group's lease agreements (as lessor) is 42, with an aggregate annual rental value of SAR 7,424,870.

Further, the Group has two lease agreements which are material to its business and operations, the particulars of which are as follows:

Parties	Term	Annual Rental value (SAR)	Description
Company (as lessee) and Holy Makkah Municipality (as lessor)	25 years	60,000	Lease agreement for SGH Makkah. Rent may be varied every five years.
SGH Jeddah (Al-Rawabi branch) (as lessee) and Bait al Batterjee Medical College (as lessor)	4 years	3,500,000	Lease agreement for SGH Jeddah (Al-Rawabi branch) which had a rent-free grace period until 31 July 2023G.

Source: The Company.

15.8.2 Medical Services Agreements

Services Agreements with Insurance Companies

The Group has entered into various agreements with insurance companies in the Kingdom to provide medical services to the holders of insurance cards issued by such companies. Each of the Group's hospitals enters into a separate agreement with an insurance company which typically contain similar terms and conditions. The terms and conditions include the type of medical services which are covered under the insurance policy such as medical examination, radiology, laboratories, medications, inpatient services and dentistry, which the insured may benefit from.

The terms of these agreements range from one to four years and either renew automatically unless one party notifies the other of its intention not to renew before the termination date of the agreement or are renewable by mutual agreement. For further details, see section entitled "*Description of the Group's Business – Customers – Customers covered by private insurance companies*".

Medical Services Agreements with MOH, Companies and Institutions

The Group has entered into an agreement with MOH to provide medical services to patients referred by MOH to the Group's hospitals. This agreement governs the patient referral arrangements from MOH to the Group's hospitals and specifically regulates the prices for the medical services that the Group's hospitals may provide to patients referred to them by MOH.

Further, the Group has entered into various agreements with companies and institutions to provide medical services to their employees. The agreements are renewable by mutual agreement and are governed by laws and regulations of the Kingdom of Saudi Arabia.

For further details, see section entitled "*Description of the Group's Business – Customers*".

15.8.3 Hospital Management Supervision Agreements with Foreign Hospitals

The Group is party to various agreements to manage and supervise hospitals owned by third parties in Dubai, Sharjah and Ajman (United Arab Emirates), Cairo (Egypt) and Sanaa (Yemen). For further details, see section entitled "*Description of the Group's Business – Hospital Management Business*".

15.8.4 Medical Equipment Maintenance Agreements

The Group is party to various agreements for the maintenance of its medical equipment, which covers services relating to preventive measures and updating hardware and software for specific medical equipment in the Group's hospitals.

15.9 Credit Facilities and Loans

The table below provides details on the long-term credit facilities and loans available to the Group as at 31 March 2023G:

Lender	Credit Limit (SAR)	Outstanding amount as at 31 March 2023G (SAR)	Maturity Date
Saudi National Bank	300,000,000	171,429,142	30/11/2026G
Saudi National Bank	100,000,000	85,714,286	02/04/2029G
Saudi National Bank	100,000,000	92,857,143	16/05/2029G
Alinma Bank	500,000,000	410,649,144	20/09/2029G
Al Bilad Bank	100,000,000	98,775,725	05/08/2024G
Al Rajhi Bank	185,000,000	127,014,741	15/02/2028G
Riyad Bank	200,000,000	175,764,046	21/05/2029G
Ministry of Finance	159,215,500	145,706,542	15/08/2029G
Ministry of Finance	69,650,000	40,109,384	13/07/2036G

Source: The Company.

The table below provides details on the short-term credit facilities and loans available to the Group as at 31 March 2023G:

Lender	Credit Limit (SAR)	Outstanding amount as at 31 March 2023G (SAR)	Tenor
Saudi National Bank	150,000,000	107,990,070	6 months
Alinma Bank	250,000,000	199,199,453	9 months
Al Bilad Bank	150,000,000	164,809,713	12 months
Al Rajhi Bank	120,000,000	67,326,784	9 months
Riyad Bank	100,000,000	101,657,518	6 months
Banque Saudi Fransi	50,000,000	53,515,754	6 months
Emirates NBD	150,000,000	118,530,086	6 months

Source: The Company.

Further, in connection with the Company's proposed brownfield expansion and renovation of SGH Jeddah (Al-Zahra branch), the Company has a SAR 300 million secured credit facility with Banque Saudi Fransi which features a three year interest-free grace period and a five year repayment term. As at 31 July 2023G, the Company has yet to utilise this facility. For further details, see section entitled "*Description of the Group's Business – Strategy – Organic capacity creation and renovation*".

15.10 Trademarks

As at 26 July 2023G, the Company has the following registered trademarks:

No.	Country	Trademark Name	Class	Registration Number	Registration Date	Next Renewal	Image
1-	Kingdom of Saudi Arabia	Middle East Healthcare Company and logo (in English and Arabic, colour)	44	1435013948	10/10/2014G	28/01/2024G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
2-	Kingdom of Saudi Arabia	Saudi German Health (logo in English and Arabic, colour)	44	1441032508	23/11/2020G	1/05/2030G	السعودي الألماني الصحي Saudi German Health
3-	Kingdom of Saudi Arabia	Saudi German Clinic (logo in English and Arabic, colour)	44	1442007363	30/03/2021G	07/07/2030G	عيادات السعودي الألماني Saudi German Clinics
4-	Kingdom of Saudi Arabia	Saudi German Hospital (logo in English and Arabic, colour)	44	1441028024	06/11/2020G	08/03/2030G	المستشفى السعودي الألماني Saudi German Hospital
5-	Egypt	Saudi German Health (logo in English and Arabic, colour)	44	0431312	07/11/2022G	07/11/2032G	السعودي الألماني الصحي Saudi German Health
6-	Egypt	Saudi German Hospital (logo in English and Arabic, colour)	44	0431311	07/11/2022G	07/11/2032G	المستشفى السعودي الألماني Saudi German Hospital
7-	Kuwait	Middle East Healthcare Company and logo (in English and Arabic, colour)	44	142369	09/12/2015G	08/12/2025G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
8-	Kuwait	Saudi German Clinic (logo in English and Arabic, colour)	44	1638853	05/03/2022G	05/03/2032G	عيادات السعودي الألماني Saudi German Clinics
9-	Kuwait	Saudi German Hospital (logo in English and Arabic, colour)	44	1638858	05/03/2022G	05/03/2032G	المستشفى السعودي الألماني Saudi German Hospital
10-	Kuwait	Saudi German Health (logo in English and Arabic, colour)	44	1638855	05/03/2022G	05/03/2032G	السعودي الألماني الصحي Saudi German Health
11-	United Arab Emirates	Middle East Healthcare Company (MEAHCO) and device (in colour)	44	245380	26/12/2016G	17/12/2025G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
12-	United Arab Emirates	Saudi German Hospital logo (in colours)	44	372119	05/07/2022G	04/03/2032G	المستشفى السعودي الألماني Saudi German Hospital

No.	Country	Trademark Name	Class	Registration Number	Registration Date	Next Re-newal	Image
13-	United Arab Emirates	Saudi German Health logo (in colours)	44	372121	05/07/2022G	04/03/2032G	السعودي الألماني الصحي Saudi German Health
14-	United Arab Emirates	Saudi German Clinics logo (in colours)	44	372117	05/07/2022G	04/03/2032G	عيادات السعودي الألماني Saudi German Clinics
15-	Lebanon	Middle East Healthcare Company (MEAHCO) and device (in colour)	44	169042	21/12/2015G	21/12/2030G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
16-	Bahrain	Middle East Healthcare Company (logo in colours)	44	113315	14/12/2015G	14/12/2025G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
17-	Bahrain	Saudi German Clinics logo (in colours)	44	135121	23/06/2022G	14/03/2032G	عيادات السعودي الألماني Saudi German Clinics
18-	Bahrain	Saudi German Hospital logo (in colours)	44	135122	23/06/2022G	14/03/2032G	المستشفى السعودي الألماني Saudi German Hospital
19-	Bahrain	Saudi German Health logo (in colours)	44	135123	23/06/2022G	14/03/2032G	السعودي الألماني الصحي Saudi German Health
20-	Jordan	Middle East Healthcare Company logo in colours	44	144925	09/12/2015G	09/12/2025G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
21-	Qatar	Middle East Healthcare Company logo in colours	42	102432	20/02/2017G	16/12/2025G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
22-	Yemen	Middle East Healthcare Company (MEAHCO) logo in colour	44	74014	14/03/2016G	14/03/2026G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
23-	Yemen	Saudi German Clinics logo in colour	44	107960	08/03/2022G	08/03/2032G	عيادات السعودي الألماني Saudi German Clinics
24-	Yemen	Saudi German Hospital logo in colour	44	107844	08/03/2022G	08/03/2032G	المستشفى السعودي الألماني Saudi German Hospital
25-	Yemen	Saudi German Health logo in colour	44	107959	08/03/2022G	08/03/2032G	السعودي الألماني الصحي Saudi German Health

No.	Country	Trademark Name	Class	Registration Number	Registration Date	Next Re-newal	Image
26-	Oman	Middle East Healthcare Company logo in colours	44	99701	21/02/2017G	22/12/2025G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO)
27-	Oman	Saudi German Clinic logo	44	153316	28/11/2022G	08/03/2032G	عيادات السعودي الألماني Saudi German Clinics
28-	Oman	Saudi German Health logo	44	153315	28/11/2022G	08/03/2032G	السعودي الألماني الصحة Saudi German Health
29-	Oman	Saudi German Hospital logo	44	153314	28/11/2022G	08/03/2032G	المستشفى السعودي الألماني Saudi German Hospital
30-	Tunisia	Middle East Healthcare Company logo in colours	44	TN/E/2015/0090	31/01/2017G	07/12/2025G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO)
31-	Algeria	Middle East Healthcare Company logo in colours	44	97387	16/04/2017G	10/12/2025G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO)
32-	Morocco	Middle East Healthcare Company (MEAHCO) and device	44	171835	17/12/2015G	17/12/2025G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO)
33-	Morocco	Saudi German Hospital in English and Arabic logo	44	238273	04/03/2022G	04/03/2032G	المستشفى السعودي الألماني Saudi German Hospital
34-	Morocco	Saudi German Health in English and Arabic logo	44	238271	04/03/2022G	04/03/2032G	السعودي الألماني الصحة Saudi German Health
35-	Morocco	Saudi German Clinic in English and Arabic logo	44	238276	04/03/2022G	04/03/2032G	عيادات السعودي الألماني Saudi German Clinics
36-	Malaysia	Middle East Healthcare Company logo in colours	44	2017067879	15/09/2017G	15/09/2027G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO)
37-	Pakistan	Middle East Healthcare Company logo in colours	44	405935	01/01/2016G	01/01/2026G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO)
38-	Singapore	Saudi German Clinic logo	44	40202205115X	07/03/2022G	07/03/2032G	عيادات السعودي الألماني Saudi German Clinics
39-	Singapore	Saudi German Hospital logo	44	40202205116S	07/03/2022G	07/03/2032G	المستشفى السعودي الألماني Saudi German Hospital

No.	Country	Trademark Name	Class	Registration Number	Registration Date	Next Re-newal	Image
40-	Singapore	Saudi German Health logo	44	40202205117T	07/03/2022G	07/03/2032G	السعودي الألماني الصحة Saudi German Health
41-	Singapore	Middle East Healthcare Company logo in colours	44	40201716765P	29/08/2017G	29/08/2027G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
42-	Turkey	Middle East Healthcare Company logo in colour	44	2016 22638	14/03/2016G	14/03/2026G	شركة الشرق الأوسط للرعاية الصحية (ميكو) Middle East Healthcare Company (MEAHCO) المستشفى السعودي الألماني
43-	Turkey	Saudi German Clinics and logo	44	2022 030630	23/06/2022G	04/03/2032G	عيادات السعودي الألماني Saudi German Clinics
44-	Turkey	Saudi German Hospital and logo	44	2022 030633	02/07/2022G	04/03/2032G	المستشفى السعودي الألماني Saudi German Hospital
45-	Turkey	Saudi German Health and logo	44	2022 030635	22/07/2022G	04/03/2032G	السعودي الألماني الصحة Saudi German Health

Source: The Company.

15.11 Declarations

The directors of the Issuer hereby make the following declarations in respect of each Series of Sukuk issued pursuant to the Programme:

(a) Each issuance will not constitute a breach of the relevant laws and regulations in the Kingdom.

(b) Each issuance will not constitute a breach of any material contract/agreement entered into by the Issuer.

(c) All material legal information concerning the Issuer have been disclosed in the Base Prospectus.

(d) None of the directors, proposed directors, senior executives or the company secretary of the Issuer have been declared bankrupt.

(e) None of the directors, proposed directors, senior executives or the board secretary of the Issuer have been employed in the preceding five years by an insolvent company in a managerial or supervisory capacity.

Furthermore, the directors of the Issuer hereby make the following additional declarations:

(a) There has not been any commissions, discounts, brokerages or other non-cash compensation granted within the three years immediately preceding the application for registration and admission to listing in connection with an issue or offer of any securities by the Issuer or any of the Issuer's subsidiaries.

(b) There has not been any material adverse change in the financial or trading position of the Issuer or its subsidiaries in the three financial years preceding the application for registration and offering and during the period from the end of the period covered in the independent auditors' report up to and including the date of approval of the Base Prospectus.

(c) Other than what is mentioned on page 84 of this Base Prospectus, the directors of the Issuer do not have any shareholding or interest of any kind in the Issuer or any of the Issuer's subsidiaries, and nor does any relative of theirs have any interest of any kind in the Issuer or any of the Issuer's subsidiaries.

15.12 Subscription Undertakings

By completing the Investor Application Form, each investor:

(a) agrees to subscribe for the Issuer's Sukuk in such number as specified in the Investor Application Form;

(b) declares that they have read the Base Prospectus and understood all its content;

(c) accepts all offering instructions, the terms and conditions of the Sukuk mentioned in the Base Prospectus, Investor Application Form, and the Applicable Final Terms;

(d) accepts the number of Sukuk allocated thereto (to the maximum of the amount subscribed for) according to the Investor Application Form and other subscription instructions and terms mentioned in the Investor Application Form and Base Prospectus;

(e) undertakes not to cancel or amend the Investor Application Form after submitting it to the Sole Arranger or any of the Dealer(s); and

(f) undertakes that they will not assign their right to claim damages caused directly by incorrect or incomplete material information contained in the Base Prospectus, or by omitting any material information that should have been part of the Base Prospectus and could affect their decision to purchase the Sukuk.

15.13 Overview of the market and trading process

In 1990G, full electronic trading of securities in the Kingdom was introduced. The Tadawul system was founded in 2001G as the successor to the Electronic Securities Information System. Trading in securities occurs through a fully integrated trading system covering the entire trading process, from the execution of the trade transaction through settlement thereof via the DSS which is managed by Edaa. Trading occurs each Business Day between 10:00 am and 3:00 pm (Sunday through Thursday of each week), during which time orders are executed. Outside such hours, orders can be entered, amended or cancelled from 9:30 am to 10:00 am. New entries and inquiries can be made from 10:00 am of the opening session. These times may be changed by the Exchange.

Transactions take place through the automatic matching of orders. Each order is accepted and its priority determined according to the price. In general, market orders (orders placed at best price) are executed first, followed by limit orders. If several orders are generated at the same price, they are executed according to the time of entry. The Tadawul system distributes a comprehensive range of information through various channels, including in particular the Tadawul website on the internet and Tadawul information link, which supplies trading data in real time to information providers such as Reuters and Bloomberg.

Transactions are automatically settled during the day, i.e., the transfer of securities takes place once the transaction is executed. Issuers are required to disclose all material information and decisions that are important for investors via the Tadawul system. Tadawul is responsible for the surveillance and monitoring of the market participants in terms of their compliance with the Exchange Rules to ensure fair trading and an orderly market.

15.14 Allocation method of each Series of Sukuk

The relevant subscription periods, deadlines for the submission of the Investor Application Forms and the payment of subscription monies, the basis of the allocation and the final allocation process of each Series of Sukuk (the "**Offering Process**") will be at the sole discretion of the Issuer and the Sole Arranger and the Dealer(s). Without prejudice to the aforementioned, the Issuer along with the Sole Arranger and the Dealer(s) will endeavour to ensure that Offering Process maintains the (i) subscription period to commence and remain open for a period of up to 30 calendar days; (ii) the allocation of the Sukuk of the relevant Series to be determined within a period of 15 calendar days from the closing date of the subscription period; and (iii) the refund of excess subscription monies, if any, or subscription monies, as the case may be, to be made no later than 15 calendar days from the date the allocation has been determined by the Issuer and the Sole Arranger and the Dealer(s). In any case, the details of the Offering Process will be specified in the announcement made by the Issuer on Tadawul website in respect of each Series of Sukuk and in the Investor Application Form of the relevant Series of Sukuk. The registration of the Sukuk of each Series will be made upon satisfaction by the Issuer of all relevant regulatory requirements and as specified in the Registry Agreement.

15.15 Pronouncement of members of the *Shari'ah* Committee of Al Rajhi Capital Company

Copies of the pronouncement (the "**Pronouncement**") which has been issued by members of Al Rajhi Capital Company's *Shari'ah* Committee, on behalf of Al Rajhi Capital Company as Sole Arranger, relating to the Sukuk and confirming that, in their view, the structure and mechanism of the Programme and each Series of Sukuk, as fully outlined in the Sukuk Documents, and in the Base Prospectus, are in compliance with *Shari'ah* principles, shall be distributed to prospective Sukukholders upon request to the Sole Arranger and Dealers.

The Issuer and its subsidiary do not accept any liability or make any representation, warranty or undertaking, express or implied, in relation to the accuracy or completeness of the information contained in the Pronouncement.

The *Shari'ah* Committee of Al Rajhi Capital Company consists of the following three members:

15.15.1 Sheikh Dr. Saleh Bin Mansour Al Garbou (Chairman)

Sheikh Saleh has obtained his bachelor's and master's degree as well as his PhD from Imam Mohammad ibn Saud Islamic university. He is the Chairman of the *Shari'ah* Committee at Al Rajhi Company for Cooperative Insurance (Takaful). He is a lawyer and a certified arbitrator in the Arbitration Centre for the States of the Cooperation Council for GCC States – Bahrain.

15.15.2 Sheikh Dr. Soliman bin Abdullah Al Luhaidan (Member)

Sheikh Soliman has obtained his bachelor's and master's degrees as well as his PhD from Imam Mohammad ibn Saud Islamic university. He is a licensed lawyer and he participated as a member and chaired a number of arbitration bodies, in arbitrating a number of jurisprudential researches and in delivery many scientific courses and seminars.

15.15.3 Sheikh Dr. Saad Bin Turki Al Khathlan (Member)

Sheikh Saad has obtained his bachelor's and master's degrees as well as his PhD from Imam Mohammad ibn Saud Islamic university. He is currently a profession in the department of jurisprudence at the college of *Shari'ah* at the Imam Mohammad ibn Saud Islamic university (Riyadh). He is the president of the Saudi jurisprudence society and is a former Member of the Council of Senior Scholars of the Kingdom of Saudi Arabia.

15.16 Documents available for inspection

Copies of the following documents will be available for inspection at the Issuer's head office at Batterjee Street, Al Zahra District, P.O. Box 2550, Jeddah 21461, Kingdom of Saudi Arabia during official business hours on each weekday (other than a Friday, Saturday and public holiday) for three days from the start of the offering period:

(a) A copy of the CMA's announcement approving the registration and offering of the Sukuk;
(b) A copy of Tadawul's approval on the listing of the Sukuk;
(c) The resolution by the Issuer's board of directors approving the establishment of the Programme and the issuance of the Sukuk;
(d) the articles of association and bylaws of the Issuer;
(e) the commercial registration certificate of the Issuer;
(f) the Financial Statements;
(g) the Sukuk Documents; and
(h) the contracts or arrangements, in effect or contemplated, in which a director or senior executive or any of their relatives has an interest and that is related to the business of the Issuer or the Issuer's subsidiary.

For so long as any of the Sukuk are current, copies of the Sukuk Documents are available for inspection at the Sukukholders' Agent's specified offices as set out in the section entitled "*Parties and Advisers*".

16. WAIVERS

The Issuer has not obtained any waivers of regulatory requirements from the CMA.

17. APPENDIX 1

THE ISSUER'S BYLAWS

Bylaws of the Middle East Healthcare CompanyA Listed Joint-Stock Company

(Section One)

Article (1)
The company has been established in accordance with these articles and the company system, as a Saudi joint-stock company among the shareholders as the following:

Article (2) Company's Name:
The name of the company is "Middle East Healthcare Company" (MEAHCO), a listed joint-stock company.

Article (3) Company's Objectives:
The company objectives are:

1. The establishment, management, operation and maintenance of hospitals, clinics, centers, institutes, health rehabilitation and physiotherapy centers, analysis and radiology laboratories, pharmacies and medical services in specialized hospitals, specialized medical clinics, alternative medicine, psychiatry and treatment of alcohol and drug addiction.
2. Purchase of land to build buildings on it and invest it for the benefit of the company in medical projects and the establishment of factories necessary for the purposes of the company and import the necessary machinery and machinery including pharmaceutical factories, equipment and supplies and own patents and benefit from them in achieving the company's purposes inside and outside the Kingdom.
3. Wholesale and retail trade in medicines, tools, equipment, medical supplies, health rehabilitation tools, physiotherapy and all related to hospitals, medical centers, hardware stores and medical products.
4. Wholesale and retail trade in computers, spare parts and programs related to health care, hospitals and health centers.
5. Commercial agencies in the fields of health and medicines.
6. Setting up employment training centers for the company's activities, establishing university medical colleges and other types of higher education facilities.
7. Creating, managing and organizing the company's exhibitions and conferences

The company engages in these activities after obtaining the necessary licenses from the competent authorities (if any).

Article (4) Participation in Other Companies:
The company is entitled to establish single companies with limited responsibility, or closed stock companies, on condition the capital should not be less than (5) million riyals. It is also entitled to own shares and parts in other standing companies or merge with them, and it also has the right to participate with others in founding joint or limited responsibility companies after meeting the requirements and

regulations necessary in this regard. The company is also entitled to deal with these shares and parts on condition there is no mediation in their circulation.

Article (5) Company's Registered Office:
The company's registered office is in the city of Jeddah, Kingdom of Saudi Arabia, and the Board of Directors has the right to establish branches, or offices, or agencies, inside or outside the Kingdom.

Article (6) Duration of the Company:
The duration of the company is ninety-nine years beginning with the date of its registration in the commercial register, and the duration of the company could always be extended with a decision made by the extraordinary general assembly one year before its expiration at least.

(Section Two)
Capital and Shares

Article (7) Company's Capital:
The company capital has been set at (920,400,000) nine hundred and twenty million and four hundred thousand Saudi riyals divided into (92,040,000) ninety-two million and forty thousand shares with equal value, and the nominal value of each share is (10) ten Saudi riyals, (19,544,000) nineteen million and five hundred and forty four shares of which are paid in cash, and (72,496,000) seventy two million and four hundred and ninety six thousand shares of which are for in-kind shares.

Article (8) Subscription in the Company's Capital:
The founders subscribed to all the company's shares (920,400,000 shares) valued nine hundred and twenty million and four hundred thousand Saudi Riyals. The owners of (19,544,000) cash shares of paid a sum of (195,440,000) Saudi Riyals representing the total value of the cash shares subscribed. This sum was deposited in the company's name in one of the licensed banks in the Kingdom under foundation according to the certificate issued by the bank and these shares represent (21,23%) twenty-one per cent and twenty-three per thousand of the company's capital. In addition, the owners of shares in kind presented their total value to the company.

Article (9) Failing to Pay the Value of the Share:
Shareholder must pay the value of the share on the assigned dates, and in case they fail to do that on due time the Board of Directors may then notify the shareholder with a letter sent to his address found in the shareholders register to sell the share in an auction or in the banknote market in accordance with the constrictions defined by specialized authorities. The company gets from the result of the selling its accrued sums and gives the shareholder the remaining amount. If the selling result doesn't meet the expected sums, the company may get the rest from all the shareholder's other funds. Nonetheless, the shareholder unable to pay till the sale day may pay the due sum in addition to the expenses paid by the company in this regard. The company cancels the sold share in accordance with the provisions of this article and gives the buyer a new share holding the number of the cancelled share; and then it indicates that in the shareholders register with the name of the new owner.

Article (10) Shares:

The shares are nominal and must not be issued with less than their nominal value. They may be issued with a value higher than their nominal value, and in this case, the difference in value is added in a separate article in the shareholders equities. They cannot be distributed as profits among shareholders. The share is indivisible against the company: if many people came to own it, they should choose one of them to represent all of them in using the rights related to the share. Those people are held coordinately responsiblefor the commitments resulting from the ownership of the share.

The company is entitled to buy shares and resell them or mortgage them in accordance with the restrictions issued by the Financial Market Authority. The shares bought by the company have no votes in the shareholders assemblies. The company is also entitled to buy its shares for the purpose of allocating them to its employees within the program of employee shares in accordance with the restrictions issued by the Financial Market Authority.

Shares could also be mortgaged in accordance with the restrictions devised by organizational authorities, and the mortgaged debtor enjoys the right to receive the profits and use all rights associated with the share with the exception of attending the meetings of the shareholders general assembly or voting at these meetings unless it is agreed otherwise in the mortgage contract.

Article (11) Circulating the Shares:

Shares given in exchange of ratios in kind, or cash shares subscribed by the founders cannot be circulated before publishing the financial lists for two years none of which is less than 12 months starting from the date of the establishment of the company. These rules are valid concerning the shares in which the founders subscribe or those given in exchange for ratios in kind in the case of increasing the capital beforethe banning period is completed, as to the period remaining from the banning period. These deeds are marked with what would indicate its type and the company's foundation date and the period during whichno circulation is allowed. However, during the banning period, it is allowed to transfer the ownership of the cash shares according the decrees of selling the rights by one founder to another; or by one Board member to offer as a guarantee for the administration; or by one of the heirs of one of the founders, in casethe latter dies, to others.

Article (12) Shareholders Register:

The company shares are circulated in accordance with the provisions of the Financial Market System.

Article (13) Outstanding shares:

The company's unusual general assembly, in accordance with the basics devised by the specialized committee, is entitled to issue outstanding shares or decide to buy them or change normal shares into outstanding shares or outstanding shares into normal shares, and outstanding shares are not given the right of voting at shareholders general assemblies, and these shares grant their owners the right to get a higher percentage than that of the owners of normal shares of the company's net profits after excluding the regular reserve.

Article (14) Increasing the Capital:

1. The unusual general assembly is entitled to decide to increase the company capital by issuing new shares for cash or in-kind shares or for the company's due debts, or for the amount of the regular reserve which the general assembly decides to merge with the capital, or for transforming debt tools or financing deeds,

on condition the capital is totally paid. It is not conditioned for the capital to be totally paid in case the unpaid part of the capital relates to shares issued for transforming debt tools or financing deeds into shares and the period set for transferring them into shares is not expired.

2. The unusual general assembly is entitled, in all conditions, to allocate the issued shares when the capital is increased or part or part of them for the employees of the company and its subsidiaries or some of them, or any of the kind, and the shareholders are not entitled to exercise the priority right when the company issues the shares allocated for employees.

3. The shareholder owning the share, at the time the resolution of the unusual general assembly is issued in agreement for the increase of capital, has the priority in subscribing in the new shares issued for cash shares, and these are informed of this priority in a daily newspaper or by registered mail about the resolution to increase the capital and the subscription conditions, its duration, and the dates of its beginningand end.

4. The unusual general assembly is entitled to suspend the priority right of shareholders in subscription by increasing the capital for cash shares or by giving priority to non-shareholders in cases it sees in line with the company interest.

5. The shareholder is entitled to sell or concede his priority right during the period extending between the issuance of the general assembly resolution to increase the capital and the last day of subscription in the new shares associated with these rights, in accordance with the restrictions set by the specialized authority.

6. Taking into consideration what is mentioned in item (4) above, the new shares are distributed among the priority holders who requested subscription at a percentage of what they own of the priority right of the total priority rights resulting from the capital increase, on condition that what they get should not exceed what they had requested of the new shares, and the rest of the new shares is distributed among the priority right holders who had requested more than their share, at a percentage of what they own of the priority right of the total priority rights resulting from capital increase, on condition that what they get does not exceed what they had requested of the new shares, and the rest of shares is placed for others, unless the unusual general assembly decides otherwise or the financial market system dictates otherwise.

Article (15) Decreasing the Capital:
The extraordinary general assembly may decrease the capital if it becomes superfluous or if the company suffers losses, and in the last case only the capital could be reduced to a level lower than that stated in article (54) of the Companies Law**.** The decision can only be issued after reading the Auditor's reporton the reasons justifying the decrease and on the company's commitments and the decrease's effects on these commitments. All should be done in accordance with the Companies Law and with showing the method of the decrease.

If the decrease were due to the superfluous capital, the creditors should be invited to present their objections within (60) sixty days of the date of the publication of the decrease decision in a daily newspaper distributed in the city in which the company's headquarters is located. If one creditor objects and presented his documents to the company within the aforementioned date, the company should pay hisdebt if it were instant, or offer enough guarantee to pay it later if it were deferred.

(Section Three)
Bonds

Article (16) Bonds
The company is entitled, with a resolution from the unusual general assembly in accordance with the financial market system and other relevant systems and lists, to issue any kind of debt tools that could be circulated whether in Saudi or another currency, inside the Kingdom of Saudi Arabia and outside it, like bonds and deeds. The unusual general assembly is entitled to authorize the Board of Directors to issue these debt tools including bonds and deeds, whether in one or many parts, or through a series of issuances according to a program or more devised by the Board of Directors from time to time, and all of this at times and in sums and conditions approved by the Board of Directors, which enjoys the right to take all measures necessary for their issuance.

The company is also entitled – with a resolution by the unusual general assembly – to issue debt tools or financing deeds transferrable into shares, after a resolution from the unusual general assembly setting the maximum limit of the number of shares that could be issued for those tools or deeds, whether those tools or deeds were issued at the same time or through a series of issuances or through a program or more for issuing debt tools or financing deeds.

The Board of Directors – without the need for a new approval from this assembly – may issue new shares for those tools or deeds whose holders request their transfer immediately after the end of the transfer period set for the holders of those tools or deeds. The Board of Directors makes the necessary decisions toamend the Bylaws as for the number of the issued shares and the capital. The Board of Directors has to announce the completion of the procedures of each increase in capital in the way defined in the articles to announce the resolutions of the unusual general assembly.

(Section Four)
Board of Directors

Article (17) Forming the Board of Directors:
The company is managed by a Board of Directors consisting of seven members named by the ordinary general assembly for a period no longer than three years. The membership period of the first Board starts from the date on which the management decision to announce the establishment of the company was issued.

Article (18) Expiry of the Board membership:
The membership of the Board expires with the expiry of its duration or with the expiry of the member's eligibility in accordance with any system or instructions valid in the Kingdom. Nonetheless, the unusual general assembly is entitled at any time to dismiss all members of the Board or some of them without violating the right of the dismissed member towards the company to ask for compensation in case the dismissal happened to be for an unacceptable reason or at an unsuitable time, and the Board member may quit at a convenient time, otherwise he would be responsible before the company for the damages incurred by his withdrawal.

Article (19) Vacancy in the Board of Directors Membership:
If a vacancy in the membership of the Board appears, the Board may name temporarily a member in this vacancy This must be reported to the Ministry of Commerce and Investment and the Capital Market Authority within five working days from the date of appointment and put this appointment before the ordinary general assembly in its first meeting. The new member completes the period of his predecessor. If the number of Board members falls down and becomes improper for holding meetings, the ordinary general assembly must be called as soon as possible to name the necessary number of members.

Article (20) Powers of the Board of Directors:
(A) Taking into consideration the specialties decided for the general assembly, the Board of Directors has the most authority and powers in running the company provided that all the commercial and fiscal transactions of the company are according to Islamic Sharia. The Board, for example, has the right to decide the company's participation in other companies and the right to make use of the company's assets, properties and real estates. It also has the right to buy and pay the buying money, to mortgage and unmortgage, to sell and receive the selling money and deliver the evaluative amount. As to the selling of the company's real estates, however, the record of the Board and the rationale of the decision must take into consideration the following conditions:

1- The Board must define within the selling decision the reasons and justifications for the selling.

2- The selling price must be close to what it originally is.

3- The selling must be present except in the cases which the Board estimates and with enough guarantees.

4- That act mustn't lead to stopping some activities of the company or lead to burden the company with other commitments.

Moreover, the Board of Directors may contract loans with governmental funds and funding institutions no matter how long their duration is. It may also contract commercial loans with financing companies or commercial banks whatever their duration or value.

The Board of Directors also has the right to reconcile, waive, contract, make commitments and make associations using the company's name and on its behalf. Furthermore, the Board of Directors may do all the procedures and acts that should achieve the company's objectives.

(B) The Board of Directors, whenever it sees it suitable, has the right to discharge the company's debtors of their liabilities in a way that serves the company's interests. The Board of Directors may authorize or deputize, within the limits of its powers, one or more of its members, or others, to take any procedures or acts, or do any particular businesses. The Board may also form from its members specialized committees, and the Board renews the work method of these committees, their specializations and bonuses.

Article (21) Bonuses of the Members of the Board of Directors:
The bonus of the Board consists of a specific sum or particular privileges or a particular percentage of the net profits as decided by the general assembly in addition to compensation for attending the sessions and

travel compensation set by the Board of Directors within the limits of what is stated in the company's law or any other supplementary laws, decisions, or instructions. The Board's report to the ordinary general assembly consists of a full statement of all the salaries, portions in the revenues, attendance allowances and other expenses and privileges the members had obtained during the fiscal year. The aforementioned report also includes a statement of what the members of the Board had been paid as employees or administrative, or what they had been paid in exchange for technical, administrative, or advisory undertakings previously approved by the company's general assembly. It also includes a statement of the number of Council sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.

Article (22) Chairman of BOD, Vice Chairman, Delegated Member, and Secretary:
The Board of Directors appoints one of its members a chairman and a vice chairman, and it is also entitled to appoint a delegated member from its members. No member can occupy the position of chairman of BOD and any executive position at the company at the same time, and the chairman is entitled to call the Board to meet, chair the Board meetings, and the right to represent the company alone, and he is entitled toauthorize another person to some of his powers in writing. The BOD defines the specializations and powers of the chairman of BOD and the delegated member.

Furthermore, the chairman and the delegated member**,** in case one was named, have the right, whether separately or together, to represent the company in its relationships with the others, and before a court of law, governmental authorities, a notary, various settlement-of-disputes committees, arbitration bodies, chambers of commerce and industry, private commissions, and different companies and institutions. They have the right as well to sign all kinds of contracts, deeds and documents, which includes establishment contracts of companies participating with the company with all their modifications and appendices; and to sign agreements, deeds, and deeds' transfer before a notary and the official authorities, and agreements of loans, guarantees, bails, mortgages and dismortgaging; in addition to issuing legal commissioning on behalf of the company, pleading, advocating, avowing and arbitrating on behalf of the company. Any of the two may have one or more commissions within the limits of their powers regarding the initiation of oneor more particular businesses.

A delegated member, in case one was named, enjoys, in addition to what has already been stated, other powers defined by the Board, and runs the daily businesses of the company.

The Board estimates the special bonus which the chairman, the vice chairman, and the delegated member in accordance with its powers in a way suitable to their powers stated in these Bylaws.

The Board of Directors names a secretary, whether he was one of the Board's members or not, whose duty is to register the Board's meetings' records, and to register the decisions issued by these meetings and save them. There are also several other powers assigned to him by the Board, which decides his bonuses.

The membership duration of the chairman, the managing director, and the secretary (members) does not exceed the duration of their membership in the Board. They may always be renamed.

Article (23) Board Meetings:

The Board of Directors shall meet at least four times a year at the invitation of its President. The invitation shall be in writing and may be delivered by hand or by mail, fax or telegram. The Chairman shall invite the Board to the meeting whenever two members so request.

The Board's meeting is not valid unless at least five of its members attended. In case one member deputized another in those meetings, the deputation must be according to the following rules:

a- A Board member should not be the deputy of more than one member at the same meeting.

b- The deputation must be fixed by writing it, and must be for a specific meeting.

c- The deputy may not vote on decisions that the law deprive the one being represented by the deputy from voting on.

Any member has the right to participate in any Board meeting by phone, conference video, or any other electronic means through which all members could communicate simultaneously, and this kind of participation is tantamount to attending the meeting.

Article (24) Board Decisions:

The decisions of the Board are issued by the majority of the votes of the present Board members or their representatives in the meeting. When there is a draw, the decision on which the chairman or his deputy in case he missed the meeting, votes outweighs.

The Board can issue pass-on decisions via presenting them before all the members individually, unless one of the members demanded registering the Board's meeting for deliberation.

These decisions are presented before the Board in its next meeting. The deliberations of the Board are recorded in registers and distributed on all the members, and are signed by the chairman and the secretary after all the members present had signed one of the register's copy. These registers are recorded in a special record signed by the chairman and the secretary.

(Section Five)
Shareholders' Assemblies

Article (25) Attending the Assemblies:

Each shareholder has the right to attend the general assembly**.** He also may in written form deputize another shareholder who is not a member of the Board or an employee in the company to represent him inthe general assembly.

Article (26) The Constituent Assembly:
The constituent assembly is concerned with the following:

1- Verifying the subscription with all of the capital and paying, according to the Companies Law, the minimum of the capital with the due amount of the shares' value.

2- Setting the final texts of the company's Bylaws. It may not, however, insert essential modifications into the Bylaws proposed to it unless all the subscribers represented in it approve of that.

3- Deliberation in the founder's report about the businesses and the expenses brought about by the establishment.

For the holding of the constituent assembly to be valid, there must be a number of subscribers representing at least half of the capital. Each subscriber in its meetings has a vote for each share he subscribed to or represents.

Article (27) The Ordinary General Assembly:
Except for the issues the extraordinary general assembly is concerned with, the ordinary general assembly is concerned with all the issues related to the company, and it is held at least once a year during the six months following the end of the company's fiscal year. Other ordinary general assemblies may be called for whenever there is need.

Article (28) The Extraordinary General Assembly:
The extraordinary general assembly is concerned with modifying the companies' Bylaws,except for the articles it is banned by law from modifying.

In addition, the extraordinary general assembly may issue decisions concerning issues within the powers of the ordinary general assembly according to the same conditions and situations decreed for the last assembly.

Article (29) Calling for the General Assemblies:
The general assemblies are held by an invitation by the chairman. The Board must call for an ordinary general assembly if the Auditor or a number of shareholders representing at least (5%) of the capital. The invitation for the general assembly is published in the official newspaper and a daily newspaper distributed in the city in which the company's headquarters is located, at least 21days before the date set for the assembly. The invitation includes a timetable. However, so long as the shares are nominal, it is enough to invite on the same date using written letters. A copy of the invitation and the timetable is sent to the Ministry of Commerce and Capital Market Authority during the period set for the publication.

Article (30) Record of attending assemblies:
Shareholders who desire to attend the general or special assembly must register their names at the registered office of the company prior to the date set for the assembly meeting.

Article (31) The Quorum of the Usual General Assembly:
The meeting of the usual general assembly is not valid unless attended by shareholders representing at least quarter of the capital. If this quorum is not achieved in the first meeting, an invitation to a second meeting to be held as follows:

a) One hour after the end of the duration set for the first meeting on condition the invitation for holding the first meeting must include the announcement of the possibility of holding this meeting, or

b) During the next 30 days following the previous meeting and this invitation should be published in the way stated in article (29) of this system.
In all cases, the second meeting is valid regardless of the number of shares represented in it.

Article (32) The Quorum of the Unusual General Assembly:
The meeting of the unusual general assembly is not valid unless attended by shareholders representing at least half of the capital. If this quorum is not achieved in the first meeting, the second meeting is held as follows:

a) One hour after the end of the duration set for the first meeting on condition the invitation for holding the first meeting must include the announcement of the possibility of holding this meeting, or

b) During the next 30 days following the previous meeting and this invitation should be published in the way stated in article (29) of this system.
In all cases, the second meeting is valid if attended a number of shareholders representing at least quarter of the capital.

If the necessary quorum is not available in the second meeting, there should be an invitation for a third meeting held in the same conditions mentioned in article (29) of this system, and the third meeting is valid regardless of the number of shares represented in it after the approval of the specialized authority.

Article (33) The Voting Power:
Every subscriber owns one vote for each share he owns in the constituent assembly. The votes in the ordinary and extraordinary general assemblies are calculated on the basis of one vote for each share. The accumulative voting method is followed in appointing members of Board of Directors by the shareholders general assembly.

Article (34) Decisions:
The decisions in the constituent assembly are issued by the absolute majority of the shares represented in it. Nevertheless, if these decisions are related to evaluating ratios in kind or special privileges, the approval of the majority of the subscribers to cash shares representing two thirds of the aforementioned shares, after excluding what is subscribed to by the presenters of ratios in kind or those benefiting from the special privileges, is required. These do not have a say in these decisions even if they own cash shares.

The decisions in the ordinary general assembly are issued by the absolute majority of the shares represented in it. The decisions in the extraordinary general assembly are issued by the majority of two thirds of the shares represented in it, unless the assembly were related to increasing or decreasing the capital, elongating the company's duration, dissolving the company before the duration stated in the Bylaws is over, or merging it with another company or institution; in this case, the decision is only valid if it was voted for by the majority of three quarters of the shares represented in the meeting.

Article (35): Discussing the Agenda:
Each shareholder has the right to discuss issues included in the agenda of the general assembly and to ask questions related to them addressed to the Board of Directors members and the Auditor. The Board of Directors or the Auditor answers the shareholders' question to an extent that would not damage the company's interests. If the shareholder sees that the answer to his question unconvincing, he may arbitrate the matter to the assembly and the assembly's decision in this matter is held effective.

Article (36) Procedures of the General Assemblies:
The usual general assembly is headed by the chairman of the Board of Directors or whoever he might authorize in his absence. The chairman appoints a meeting secretary and a vote collector and prepares a meeting minutes including the names of the attending shareholders or the representatives and the number of shares they own in person or in authorization and the number of the decisive votes and the decisions approving or disapproving of them and a detailed summary of the discussions in the meeting. These minutes are written regularly after each meeting in a special record book signed by the assembly chairman, the secretary and the vote collector.

(Section Six)
Audit Committee

Article (37) Audit Committee:
With a resolution passed by the usual general assembly, an Audit Committee is formed of at least three and at most five members from other than the Board executive members, whether from the shareholders or others, and the resolution must define the tasks of the committee, its work restrictions and the bonuses of its members.

Article (38) Meeting quorum of the Audit Committee:
The meeting of the Audit Committee is valid if attended by the majority of its members, and its resolutions are issued with the majority of the votes attending the meeting, and when the votes are even the side favored is that enjoying the vote of the head of the committee.

Article (39) Specializations of the Audit Committee:
The Auditing Committee is specialized in monitoring the company works, so it has the right to review its records and documents and demand any explanation or statement from members of Board of Directors or the executive management, and it is also entitled to ask the Board of Directors to call the company's general assembly to meet in case the Board of Directors hinders its work or if the company suffers severe injuries or losses.

Article (40) Audit Committee reports:
The Auditing Committee must look into the company's financial reports and the notes presented by the Auditor and respond to them if necessary, and it also has to prepare a report about its opinion regarding the efficiency of the company's internal supervision and any other works achieved in the scope of its specialization. The Board of Directors has to provide enough copies of this report at the company's registered office at least (21) days prior to the meeting of the general assembly to provide shareholders with copies of this report, and this report is read during the meeting of the assembly.

(Section Seven)
The Auditor

Article (41) Naming the Auditor:
The company has one or more Auditors of those authorized to work in the Kingdom. An Auditor is named yearly by the general assembly and it defines his bonus. It may rename him. The assembly may also replace him at all times without violating his rights to compensation in case the replacement happens at anunsuitable time or for an illegitimate reason.

Article (42) Powers of the Auditor:
The Auditor has the right to have access to the company's registers and records and other documents at any time. He also has the right to demand the statements and illustrations which he sees necessary to be examined. He also may check the company's assets and commitments and any other tasks covered by his authority. The chairman of Board of Directors must enable him to perform his job, and if the Auditor faces any difficulties in this regard he must state that in a report presented to the Board of Directors. In case the Board fails to facilitate the work of the Auditor, he has to ask the Board of Directors to call the usual general assembly for a meeting to look into the matter.

(Section Eight)
The Company's Accounts and Dividends

Article (43) The Fiscal Year:
The company's fiscal year starts in the beginning of January and ends on December 31st of each year. However, the first fiscal year starts from the date of the ministerial decision that announces the company's establishment and ends on December 31st of the next Gregorian year.

Article (44) Financial documents:
1. The Board of Directors, at the end of each financial year of the company, has to prepare the company's balance sheets and a report on its activities and financial center for the previous year, and this report must include the way suggested for dividing profits, and the Board must provide the Auditor with this report at least (45) days prior to the date set for the meeting of the general assembly.

2. The company's chairman of Board of Directors, its executive chairman, and its financial manager must sign the documents referred to in item (1) of this article, and copies of these documents should be deposited at the company's registered office to be available to the shareholders at least (21) days prior to the date set for the meeting of the general assembly.

3. The Board chairman must provide shareholders with the company's balance sheets, the Board report, and the Auditor's report, unless they are published in a daily newspaper distributed in the company's registered office, and he also has to send a copy of these documents to the Ministry of Commerce and Investment and the Financial Market Authority at least (15) days prior to the date set for the general assembly meeting.

Article (45) Dividends:
The company's net profits are distributed after all the general expenses and other costs had been deducted as the following:

1- (10%) of the net profits are spared to constitute a statutory reserve. The usual general assembly may stop this sparing once the aforementioned reserve reaches (30%) of the paid capital**.**

2- The usual general assembly, based on a suggestion from the Board of Directors, may spare (10%) of the net profits to form a provisional reserve and allocate it for one or more particular purposes.

3. The usual general assembly has to decide the formation of other reserves at the amount that provides the company interest or guarantees the distribution of stationary profits among shareholders. The mentioned assembly may also deduce from the net profits amounts to establish social institutions for the company employees or to help other standing institutions.

4- The usual general assembly is entitled to decide, on the basis of the Board's suggestion, to distribute the remaining as a first payment to shareholders at a percentage not less than (5%) of the paid capital.

5- The usual general assembly is entitled to decide, on the basis of the Board's suggestion, to distribute the remaining after that among shareholders as an extra share in profits at the percentage suggested by the Board of Directors and approved by the general assembly, or to carry over the remaining to the following financial year after the approval of the shareholders' usual assembly.

The company may also distribute provisional profits among its shareholders twice a year or quarterly in accordance with the restrictions issued by the Financial Market Authority, all this on the basis of an authorization issued by the usual general assembly to the Board of Directors regarding the distribution of provisional profits renewed annually.

Article (46) Paying the Profits:
The shareholders deserve his share in the profits in accordance with the resolution of the general assembly issued in this regard, and the resolution must state the profitability date and the distribution date, and the right to profitability is for the share owners registered in the shareholders registers at the end of the day set for profitability.

Article (47) Profit distribution for outstanding shares:
If no profits are distributed for any financial year, profits for the following years should not be distributed before paying the percentage set by article (114) of the Companies Law to owners of outstanding shares for this year.

If the company fails to pay the percentage set by the provisions of article (114) of the Companies Law of the profits for three consecutive years, the special general assembly of the owners of these shares, held in accordance with the provisions of article (89) of the Companies Law, is entitled to decide on their attendance of the meetings of the company’s general assembly and vote in them, or appoint their representatives in the Board of Directors according to the value of their shares in the capital, until the company is able to pay all priority profits allocated for the owners of these shares for the previous years.

Article (48) Company's Losses:

1. If the losses of the joint company reach half of the paid capital, at any time during the financial year, any official at the company or the Auditor must immediately inform the chairman of Board of Directors, and the Board chairman has to inform the Board members instantly, and within (15) days the Board must call the unusual general assembly for a meeting within (45) days of his knowledge of the losses, so it would decide either to increase the company’s capital or decrease it in accordance with the provisions of the Companies Law to the point where the percentage of losses are decreased to a level lower than half ofthe paid capital, or liquidate the company before the time set in the Companies Law.

2. The company is considered liquidated with the power of the Companies Law if the general assembly fails to meet within the period set in item (1) of this article, or if it meets and fails to make a decision on this issue, or if it decides to increase the capital in accordance with the conditions stated in thisarticle and there is no subscription in all of the capital increase within (90) days of the assembly’s resolution to increase the capital.

(Section Nine)
Disputes

Article (49) Liability Suit:

Every shareholder has the right to file a liability suit against the Board of director members if the flaw committed by them was to cause a personal damage to this shareholder, provided that the company's right to file the suit is still valid. The shareholder must inform the company of his intention to file the suit.

(Section Ten)
Dissolving and Liquidating the Company

Article (50)

When the company ends or if it is dissolved before the date set for ending it, the extraordinary general assembly decides, based on a suggestion by the Board, a way to dissolve the company. It also assigns a dissolver or more and defines their powers and fees. The power of the Board of Directors ends with the company's end. Nevertheless, the Board remains the entity which runs the company until a dissolver is assigned. The company's bodies maintain their powers and concerns in a way that does not oppose the dissolvers' powers.

(Section Eleven)
Concluding Rules

Article (51) Companies Law:
Any laws in contradiction with the Sharia Law and the Bylaws stated in this system is considered null, and the Bylaws and their bylaws are enforced on any issues not stated in these articles.

Article (52) Publication:
These Bylaws are filed and published according to the rules of the Companies Law.

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18. APPENDIX 2

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

MIDDLE EAST HEALTH CARE
COMPANY LIMITED
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
together with the Independent Auditor's Report

MIDDLE EAST HEALTH CARE COMPANY LIMITED
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

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Independent auditor's report

To the Shareholders of Middle East Health Care Company

Opinion

We have audited the consolidated financial statements of Middle East Health Care Company ("the Company") and its subsidiary ("the Group") which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent auditor's report

To the Shareholders of Middle East Health Care Company (continued)

Revenue recognition

Refer Note 4 (j) for the accounting policy relating to revenue recognition and Note 5 for revenue disclosure as per segments.

Key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2020, the Group recognized total revenue of SR 1,772,209,616 (2019: SR 1,496,646,913). The Group recognizes revenue upon performance of medical and trading service and is measured at the fair value of the consideration received or receivable. Revenue recognition is considered as a key audit matter as there is a risk that revenue may be misstated due to management's override of controls and judgement involved in estimating the related rejections rates.	We performed the following among other procedures: - Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards; - Assessed the design and implementation, and tested the operating effectiveness of the Group's internal controls, including anti-fraud controls, over the recognition of revenue; - Performed test of details and inspected invoices on a sample basis to ensure that they had been accurately recorded in the correct period. - Assessed the design and implementation of the process established by the Group in relation to the estimates of rejection rates. - Performed a retrospective review of actual claims settled to the original gross claims on a sample basis. - Considered the adequacy of the related disclosure in the Group's consolidated financial statements.

Valuation of receivables

Refer Note 4 (b) for the accounting policy of Financial instruments and Note 9 for the accounts receivable disclosure.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying value of accounts receivable amounted to SR 1,764,113,725 (2019: SR 1,273,712,165) and the allowance for expected credit losses on such balance amounted to SR 170,392,610 (2019: SR 165,135,773). The Group's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of accounts receivable. The ECL model involves the use of various assumptions covering macro-economic factors and study of historical trends. We considered this a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model for the calculation of the allowance for expected credit losses.	We performed the following among other procedures: - Assessed the appropriateness of the assumptions used by the management in the expected credit losses (ECL) model. - Tested significant assumptions, including those related to historical trends and future economic events that were used to calculate the likelihood of default and the expected loss on default and tested the arithmetical accuracy of the ECL model and appropriateness of allowance recorded. We also involved our internal specialist to recalculate the allowance for expected credit losses. - Considered the adequacy of the related disclosure in the Group's consolidated financial statements.

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Independent auditor's report

To the Shareholders of Middle East Health Care Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization of Certified Public Accountants (SOCPA), the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal controls 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.

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 International Standards on Auditing ("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.

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

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

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Independent auditor's report

To the Shareholders of Middle East Health Care Company (continued)

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

- 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Middle East Health Care Company ("the Company") and its subsidiary ("the Group").

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

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 year 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 KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No: 382

Jeddah, 20 Rajab 1442H
Corresponding to 4 March 2021

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

MIDDLE EAST HEALTH CARE COMPANY LIMITED
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Expressed in Saudi Arabian Riyals unless otherwise stated)

	Notes	2020	2019
ASSETS			
Non-current assets			
Property and equipment	6	**2,073,638,422**	1,909,443,240
Right-of-use assets	17	**25,576,972**	30,454,243
Intangible assets	7	**6,923,277**	4,940,977
Total non-current assets		**2,106,138,671**	1,944,838,460
Current assets			
Inventories	8	**155,843,192**	124,514,002
Accounts receivable	9	**1,593,721,115**	1,108,576,392
Prepayments and other current assets	10	**84,840,856**	73,685,359
Cash and cash equivalents	11	**16,909,946**	53,882,840
Total current assets		**1,851,315,109**	1,360,658,593
Total assets		**3,957,453,780**	3,305,497,053
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**920,400,000**	920,400,000
Statutory reserve	13	**191,907,712**	181,809,384
Retained earnings		**477,466,298**	420,506,362
Equity attributable to shareholders of the Company		**1,589,774,010**	1,522,715,746
Non-controlling interest	14	**43,063,454**	39,098,696
Total equity		**1,632,837,464**	1,561,814,442
Liabilities			
Non-current liabilities			
Long-term loans, non-current portion	15	**847,400,365**	643,448,510
Other non-current financial liabilities	16	**17,788,483**	24,618,490
Lease obligations - non-current portion	17	**22,721,719**	27,132,546
Deferred income	18	**13,602,238**	15,247,580
Employees' end of service benefits	19	**235,391,073**	212,632,946
Total non-current liabilities		**1,136,903,878**	923,080,072
Current liabilities			
Short-term borrowings and current portion of long-term loans	15	**675,261,825**	356,709,826
Current portion of other non-current financial liabilities	16	**8,150,065**	11,256,031
Current portion of lease obligations	17	**4,410,829**	4,180,880
Accounts payable	20	**358,964,140**	337,056,142
Accrued expenses and other current liabilities	21	**134,615,916**	106,751,583
Zakat payable	22	**6,309,663**	4,648,077
Total current liabilities		**1,187,712,438**	820,602,539
Total liabilities		**2,324,616,316**	1,743,682,611
Total equity and liabilities		**3,957,453,780**	3,305,497,053

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

The annexed notes 1 to 32 form an integral part of these consolidated financial statements.

MIDDLE EAST HEALTH CARE COMPANY LIMITED
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Expressed in Saudi Arabian Riyals unless otherwise stated)

	Notes	2020	2019
Revenue		**1,772,209,616**	1,496,646,913
Cost of revenue	24	**(1,172,210,458)**	(1,023,715,843)
Gross profit		**599,999,158**	472,931,070
Selling and marketing expenses	25	**(31,143,257)**	(14,777,057)
General and administrative expenses	26	**(442,454,388)**	(354,886,559)
Operating profit		**126,401,513**	103,267,454
Other income, net	27	**9,122,920**	17,127,910
Finance cost, net	28	**(35,848,657)**	(25,112,389)
Net profit before Zakat		**99,675,776**	95,282,975
Zakat	22	**(5,500,000)**	(5,175,471)
Net profit for the year		**94,175,776**	90,107,504
Other comprehensive income:			
Items that will not be classified to profit or loss:			
Re-measurement loss on defined benefit obligation	19	**(23,152,754)**	(20,732,042)
Total comprehensive income for the year		**71,023,022**	69,375,462
Net profit / (loss) for the year attributable to:			
Shareholders of the Company		**100,983,281**	97,568,347
Non-controlling interest		**(6,807,505)**	(7,460,843)
Net profit for the year		**94,175,776**	90,107,504
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**78,573,988**	76,973,938
Non-controlling interest		**(7,550,966)**	(7,598,476)
Total comprehensive income for the year		**71,023,022**	69,375,462
Earnings per share based on the profit attributable to the shareholders of the Company			
Basic and diluted earnings per share	29	**1.10**	1.06

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The annexed notes 1 to 32 form an integral part of these consolidated financial statements.

MIDDLE EAST HEALTH CARE COMPANY LIMITED
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020
(Expressed in Saudi Arabian Riyals unless otherwise stated)

	Notes	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
		Equity attributable to the shareholders of the Company					
Balance at 1 January 2019 as restated in 2019		920,400,000	172,052,549	353,289,259	1,445,741,808	44,997,172	1,490,738,980
Total comprehensive income for the year							
Net profit for the year		--	--	97,568,347	97,568,347	(7,460,843)	90,107,504
Other comprehensive income for the year		--	--	(20,594,409)	(20,594,409)	(137,633)	(20,732,042)
		--	--	76,973,938	76,973,938	(7,598,476)	69,375,462
Transfer to statutory reserve	13	--	9,756,835	(9,756,835)	--	--	--
Transaction with owners of the Company							
Advance towards share capital		--	--	--	--	1,700,000	1,700,000
Balance at 31 December 2019		**920,400,000**	**181,809,384**	**420,506,362**	**1,522,715,746**	**39,098,696**	**1,561,814,442**
Total comprehensive income for the year							
Net profit for the year		--	--	100,983,281	100,983,281	(6,807,505)	94,175,776
Other comprehensive loss for the year		--	--	(22,409,293)	(22,409,293)	(743,461)	(23,152,754)
		--	--	**78,573,988**	**78,573,988**	**(7,550,966)**	**71,023,022**
Transfer to statutory reserve	13	--	10,098,328	(10,098,328)	--	--	--
Transaction with owners of the Company							
Effect of transaction with Non-controlling interest without change in control		--	--	(11,515,724)	(11,515,724)	11,515,724	--
Balance at 31 December 2020		**920,400,000**	**191,907,712**	**477,466,298**	**1,589,774,010**	**43,063,454**	**1,632,837,464**

Sobhi Abduljalil Batterjee
Chairman

Ahmad Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The annexed notes 1 to 32 form an integral part of these consolidated financial statements.

MIDDLE EAST HEALTH CARE COMPANY LIMITED
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Expressed in Saudi Arabian Riyals unless otherwise stated)

	Notes	2020	2019
Cash flows from operating activities			
Net profit before Zakat		**99,675,776**	95,282,975
Adjustments for:			
Depreciation on property and equipment	6	**121,006,067**	92,988,741
Depreciation on right of use assets	17	**4,877,271**	4,642,407
Amortization	7	**1,333,874**	779,903
Charge / (reversal) of allowance for expected credit losses	9	**9,970,468**	(8,705,947)
Provision for slow moving and obsolete inventories	8	**2,410,904**	2,484,768
Amortization of deferred income	18	**(1,645,342)**	(3,484,468)
Finance charges related to lease obligations	17	**1,722,241**	1,865,728
Provision for employees' end of service benefits	19	**37,424,112**	34,512,730
Loss / (gain) on disposal of property and equipment		**1,667,013**	(216,238)
		278,442,384	220,150,599
Changes in operating assets and liabilities:			
Accounts receivable		**(495,115,191)**	(122,101,600)
Inventories		**(33,740,094)**	(10,305,952)
Prepayments and other current assets		**(11,155,497)**	(24,491,353)
Accounts payable		**21,907,998**	66,701,614
Accrued expenses and other current liabilities		**27,864,333**	16,060,170
Other financial liabilities		**(9,935,973)**	(18,729,382)
Cash (used in) / generated from operating activities		**(221,732,040)**	127,284,096
Employees' end of service benefits paid	19	**(37,818,739)**	(22,018,392)
Zakat paid	22	**(3,838,414)**	(6,627,390)
Net cash (used in) / generated from operating activities		**(263,389,193)**	98,638,314
Cash flows from investing activities:			
Additions to property and equipment	6	**(290,976,645)**	(471,315,315)
Additions to intangible assets	7	**(3,316,174)**	(786,308)
Proceeds from disposal of property and equipment		**4,108,383**	3,251,800
Net cash used in investing activities		**(290,184,436)**	(468,849,823)
Cash flows from financing activities:			
Net movement in long-term loans and short-term borrowings		**522,503,854**	383,824,598
Lease obligations paid	17	**(5,903,119)**	(5,648,952)
Advance against proposed increase in share capital of the subsidiary from NCI shareholders		--	1,700,000
Net cash from financing activities		**516,600,735**	379,875,646
Net change in cash and cash equivalents		**(36,972,894)**	9,664,137
Cash and cash equivalents at beginning of the year	11	**53,882,840**	44,218,703
Cash and cash equivalents at the end of the year	11	**16,909,946**	53,882,840

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The annexed notes 1 to 32 form an integral part of these consolidated financial statements.

MIDDLE EAST HEALTH CARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Expressed in Saudi Arabian Riyals unless otherwise stated)

1. GENERAL

Middle East Healthcare Company (the "Company") and its subsidiary (collectively 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 centers, educational centers, rehabilitation centers, physiotherapy, laboratories and radiology centers, 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 and a subsidiary.

Branch name	Commercial Registration No.	Issued on	Corresponding to
Saudi German Hospital - Jeddah	4030124187	5 Safar 1419H	30 May 1998
Saudi German Hospital – Riyadh	1010162269	24 Rajab 1421H	22 October 2000
Saudi German Hospital – Aseer	5855019364	28 Dhul Hijah 1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5August 2002
Abdul Jaleel Ibrahim Baterjee 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 - Under development	4031215509	19 Shawwal 1439H	3 July 2018

During the year, the management has formally inaugurated and commenced commercial operations of the Saudi German Hospital – Dammam on 2 Jumada Al Thani 1441H, corresponding to 26 February 2020.

The Company also has investment in the following subsidiary:

Subsidiary name	Commercial Registration No.	Issued on	Corresponding to
National Hail Company for Healthcare (NHC), a closed joint stock company	3350019735	2 Rajab 1428H	16 July 2007

During the year, the Company has increased its shareholding in NHC from 32.33% to 47%. Though, the Company holds 47% (31 December 2019: 32.33%) in NHC, however, as the control is exercised by the Company, NHC has been consolidated in these consolidated financial statements as a subsidiary.

MIDDLE EAST HEALTH CARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Expressed in Saudi Arabian Riyals unless otherwise stated)

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Certified Public Accountants (SOCPA).

i) Basis of measurement

These consolidated financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis except for employee benefits, which are measured at the present value of defined benefit obligation using projected unit credit method.

ii) Functional and presentation currency

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

(b) Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are detailed as follows:

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

i) *Impairment of non-financial assets*
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs").

MIDDLE EAST HEALTH CARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Expressed in Saudi Arabian Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

(b) Critical accounting estimates and judgments (continued)

(i) Impairment of non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. 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 recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

The Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive). The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group measures loss allowances at an amount equal to lifetime ECL.

MIDDLE EAST HEALTH CARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Expressed in Saudi Arabian Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

(b) Critical accounting estimates and judgments (continued)

iii) Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging, current condition, and future expectations with respect to its consumption. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in the pattern of consumption and sale of pharmaceutical products.

iv) Useful lives of property and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

v) Employee benefits – defined benefit obligation

Certain actuarial assumptions have been adopted as disclosed in note 19 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

vi) Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

vii) Control over Investee Company (National Hail Company for Healthcare)

The Group holds 47% ownership interests in National Hail Company for Healthcare. However, based on the terms of agreement under which this entity operates, the Group has the ability to direct the entity's activities that most significantly affect the returns. Accordingly, the financial information of the investee company is consolidated in these financial statements.

viii) Leases

In case of lease contracts where extension options are also available to the Group, judgement is applied in evaluating whether it is reasonably certain to exercise the option. The Group reassesses whether it is reasonably certain to exercise the extension options, upon the occurrence of either a significant event or significant change in circumstances that are within the control of the Group.

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

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3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

(a) Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IAS 39, IFRS 4, 7, 9 and 16	Interest rate benchmark reform – phase 2	January 1, 2021
IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	January 1, 2022
IAS 16	Property, plant and equipment: proceeds before intended use	January 1, 2022
IFRS 3	Reference to the conceptual framework	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations and amendments with effective date of 1 January 2021 will not have any material impact on the Group's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Group is currently assessing the implications on the Group's financial statements on adoption.

(b) Standards, interpretations and amendments that became effective during the period

Following amendments to IFRS and International Accounting Standards were effective from 1 January 2020, but they did not have a material effect on the Group's financial statements:

Amendments / interpretation	*Description*
Conceptual framework	Amendments to references to conceptual framework
Amendments to IAS 1 & 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IFRS 7, IAS 39	Interest Rate Benchmark Reform

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

i) Business combinations

Business combinations (except for entities under common control) are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition. The excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is classified as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions from entity under common control

Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. The components of equity of the acquired entity are added to the same components within the Group equity and any gain/loss arising is recognized directly in equity.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are consolidated in the financial statements from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases

All intra-Group balances, transactions, income and expenses resulting from intra-Group transactions are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests (NCI) and other components of equity. Any resulting gain or

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Subsidiaries (continued)
loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Changes in a Group's ownership interest in a subsidiary that does not result in a change in control, is accounted as equity transaction and the carrying amounts of the non-controlling interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under "Effect of transactions with non- controlling interests without change in control".

iii) Goodwill
Goodwill represents the difference between the cost of businesses acquired and the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

iv) Non-controlling interests
Non-controlling interests represent the interest in subsidiary companies, not held by the Group which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group.

Changes in Group's interest in a subsidiary as a result of transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals / acquisition of non-controlling interests are also recorded in equity.

(b) Financial instruments

i) Non-derivative financial assets
The Group initially recognizes accounts receivable and deposits on the date that they are originated. All other non-derivative financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. The Group has the following non-derivative financial assets: Accounts receivable and cash and cash equivalents.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

i) Non-derivative financial assets (continued)

Accounts receivable

Accounts receivable are initially recognized when they are originated. Accounts receivable without a significant financing component is initially measured at the transaction price. Accounts receivable is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL (Fair value through profit and loss):

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Group without any restrictions. Overdraft is net off against cash and cash equivalents.

ii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

iii) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

As required by IFRS 9, the Group applies the simplified approach for accounts receivable. The Group uses a provision matrix in the calculation of the expected credit losses on accounts receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective aging buckets.

The Group applies the general approach for all loans given to its employees. The general approach requires Group to measure the loss allowance for an employee's loan at an amount equal to the lifetime expected credit loss (ECL) if the credit risk on that loan has increased significantly since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Segment reporting

An operating segment is a component:

i) 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;

ii) 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

iii) 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.

(d) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in the consolidated statement or profit or loss and other comprehensive income.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and equipment (continued)

Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of individual items of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives of assets is as follow:

	Years
Buildings	15-33
Leasehold improvements	Period of lease or 20 years whichever is less
Plant and equipment	4-15
Computer equipment	3-10
Motor vehicles	4-10
Furniture & fixtures	4-10
Office equipment	4-10

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

(e) Intangibles

Intangible assets are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in income statement category consistent with the function.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Intangible assets are amortised over the estimated useful life of eight years.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value comprises estimated selling price in the ordinary course of business, less any additional production costs for completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

(g) Impairment of non-financial assets

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

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (the "cash-generating unit, or CGU"). Impairment exists when the carrying value of an asset or CGU exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. 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 recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

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

(h) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit, will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employees' benefits

Defined benefit plan
The Group's obligation under employees' end of service benefit plan 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. The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method. Measurements of the defined benefit liability, which comprise actuarial gains and losses are recognized immediately in other comprehensive income (OCI). The Group determines the net interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in personnel expenses in consolidated statement of profit or loss.

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 under short-term cash bonus, 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.

(j) Revenues

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS. Revenue is recognized when the entity satisfies performance obligation by transferring promised goods or service to a customer. Revenue is principally derived from services (operations) and sale of pharmaceutical items. The following five steps are followed:

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 Company expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes, duties, amounts collected on behalf of others and is recorded net of trade discounts and volume rebates.

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Revenues (continued)

The Company assessed its revenue arrangements against specific criteria and determined that it is acting as principal in all of its revenue arrangements.

The Group generates its revenue from sale of goods and operations (rendering of services). The goods are sold and services are rendered both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

(i) Operating revenues

For operating revenues, the revenue is recognized when the treatment is provided and the invoice is generated (i.e. after satisfaction of performance obligation). Some contracts include variable considerations such as discount and rejections of claims. Management estimates variable consideration using the expected value method for rejections. Management has applied one method consistently throughout the contract when estimating the effect of an uncertainty on an amount of variable consideration to which the Company will be entitled. In addition, management has considered all the information (historical, current and forecast) that is reasonably available to the Group and has identified a reasonable number of possible consideration amounts.

(ii) Sale of goods

The Group's contracts with customers for the sale of medicines and drugs generally include one performance obligation. The Group has concluded that revenue from sale of medicines and drugs should be recognised at point in time when control of the asset is transferred to the customer, generally on delivery of the medicines and drugs.

(iii) Rental income

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

(iv) Management fee:

Management fee is recognized as and when the Group becomes entitled to it under the management agreement.

(v) Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Zakat and taxes

The Group is subject to Zakat in accordance with the regulations of General Authority of Zakat and Income Tax ("GAZT"). The Group's Zakat is charged to the consolidated statement of profit or loss and other comprehensive income. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

(l) Borrowings and finance cost

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the consolidated statement of profit and loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit or loss and other comprehensive income using the effective interest method.

Finance income is recognized as it accrues in consolidated statement of profit or loss using the effective interest method.

(m) Dividends

Final dividends are recorded in the financial statements in the year in which they are approved by shareholders of the Group. Interim dividends are recorded as liability in the year in which they are approved by the Board of Directors.

(n) Leases

Right-of-use assets

The Company 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. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

Lease liabilities

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the Group's incremental borrowing rate (if the interest rate implicit in the lease is not available). Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to profit or loss if carrying value of the related asset is zero.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

(o) Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Group becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Group derecognises the financial liabilities when contractual obligations are discharged or cancelled or expired. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost.

Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

(p) Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Foreign currencies

Transactions in foreign currencies are initially recorded by the Group in its functional currency using the spot rate at the date of the transaction it first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated in the functional currency using the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in 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.

(r) Contingencies

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each statement of financial position date and disclosed in the Group’s financial statements under contingent liabilities.

(s) Government Grants and Government 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.

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5. OPERATING SEGMENTS

As the operations of the Group are conducted in the Kingdom of Saudi Arabia, accordingly, for management purposes, the Group is organized into business units based on its products and services and has three reportable segments. Information regarding the Company's reportable segments is presented below:

Based on nature of services

			31 December 2020		
	In patient services	**Outpatient services**	**Pharmacy sales**	**Others**	**Total**
Revenue	**1,085,302,702**	**390,877,666**	**283,963,945**	**12,065,303**	**1,772,209,616**
Cost of revenue	**(693,829,951)**	**(259,890,528)**	**(217,730,795)**	**(759,184)**	**(1,172,210,458)**
Gross profit	**391,472,751**	**130,987,138**	**66,233,150**	**11,306,119**	**599,999,158**
Operating expenses					**(473,597,645)**
Operating profit					**126,401,513**
Other income					**9,122,920**
Finance charges					**(35,848,657)**
Zakat					**(5,500,000)**
Net profit					**94,175,776**

			31 December 2019		
	In patient services	Outpatient services	Pharmacy sales	Others	Total
Revenue	812,268,246	399,510,730	270,859,389	14,008,548	1,496,646,913
Cost of revenue	(539,515,214)	(289,442,935)	(191,016,666)	(3,741,028)	(1,023,715,843)
Gross profit	272,753,032	110,067,795	79,842,723	10,267,520	472,931,070
Operating expenses					(369,663,616)
Operating profit					103,267,454
Other income					17,127,910
Finance charges					(25,112,389)
Zakat					(5,175,471)
Net profit					90,107,504

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6. PROPERTY AND EQUIPMENT

6.1 Operating fixed assets

	Land	Buildings	Medical equipment	Motor vehicles	Furniture and equipment	Non-consumable items	Capital work in progress	Total
Cost								
Balance at 1 January 2019	183,944,120	1,000,852,763	738,023,848	10,904,493	217,959,968	3,057,755	382,820,921	2,537,563,868
Additions during the year	--	288,255	36,207,289	1,414,943	10,377,286	1,713,374	421,314,168	471,315,315
Disposals during the year	--	(52,976)	(29,580,966)	--	(9,041,343)	(967,764)	(1,160,463)	(40,803,512)
Transfers from CWIP	--	56,856,141	3,210,573	--	1,569,130	--	(61,635,844)	--
Balance at 31 December 2019	**183,944,120**	**1,057,944,183**	**747,860,744**	**12,319,436**	**220,865,041**	**3,803,365**	**741,338,782**	**2,968,075,671**
Balance at 1 January 2020	**183,944,120**	**1,057,944,183**	**747,860,744**	**12,319,436**	**220,865,041**	**3,803,365**	**741,338,782**	**2,968,075,671**
Additions during the year	--	3,599,200	41,839,567	941,806	16,184,801	1,589,864	226,821,407	290,976,645
Disposals during the year	--	(3,536,678)	(48,306,923)	(592,340)	(7,213,764)	(798,449)	(54,483)	(60,502,637)
Transfers from CWIP	--	154,121,415	92,869,766	--	145,369,867	4,513,214	(396,874,262)	--
Balance at 31 December 2020	**183,944,120**	**1,212,128,120**	**834,263,154**	**12,668,902**	**375,205,945**	**9,107,994**	**571,231,444**	**3,198,549,679**

6. PROPERTY AND EQUIPMENT (continued)

	Land	Buildings	Medical equipment	Motor vehicles	Furniture and equipment	Non-consumable items	Capital work in progress	Total
Accumulated Depreciation								
Balance at 1 January 2019	--	396,523,104	466,551,764	6,676,010	131,198,866	2,461,896	--	1,003,411,640
Charge during the year	--	27,798,786	50,569,788	809,377	12,651,539	1,159,251	--	92,988,741
Accumulated depreciation related to assets disposed during the year	--	--	(28,950,559)	(548)	(7,935,901)	(880,942)	--	(37,767,950)
Balance at 31 December, 2019	--	**424,321,890**	**488,170,993**	**7,484,839**	**135,914,504**	**2,740,205**	--	**1,058,632,431**
Balance at 1 January 2020	--	**424,321,890**	**488,170,993**	**7,484,839**	**135,914,504**	**2,740,205**	--	**1,058,632,431**
Charge during the year	--	32,497,323	59,979,547	842,648	22,618,483	5,068,066	--	121,006,067
Accumulated depreciation related to assets disposed during the year	--	(74,033)	(47,601,007)	(551,362)	(5,744,591)	(756,248)	--	(54,727,241)
Balance at 31 December 2020	--	**456,745,180**	**500,549,533**	**7,776,125**	**152,788,396**	**7,052,023**	--	**1,124,911,257**
Net Carrying Value as at 31 December 2020	**183,944,120**	**755,382,940**	**333,713,621**	**4,892,777**	**222,417,549**	**2,055,971**	**571,231,444**	**2,073,638,422**
Net Carrying Value as at 31 December 2019	183,944,120	633,622,293	259,689,751	4,834,597	84,950,537	1,063,160	741,338,782	1,909,443,240

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6. PROPERTY AND EQUIPMENT (continued)

6.2. Capital Work in progress

a) CWIP mainly contains the construction of new hospitals in Makkah and expansion and renovations of hospitals' buildings at different locations.

b) During the year, borrowing cost amounting to SR 17.54 million (31 December 2019: SR 22.63 million) have been capitalized in CWIP.

c) The land and building having a net book value of SR 381.73 million (31 December 2019: SR 210 million) are mortgaged to secure loan from Ministry of Finance (Note 15)

d) The depreciation for the year has been allocated as follows:

	2020	2019
Cost of sales (Note 24)	**97,341,932**	81,048,973
General and administrative expenses (Note 26)	**23,664,135**	11,939,768
Total	**121,006,067**	92,988,741

7. INTANGIBLE ASSETS

	2020	2019
Cost		
Balance as at	**15,142,388**	14,682,380
Additions during the year	**3,316,174**	786,308
Written off during the year	**--**	(326,300)
Balance as at	**18,458,562**	15,142,388
Amortization		
Balance as at	**10,201,411**	9,747,808
Charge during the year (Note 26)	**1,333,874**	779,903
Written off during the year	**--**	(326,300)
Balance as at	**11,535,285**	10,201,411
Net carrying value	**6,923,277**	4,940,977

8. INVENTORIES

	2020	2019
Pharmacy items	**96,237,994**	37,492,048
Kitchen items	**1,372,515**	589,239
Consumables and others	**74,610,988**	100,510,342
	172,221,497	138,591,629
Less: provision for slow moving and obsolete inventories	**(16,378,305)**	(14,077,627)
	155,843,192	124,514,002

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8. INVENTORIES (continued)

8.1 Movement of provision for slow moving and obsolete inventories:

	2020	2019
Balance at January 1	**14,077,627**	11,807,933
Recognized during the year	**2,410,904**	2,484,768
Adjustment during the year	**(110,226)**	(215,074)
Balance at 31 December	**16,378,305**	14,077,627

9. ACCOUNTS RECEIVABLES

	2020	2019
Accounts receivable	**1,739,179,442**	1,255,829,839
Less: Allowance for expected credit losses	**(170,392,610)**	(165,135,773)
	1,568,786,832	1,090,694,066
Related parties (note 30)	**24,934,283**	17,882,326
	1,593,721,115	1,108,576,392

9.1 Following is the movement of allowance for expected credit losses:

	2020	2019
Balance at January 1	**165,135,773**	189,670,489
Written off during the year	**(4,713,631)**	(15,828,769)
Charge / (reversal) during the year	**9,970,468**	(8,705,947)
Balance at 31 December	**170,392,610**	165,135,773

9.1 Information about the Group's exposure to credit and market risks and impairment losses for accounts receivable is included in Note 31.

10. PREPAYMENTS AND OTHER CURRENT ASSETS

	2020	2019
Advances to suppliers	**31,415,237**	18,183,703
Prepayments	**23,554,789**	20,863,207
Advances to staff	**2,580,956**	2,480,487
Deposits	**1,336,218**	942,983
Others	**25,953,656**	31,214,979
	84,840,856	73,685,359

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11. CASH AND CASH EQUIVALENTS

	2020	2019
Cash in hand	**1,446,137**	1,991,022
Cash at bank – current accounts	**15,463,809**	51,891,818
	16,909,946	53,882,840

12. SHARE CAPITAL

The authorized, issued and paid-up capital of the Company is SR 920,400,000 divided into 92,040,000 equal shares at SR. 10 each.

13. STATUTORY RESERVE

In accordance with the Company's Bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company.

14. NON-CONTROLLING INTERESTS

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

	2020	2019
Non-current assets	**153,933,136**	162,075,623
Current assets	**64,889,554**	44,447,057
Non-current liabilities	**(63,591,986)**	(66,774,687)
Current liabilities	**(73,978,905)**	(29,855,416)
Net assets	**81,251,799**	109,892,577
Revenue	**101,074,760**	83,842,657
Loss for the year	**(12,844,349)**	(11,025,334)
Other comprehensive income	**(1,402,757)**	(203,389)
Total comprehensive loss	**(14,247,106)**	(11,228,723)

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15. TERM LOANS

Term loans comprise of the following:

	2020	2019
Loan from commercial banks	**1,379,319,897**	948,346,144
Loan from Ministry of Finance	**158,589,873**	68,873,182
Adjustment for deferred income	**(15,247,580)**	(17,060,990)
Loan from Ministry of Finance – net	**143,342,293**	51,812,192
Total	**1,522,662,190**	1,000,158,336

	2020	2019
Current portion:		
Loan from commercial banks	**107,142,856**	90,301,326
Short-term borrowings	**563,218,626**	259,801,000
Loan from Ministry of Finance	**4,900,343**	6,607,500
Total current portion	**675,261,825**	356,709,826
Non-current portion:		
Loan from commercial banks	**708,958,415**	598,243,818
Loan from Ministry of Finance	**138,441,950**	45,204,692
Total non-current portion of long-term loans	**847,400,365**	643,448,510
Total	**1,522,662,190**	1,000,158,336

The loan from the banks are secured through issue of promissory notes from the Company. The interest free loan from the Ministry of Finance (MOF) is secured by the mortgage of land and building of Saudi German Hospital - Riyadh, Madinah and Hail. The bank loans are priced at SIBOR plus an agreed mark up.

The followings are the loans obtained from the MOF:

a) Interest free loan for SGH - Madinah Hospital; this loan transferred from Bait Al Batterjee Medical Company (a related party) to the Company amounted to SR 49,938,182 to be repaid in sixteen equal annual installments at SR 3,125,000 starting from 21 Dhul Hijja 1427H corresponding to 21 January 2007. The net amount payable is SR 3,063,182 (2019: SR 6,188,182).

b) Interest free loan to support construction of Hospital - National Hail Company for Healthcare (the Subsidiary Company); the total disbursable amount in this respect is SR 69,650,000 which has been received based on construction progress to the satisfaction of the MOF. The loan will be repaid in 20 equal annual installments which started in the year 2018. The Subsidiary Company's land, building and equipment are mortgaged to the MOF. The net amount payable is SR 59,202,500 (2019: SR 62,685,000).

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15. TERM LOANS (continued)

c) The Group has obtained a Murabaha facility from Ministry of Finance for the construction of Dammam Hospital. The loan has been received partially in December 2020. The loan carries mark-up at the rate 2.5% on outstanding balance. The loan is repayable in 16 semi-annual instalments starting from February 2022.

d) The Group has secured a term facility- Islamic Financing Murabaha- from a commercial bank for part funding the construction of hospital project at Dammam and Makkah, amounting to SR 500,000,000. The loan was available for draw down over a period of three years started from 27 December 2017 and the first repayment was due June 2020 and last payment is due in December 2026. This loan is secured by promissory note from the Company. As at 31 December, the net amount payable is SR 359,093,245 (2019: SR 341,182,961).

e) On 2 March 2017, the Group secured revolving Tayseer facility from a commercial bank for an amount of SR 100,000,000. The net amount payable is SR 30,078,875. (2019: SR 99,000,000).

f) On 17 December 2018, the Company signed an amended Islamic financing agreement with a commercial bank for increasing the revolving working capital facility from SR 35 million to SR 150 million. An additional loan amount of SR 115,000,000 drawn down on 23 December 2018. The net amount payable as on 31 December 2020 SR 135,750,843 (2019: SR 150,000,000).

g) A loan amount of SR 30,000,000 received on 22 October 2018 from a commercial bank against the revolving finance facility. The net amount as on 31 December 2020 SR 138,811,082 (2019: SR 45,000,000).

h) On 26 July 2018, the Company signed an Islamic Financing Murabaha from a commercial bank amounting to SR 500,000,000 million for part funding the construction of hospital project at Makkah, expansion project and medical tower project at SGH Riyadh. The loan will be draw down over a period of three years started from 26 July 2018 and the first repayment in September 2021 and last payment in March 2028. This loan is secured by promissory note from the Company. The net amount payable is SR 290,192,127 (2019: SR 195,719,000).

i) A loan amount of SR 200,000,000 was approved during the year ended 31 December 2019 from a commercial bank. The net amount as on 31 December 2020 is SR 171,851,980 (2019: SR 100,000,000).

j) A loan amount of SR 150,000,000 was approved during the year ended 31 December 2019 from a commercial bank against the finance facility. The net amount as on 31 December 2020 is SR 118,770,578 (2019: SR 17,772,000).

k) A short-term loan amounting to SR 120,000,000 was approved during the year ended 31 December 2020 from a commercial bank for working capital. The net amount as on 31 December 2020 is SR 89.47 million (2019: SR Nil).

l) A long-term loan amounting to SR 185,000,000 was approved during the year ended 31 December 2020 from a commercial bank. The net amount as on 31 December 2020 is SR 8.7 million (2019: SR Nil).

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15. TERM LOANS (continued)

m) A short-term loan amounting to SR 80,000,000 was approved during the year ended 31 December 2020 from a commercial bank for working capital. The net amount as on 31 December 2020 is SR 36.52 million (2019: SR Nil).

n) The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained.

16. OTHER NON-CURRENT FINANCIAL LIABILITIES

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

	2020	2019
Current portion	**8,150,065**	11,256,031
Non-current portion	**17,788,483**	24,618,490
	25,938,548	35,874,521

17. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

The movement in right-of-use assets and lease liability for the year is as follows:

Right-of-use assets	**2020**	2019
As at 1 January	**30,454,243**	32,747,996
Addition during the year	**--**	2,348,654
Depreciation for the year	**(4,877,271)**	(4,642,407)
As at 31 December	**25,576,972**	30,454,243

Lease Liabilities	**2020**	2019
As at 1 January	**31,313,426**	32,747,996
Interest expense for the year	**1,722,241**	1,865,728
Addition for the year	**--**	2,348,654
Payments made during the year	**(5,903,119)**	(5,648,952)
As at 31 December	**27,132,548**	31,313,426

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17. RIGHT-OF-USE ASSET AND LEASE LIABILITIES (continued)

The maturity analysis of the lease liabilities is as follows:

	2020	2019
Current portion	**4,410,829**	4,180,880
Non-current portion	**22,721,719**	27,132,546
	27,132,548	31,313,426

18. DEFERRED INCOME

The movement in government grants are as follows:

	2020	2019
Balance at January 1	**15,247,580**	18,732,048
Transferred to the income statement	**(1,645,342)**	(3,484,468)
Balance at 31 December	**13,602,238**	15,247,580

Government grants have been received for the purchase of certain items of property and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

19. EMPLOYEES' END OF SERVICE BENEFITS

The Company has a post-employment defined benefit plan. The benefits are required by Saudi Labor Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and amounts recognized in the statement of financial position.

Net benefit expense recognised in statement of profit or loss

	2020	2019
Net benefit expense	**37,424,112**	34,512,730

Movement in the present value of defined benefit obligation recognized in statement of financial position

	2020	2019
Defined benefit obligation at 1 January	**212,632,946**	179,406,566
Current service cost	**37,424,112**	34,512,730
Interest cost		
Actuarial loss on the obligation recognized in the other comprehensive income (OCI)	**23,152,754**	20,732,042
Benefits paid	**(37,818,739)**	(22,018,392)
	235,391,073	212,632,946

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19. EMPLOYEES' END OF SERVICE BENEFITS (continued)

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

	2020	2019
Discount rate	**2.93%**	2.93%
Future salary increases or rate	**3.00%**	3.00%
Mortality rates	**CPM 1999**	CPM 1999
Rates of employee turnover	**5.00%**	5.00%

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December 2019 and 2018 is shown below:

Assumptions	**Discount rate**	
	2020	2019
Change in discount rate (+1%)	**208,672,629**	193,564,538
Change in discount rate (-1%)	**265,530,546**	233,906,585
Change in salary increase (+1%)	**275,518,776**	243,884,938
Change in salary increase (-1%)	**202,381,517**	187,265,830

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

20. ACCOUNTS PAYABLE

It comprises of the following

	2020	2019
Third party suppliers	**205,856,132**	184,715,432
Related parties – (Note 30)	**153,108,008**	152,340,710
	358,964,140	337,056,142

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020	2019
Accrued expenses	**105,265,379**	75,643,812
Value added tax (VAT) payable	**6,975,115**	17,369,286
Other liabilities	**22,375,422**	13,738,485
	134,615,916	106,751,583

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22. ZAKAT PAYABLE

The Company and its subsidiary files the zakat returns on an individual basis. The movements in accrued Zakat for the Group for the years are as follows:

	2020	2019
Balance at 1 January	**4,648,077**	6,099,996
Provision made during the year	**5,500,000**	5,175,471
Payments during the year	**(3,838,414)**	(6,627,390)
Balance at 31 December	**6,309,663**	4,648,077

Zakat status

Middle East Health Care Company:
The Company finalized its Zakat status up to the year 2008.

The Company filed the Zakat/tax returns for the years ended 31 December 2009 to 2013. The GAZT did not issue the final Zakat/tax assessments for the said years till to date. The status of the Company for the said years is considered finalized.

The GAZT issued the preliminary assessment for the year 2014, which has shown Zakat differences of SR 4,617,370 due from the Company. The said differences resulted from rejecting the application of Fatwa No. 23408 by the GAZT. The said Fatwa stated that Zakat is to be calculated on the Zakat base even if it is less than the net result of the year. The Company submitted a bank guarantee against the said Zakat differences and objected against such treatment. The GAZT refused the Company's objection for the year 2014. The Company transferred the objection to the Committee for Resolution of Tax Violations and Disputes (CRTVD), which is still under study by the CRTVD till to date.

The Company filed its Zakat/ tax returns for the years ended 31 December 2015 to 2018. The GAZT issued the Zakat and withholding tax (WHT) assessment for the said years. The Company objected against the said assessment, which is still under review by the GAZT till to date. The management believes that it has a strong chance to win the case regarding certain items in the said objection.

The Company filed the Zakat/tax return for the year ended 31 December 2019 and obtained the unrestricted Zakat/tax certificate for the said year. The GAZT did not issue the Zakat/tax assessment for the said year till to date.

Zakat status of the Subsidiary Company ("National Hail Company for Health Care" or "NHC", the subsidiary)
NHC has finalized its Zakat assessment up to the year ended 31 December 2012. NHC filed the Zakat return for the year ended 31 December 2013 and obtained the unrestricted Zakat and tax certificate for the said year. The GAZT issued the Zakat assessment for the said year, which showed Zakat differences of SR 0.059 million due from NHC. NHC filed an objection against the said assessment, which is still under review by the GAZT. The Subsidiary Company filed the Zakat/tax returns for the years ended 31 December 2014 to 2018, and obtained the unrestricted Zakat\ tax certificate for the year 2019. The GAZT did not issue the Zakat and tax assessment for the said years.

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23. CONTINGENCIES AND COMMITMENTS

The Group has following contingencies and commitments as of 31 December 2020.

23.1 Various employees have filed cases against for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to SR 5.5 million (2019: SR 3.06 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

23.2 The Company and its Subsidiary is also contesting various cases on account of alleged non-compliance of regulations. The total amount under consideration is SR 1.7 million (2019: SR 0.6 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.

23.3 Capital commitments as of 31 December 2020 amounted to SR 297.90 million (2019: SR 783.83 million)

23.4 The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020.

During the year ended 31 December 2020, management has assessed the overall impact on the Group's operations and business aspects. Based on this assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2020. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments and impacts, if any, will be reported in the future financial statements.

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24. COST OF REVENUES

	2020	2019
Staff salaries and benefits	**600,293,594**	519,578,912
Medicines and disposal supplies	**390,009,379**	343,698,262
Depreciation (Note 6)	**97,341,932**	81,048,973
Depreciation on right of use assets	**893,125**	893,125
Janitorial expenses	**25,549,084**	21,323,138
Maintenance	**11,151,333**	14,326,506
Utilities	**22,360,495**	20,799,357
Travelling	**364,219**	2,035,007
Insurance	**333,140**	485,941
Stationary	**4,705,240**	4,388,421
Other expenses	**19,208,917**	15,138,201
	1,172,210,458	1,023,715,843

25. SELLING AND MARKETING EXPENSES

	2020	2019
Advertisement and marketing	**27,365,095**	11,282,217
Sales promotion expenses	**3,778,162**	3,494,840
	31,143,257	14,777,057

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Staff salaries and benefits	**273,796,856**	238,366,248
Travelling expenses	**10,658,875**	11,852,117
Staff health insurance expenses	**18,039,299**	20,141,917
Professional services	**23,358,294**	16,801,380
Staff accommodation related expenses	**12,141,965**	11,802,484
Depreciation (Note 6)	**23,664,135**	11,939,768
Depreciation on right of use assets	**3,984,148**	3,749,282
Amortization (Note 7)	**1,333,874**	779,903
Repair and maintenance	**16,596,989**	10,106,906
Security	**10,137,434**	9,035,908
Director's remuneration	**2,057,661**	2,101,437
Postage, telephone and internet	**5,134,943**	5,129,076
Bank charges	**3,329,357**	1,925,769
Insurance	**916,855**	1,147,398
Other expenses	**37,303,703**	10,006,966
	442,454,388	354,886,559

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27. OTHER INCOME, NET

	2020	2019
Rental income	**3,118,636**	3,573,806
(Loss) / gain on sale of property and equipment	**(1,667,013)**	216,238
Training and symposium	**4,283,880**	4,338,371
Others	**3,387,417**	8,999,495
	9,122,920	17,127,910

28. FINANCE COST, NET

	2020	2019
Finance cost on bank borrowings	**31,114,390**	20,022,545
Others	**4,734,267**	5,089,844
	35,848,657	25,112,389

29. EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2020 and 31 December 2019, have been computed by dividing the net profit attributable to shareholders of the Parent Company for such year by the weighted average number of shares outstanding during such year.

	2020	2019
Net profit for the year attributable to shareholders of the Company	**100,983,281**	97,568,347
Weighted average number of ordinary shares	**92,040,000**	92,040,000
Earnings per share (Saudi Riyals)	**1.10**	1.06

30. RELATED PARTIES

Related parties include the Group's shareholders, associates and affiliated companies, other entities related to certain consolidated subsidiaries and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group's management.

All outstanding balances with these related parties are priced on mutually agreed terms and are to be settled in cash.

Significant related party transactions for the period and balance arising there from are described as under:

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30. RELATED PARTIES (continued)

Transactions with key management personnel

Key management personnel compensation
Compensation to Group's key management personnel includes salaries, non-cash benefits, and contributions to post-employment defined benefit plan. The following table illustrates details of remuneration and compensation paid to Board of Directors and Key Management Personnel:

	2020	2019
Board of Directors	**2,057,661**	2,101,437
Key Management Personnel	**4,733,396**	4,074,782
	6,791,057	6,176,219

Transaction with	Relationship	Nature of transaction	Transaction during the period **31 December 2020**	Transaction during the period 31 December 2019	Closing balance **2020**	Closing balance 2019
Due from related parties – Accounts receivables						
Bait Al Batterjee Company for Education and Training	Affiliate	Training	**241,993**	607,076	**764,940**	607,076
Emirate Healthcare Development Company	Affiliate	Management fee	**8,675,187**	10,514,148	**10,557,883**	2,643,212
Egypt Healthcare Company Limited	Affiliate	Management fee	**1,048,699**	1,435,884	**985,645**	1,379,981
Bait Al Batterjee Medical College	Affiliate	Training fee	**1,069,883**	4,071,609	**5,095,235**	3,971,995
Al Bait International	Affiliate	Medical services	**--**	--	**3,203,073**	3,225,295
Saudi German Hospital Sharjah	Affiliate	Medical Services	**--**	897,965	**--**	897,965
Saudi German Hospital Sana'a	Affiliate	Medical Services	**--**	895,675	**895,675**	895,675
Saudi German Hospital Ajman	Affiliate	Medical Services	**--**	3,808,776	**3,298,326**	3,808,776
Gold Gym's	Affiliate	Medical services	**33,586**	104,071	**133,506**	452,351
					24,934,283	17,882,326
Due from related parties – Other receivables						
Bait Al Batterjee Pharmaceutical Company	Affiliate	Medicine supply	**24,532,764**	--	**3,057,528**	--

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30. RELATED PARTIES (continued)

Transaction with	Relationship	Nature of transaction	Transaction during the period 31 December 2020	31 December 2019	Closing balance 2020	2019
Due to related parties						
Bait Al Batterjee Pharmaceutical Company	Affiliate	Medicine supply	--	18,279,330	--	4,566,292
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Co.	Affiliate	Instrument repair	**3,541,496**	2,935,269	**997,902**	1,022,195
International Hospital Construction Company	Affiliate	Construction and renovation	**208,870,687**	383,795,016	**149,575,235**	143,456,971
Bait Al Batterjee Medical Company	Share holder	Advisory fee	**6,300,895**	6,615,939	**2,534,871**	3,295,252
Gulf Youth Company For Investment & Real Estate Dev (JAN PRO)	Affiliate	Janitorial	**11,769,744**	11,503,260	--	--
					153,108,008	152,340,710

31. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies and evaluates financial risks in close cooperation with the Group's operating units. The most important types of risk are market risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets, and any changes and compliance issues are reported to the Board of Directors through the audit committee.

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31. FINANCIAL RISK MANAGEMENT (continued)

Risk management framework (continued)

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, accounts receivables, other receivables, long-term loans, short-term loans & borrowings, accounts payable, accrued expenses and other financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amount reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and liability simultaneously.

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 risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group’s financial positions and cash flows. The Group’s interest rate risks arise mainly from its borrowings which are at floating rate of interest and are subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2020	2019
Fixed rate instruments		
Financial liabilities		
Borrowings	**158,589,873**	68,873,182
Variable rate instruments		
Financial liabilities		
Borrowings	**1,379,321,897**	948,346,144

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31. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before Zakat for the year by SR 13.8 million (31 December 2019: SR 9.48 million).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars and Euros. The Group is exposed to foreign exchange risk. The Group's other financial liabilities are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi Riyals and Euros. Since Saudi Riyals is pegged with US Dollars, the Group is not exposed to currency risk for the transactions denominated in US Dollars.
The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

As at 31 December 2020, the Group's other financial liabilities amount to Euros 308,874 (2019: Euros 216,208)

Significant exchange rates applied during the year were as follows:

	Average rate		Spot rate	
	For the year ended 31 December		As at 31 December	
	2020	2019	**2020**	2019
Foreign currency per Saudi Riyal				
Euros	**4.28**	4.24	**4.33**	4.30

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before zakat and income tax for the year by SR 13,330 (31 December 2019: SR 9,297).

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not exposed to any price risk.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
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31. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored.

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

	2020	2019
Financial assets		
Accounts receivable	**1,764,113,725**	1,273,712,165
Staff advances	**2,580,956**	2,480,487
Deposits	**1,336,218**	942,983
Bank balance	**15,463,809**	51,891,818
Total	**1,783,494,708**	1,329,027,453

Trade and other receivables are carried net of provision for expected credit losses amounting to SR 170 million (2019: SR 165 million). At the reporting date, four major customers constitute 85% (31 December 2019: 85%) of total receivables. However, the Company assessed the concentration of risk with respect to accounts receivable and concluded it to be low.
The trade receivables aging are as follows:

As at 31 December 2020

Age days	**Accounts receivable**	**Provision for ECL**
Not yet due	55,029,919	312,593
1 -30	171,322,106	6,528,617
31 - 60	146,933,491	5,699,889
61 - 90	176,529,018	6,898,027
91 - 180	357,689,012	14,465,467
181 - 360	402,023,599	40,889,567
361+	429,652,297	95,598,450
Total	**1,739,179,442**	**170,392,610**

As at 31 December 2019

Age days	**Accounts receivable**	**Provision for ECL**
Not yet due	82,124,941	200,448
1 -30	159,043,635	8,939,157
31 - 60	92,892,495	5,080,891
61 - 90	76,406,842	4,352,924
91 - 180	267,482,164	35,880,284
181 - 360	220,690,615	29,655,422
361+	357,189,147	81,026,647
Total	1,255,829,839	165,135,773

MIDDLE EAST HEALTH CARE COMPANY LIMITED
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31. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, the Group has maintained credit lines with various commercial banks in order to meet its liquidity requirements.
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

		Contractual cash flows					
31 December 2020	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**Total**
Non derivative financial liabilities							
Loans and borrowings	**1,522,662,190**	**489,884,145**	**205,832,739**	**408,190,253**	**459,595,470**	**825,733,076**	**2,389,235,683**
Accounts payable	**358,964,140**	**358,964,140**	**--**	**--**	**--**	**--**	**358,964,140**
Lease liabilities	**27,132,548**	**2,951,560**	**2,951,560**	**7,777,840**	**5,228,840**	**22,418,880**	**41,328,680**
Other financial liabilities	**25,938,548**	**4,649,116**	**7,167,861**	**14,785,697**	**1,232,143**	**--**	**27,834,817**
Accrued and other liabilities	**134,615,916**	**134,615,916**	**--**	**--**	**--**	**--**	**134,615,916**
	2,069,313,342	**991,064,877**	**215,952,160**	**430,753,790**	**466,056,453**	**848,151,956**	**2,951,979,236**

		Contractual cash flows					
31 December 2019	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**Total**
Non derivative financial liabilities							
Loans and borrowings	1,000,158,336	332,156,255	24,553,572	300,438,778	373,375,596	246,496,126	1,277,020,327
Accounts payable	337,056,142	337,056,142	--	--	--	--	337,056,142
Lease Obligations	31,313,426	2,951,560	2,951,560	10,406,238	5,741,840	21,882,680	43,933,878
Other financial liabilities	35,874,521	5,591,328	5,415,778	15,509,241	12,208,910	--	38,725,257
Accrued and other liabilities	106,751,583	106,751,583	--	--	--	--	106,751,583
	1,511,154,008	784,506,868	32,920,910	326,354,257	391,326,346	268,378,806	1,803,487,187

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

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31. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the consolidated statement of financial position plus net debt. The gearing ratio as at 31 December 2020 and 31 December 2019 is as follows:

	Notes	31 December 2020	31 December 2019
Borrowings	15	**1,522,662,190**	1,000,158,336
Other financial liabilities	16	**25,938,548**	35,874,521
Lease liabilities	17	**27,132,548**	31,313,426
Total debt		**1,575,733,286**	1,067,346,283
Cash and cash equivalents	11	**(16,909,946)**	(53,882,840)
Net debt		**1,558,823,340**	1,013,463,443
Share capital		**920,400,000**	920,400,000
Reserves		**191,907,712**	181,809,384
Retained earnings		**477,466,298**	420,506,362
Equity		**1,589,774,010**	1,522,715,746
Gearing Ratio (net debt / total shareholders' equity)		**98%**	67%

MIDDLE EAST HEALTH CARE COMPANY LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
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31. FINANCIAL RISK MANAGEMENT (continued)

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As the Group's financial instruments are compiled under the historical cost convention, except for inventory and firm commitments under fair value relationships which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group’s financial assets and liabilities are not materially different from their carrying values.

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Company's Board of Directors on 13 Rajab 1442H, corresponding to 25 February 2021.

MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Middle East Healthcare Company (A Saudi Joint Stock Company)
As at 31 December 2021

Building a better working world

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

Opinion
We have audited the 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 2021, and consolidated statement of 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter
The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 Rajab 1442H (corresponding to 4 March 2021).

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

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

Key Audit Matters

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition</td><td></td></tr>
<tr><td>During the year ended 31 December 2021, the Company recognised revenue of SR 1,872.6 million (2020: SR 1,750.6 million).

The Group recognizes revenue upon performance of medical and trading service and is measured at the fair value of the consideration received or receivable.

Revenue recognition is considered as a key audit matter as there is a risk that revenue may be misstated due to management's override of controls and judgements involved in estimating the related rejections rates.

In addition, management of the Group after a detailed review concluded that certain invoices raised in prior years until 31 December 2020, were erroneously recorded and decided to restate the revenue retrospectively.
.
Refer to note 3.3 for the accounting policy related to revenue recognition and note 5.1 for estimates and assumption used in revenue recognition.

The effect of restatement has been disclosed in note 35 to the consolidated financial statements.</td><td>In order to evaluate the revenue recorded and reported during the year, we performed, among other audit procedures, the following:

• Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards.

• Discussed the overall policies and procedures and assessed the design of the Group's internal controls over the recognition of revenue.

• Assessed the appropriateness of significant accounting judgements, estimates and assumptions made by the management to determine the variable consideration. We also performed a retrospective review of actual claims settled to the original gross claims on a sample basis.

• Assessed the design of the process established by the Group in relation to the estimates of rejection rates and sample tested key inputs of the estimate.

• Performed test of details and inspected invoices on a sample basis to ensure that the services provided have been accurately recorded and at correct price and period.

• Discussed and with management the basis of restatement, and

o Analysed the agreed terms with customers;
o Sample tested the invoices erroneously recorded; and
o Inspected the correspondence with the counter parties.

Considered the adequacy of the related disclosures, including related to restatement in the Group's consolidated financial statements.</td></tr>
</table>

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

Key Audit Matters

Impairment loss on trade receivables	
As at 31 December 2021, the gross value of trade receivables amounted to SR 1,329.5 million. (2020: SR 1,331.5 million) and the allowance for expected credit losses amounted SR 64.9 million (2020: SR 120.7 million). Assessment of impairment allowance for expected credit losses is highly subjective due to the significant judgement, estimates and assumptions applied by the management in determining the expected losses. The management is required to determine an expected loss rate against its outstanding trade receivables based on the Group's historical credit loss experience adjusted with forward-looking information. We considered this as a key audit matter given the judgements and assumptions regarding the ECL impairment against trade receivables and the potential impact on the Group's consolidated financial statements *Refer to note 3.12 to the consolidated financial statements for the significant accounting policy, note 5.1 for the critical accounting estimates and judgements and note -- which details the disclosure of impairment against trade receivables.*	We assessed the appropriateness of significant judgements, estimates and assumptions made by the management keeping in view the uncertainties involved due to the COVID 19 pandemic. • We obtained and updated our understanding of management's assessment of ECL against trade receivables. We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9- '*Financial Instruments'*. • We involved our specialists to review methodology implemented by the Group in relation to the requirements of IFRS 9. Particularly, we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter. • We reviewed the appropriateness of the Group's criteria and judgement for the determination of individually impaired receivable. • We tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations. We also assessed the reasonableness and adequacy of disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 'Financial instruments: Disclosure'.

Other Information included in the Group's 2021 annual report

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Key Audit Matters

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Building a better working world

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

Key Audit Matters

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

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

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

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 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 I. Reda
Certified Public Accountant
Licence No. (356)

Jeddah: 9 Ramadan 1443H
10 April 2022

Middle East Healthcare Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2021

	Note	*31 December 2021 SR*	*31 December 2020 SR (Restated- note 35)*	*1 January 2020 SR (Restated- note 35)*
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	7	**2,356,537,613**	2,073,638,422	1,909,443,240
Right-of-use assets	12	**32,596,931**	25,576,972	30,454,243
Intangible assets	8	**7,377,440**	6,923,277	4,940,977
TOTAL NON-CURRENT ASSETS		**2,396,511,984**	2,106,138,671	1,944,838,460
CURRENT ASSETS				
Inventories	10	**155,627,028**	155,843,192	124,514,002
Trade receivables, net	9	**1,282,307,794**	1,235,676,977	769,522,963
Prepayments and other current assets	11	**109,683,178**	84,840,856	73,685,359
Bank balances and cash	13	**28,129,407**	16,909,946	53,882,840
TOTAL CURRENT ASSETS		**1,575,747,407**	1,493,270,971	1,021,605,164
TOTAL ASSETS		**3,972,259,391**	3,599,409,642	2,966,443,624
EQUITY AND LIABILITIES				
EQUITY				
Share capital	14	**920,400,000**	920,400,000	920,400,000
Statutory reserve	15	**193,627,813**	191,907,712	181,809,384
Retained earnings		**143,519,346**	119,422,160	81,452,933
Equity attributable to the shareholders' of the Parent		**1,257,547,159**	1,231,729,872	1,183,662,317
Non-controlling interests	16	**37,760,582**	43,063,454	39,098,696
TOTAL EQUITY		**1,295,307,741**	1,274,793,326	1,222,761,013
LIABILITIES				
NON-CURRENT LIABILITIES				
Loans and borrowings	17	**1,028,196,534**	847,400,365	643,448,510
Other financial liabilities	23	**11,350,561**	17,788,483	24,618,490
Lease obligations	12	**27,498,037**	22,721,719	27,132,546
Deferred income	18	**12,128,117**	13,602,238	15,247,580
Employees' end of service benefits	19	**230,608,896**	235,391,073	212,632,946
TOTAL NON-CURRENT LIABILITIES		**1,309,782,145**	1,136,903,878	923,080,072
CURRENT LIABILITIES				
Short-term loans and borrowings	17	**903,808,566**	675,261,825	356,709,826
Other financial liabilities	23	**7,178,313**	8,150,065	11,256,031
Lease obligations	12	**7,308,873**	4,410,829	4,180,880
Trade payables	20	**299,035,268**	358,964,140	337,056,142
Accrued expenses and other liabilities	21	**139,602,059**	134,615,916	106,751,583
Zakat payable	22	**10,236,426**	6,309,663	4,648,077
TOTAL CURRENT LIABILITIES		**1,367,169,505**	1,187,712,438	820,602,539
TOTAL LIABILITIES		**2,676,951,650**	2,324,616,316	1,743,682,611
TOTAL EQUITY AND LIABILITIES		**3,972,259,391**	3,599,409,642	2,966,443,624

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 38 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 2021

	Note	***2021 SR***	*2020 SR (Restated-note 35)*
Revenue from contract with customers	6	**1,872,620,790**	1,750,584,603
Cost of revenue	25	**(1,264,440,667)**	(1,172,210,458)
GROSS PROFIT		**608,180,123**	578,374,145
Selling and distribution expenses	26	**(45,965,110)**	(31,143,257)
General and administrative expenses	27	**(507,970,309)**	(439,820,084)
OPERATING PROFIT		**54,244,704**	107,410,804
Other income, net	28	**11,972,897**	7,477,578
Finance costs	29	**(46,985,115)**	(34,203,315)
PROFIT BEFORE ZAKAT		**19,232,486**	80,685,067
Zakat	22	**(7,500,000)**	(5,500,000)
PROFIT FOR THE YEAR		**11,732,486**	75,185,067
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain / (loss) on employees' end-of-service benefits	19	**8,781,929**	(23,152,754)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,514,415**	52,032,313
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		**17,201,012**	81,992,572
Non-controlling interests		**(5,468,526)**	(6,807,505)
		11,732,486	75,185,067
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		**25,817,287**	59,583,279
Non-controlling interests		**(5,302,872)**	(7,550,966)
		20,514,415	52,032,313
EARNINGS PER SHARE:			
Basic and diluted earnings per share	30	**0.19**	0.89

Sobhi Abduljalil Batterjee
Chairman

Ahmad Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 December 2021

	Note	Equity attributable to the shareholders' of the Parent Company				Non-controlling interests SR	Total SR
		Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR		
At 1 January 2020 as previously reported		920,400,000	181,809,384	420,506,362	1,522,715,746	39,098,696	1,561,814,442
Effect of restatement	35	-	-	(339,053,429)	(339,053,429)	-	(339,053,429)
Balance at 1 January 2020 - restated		920,400,000	181,809,384	81,452,933	1,183,662,317	39,098,696	1,222,761,013
Net profit for the year-restated		-	-	81,992,572	81,992,572	(6,807,505)	75,185,067
Other comprehensive income	19	-	-	(22,409,293)	(22,409,293)	(743,461)	(23,152,754)
Total comprehensive income / (loss) for the year		-	-	59,583,279	59,583,279	(7,550,966)	52,032,313
Transfer to statutory reserve		-	10,098,328	(10,098,328)	-	-	-
Acquisition of noncontrolling interest	16	-	-	(11,515,724)	(11,515,724)	11,515,724	-
Balance as at 31 December 2020 - restated		920,400,000	191,907,712	119,422,160	1,231,729,872	43,063,454	1,274,793,326
Net profit for the year		-	-	17,201,012	17,201,012	(5,468,526)	11,732,486
Other comprehensive income	19	-	-	8,616,275	8,616,275	165,654	8,781,929
Total comprehensive income / (loss) for the year		-	-	25,817,287	25,817,287	(5,302,872)	20,514,415
Transfer to statutory reserve		-	1,720,101	(1,720,101)	-	-	-
Balance as at 31 December 2021		920,400,000	193,627,813	143,519,346	1,257,547,159	37,760,582	1,295,307,741

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
At 31 December 2021

	Notes	2021 SR	2020 SR (Restated-note 35)
OPERATING ACTIVITIES			
Profit before zakat		**19,232,486**	80,685,067
Adjustments for:			
Depreciation on property and equipment	7	**130,906,528**	121,006,068
Depreciation on right of use assets	12	**9,121,488**	4,877,271
Amortization of intangible assets	8	**1,381,528**	1,333,874
(Reversal) / charge of allowance for expected credit losses	27	**(13,741,036)**	7,336,164
Provision for slow moving and obsolete inventories	10	**1,356,603**	2,410,904
Amortization of deferred income	18	**(1,542,038)**	(1,607,657)
Finance charges related to lease obligations	12	**2,043,928**	1,722,241
Finance charges related to borrowings		**46,985,115**	34,203,315
Provision for employees' end of service benefits	19	**43,449,908**	37,424,112
Loss on disposal of property and equipment		**1,675,514**	1,667,013
		240,870,024	291,058,372
Changes in operating assets and liabilities:			
Trade receivables		**(32,889,781)**	(473,490,178)
Inventories		**(1,140,439)**	(33,740,094)
Prepayments and other current assets		**(24,842,323)**	(11,155,497)
Trade payables		**(59,928,872)**	21,907,998
Accrued expenses and other current liabilities		**4,986,143**	27,864,333
Other financial liabilities		**(7,409,674)**	(9,935,973)
Cash generated / (used in) from operating activities		**119,645,078**	(187,491,039)
Employees' end of service benefits paid	19	**(39,450,156)**	(37,818,739)
Zakat paid	22	**(3,573,237)**	(3,838,414)
Net cash flows from / (used) in from operating activities		**76,621,685**	(229,148,192)
INVESTING ACTIVITIES:			
Additions to property and equipment	7	**(416,561,036)**	(293,073,611)
Additions to intangible assets	8	**(953,254)**	(1,816,740)
Proceeds from disposal of property and equipment		**125,909**	480,674
Net cash flows used in investing activities		**(417,388,381)**	(294,409,677)
FINANCING ACTIVITIES:			
Proceeds from loans		**541,799,136**	676,414,088
Repayment of loans		**(132,456,226)**	(153,910,234)
Finance charges paid		**(47,120,302)**	(30,015,760)
Lease liabilities paid	12	**(10,236,451)**	(5,903,119)
Net cash flows from financing activities		**351,986,157**	486,584,975
Net change in cash and cash equivalents		**11,219,461**	(36,972,894)
Cash and cash equivalents at the beginning of the year		**16,909,946**	53,882,840
Cash and cash equivalents at the end of the year	13	**28,129,407**	16,909,946
MAJOR NON-CASH TRANSACTIONS			
Additions to right-of-use assets and lease liabilities		**16,965,128**	-
Re-measurement of employees' end-of-service benefits liability		**(8,781,929)**	23,152,754
Transfer of assets from CWIP to Property and equipment		**885,519**	1,816,741

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 38 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 2021

1 CORPORATE INFORMATION

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

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

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

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

Branch name	***Commercial registration***	***Issued on***	***Corresponding to***
Saudi German Hospital – Jeddah	4030124187	5 Safar 1419H	30 May 1998
Saudi German Hospital – Riyadh	1010162269	24 Rajab 1421H	22 October 2000
Saudi German Hospital – Aseer	5855019364	28 Dhul Hijah 1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5August 2002
Abdul Jaleel Ibrahim Baterjee 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 - Under construction	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

The Company also has investment in the following subsidiary:

Subsidiary name	***Principal activities***	***Effective holding*** 2021	***Effective holding*** 2020
National Hail Company for Healthcare (NHC) (note below)	Healthcare	47%	47%

During the year the Parent Company paid an advance to subsidiary to increase it's stake from 47% to 53.9%. However, the legal formalities and registration of increase in share capital of the subsidiary is yet to be completed.

2 BASIS OF PREPARATION

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

These consolidated financial statements have been prepared under the historical cost basis.

2 BASIS OF PREPARATION (continued)

The consolidated financial statements provide comparative information in respect of the previous year. An additional statement of financial position as at 1 January 2020 is presented in these consolidated financial statements due to the retrospective correction of an error (refer note 35).

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

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

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Current versus non-current classification(continued)

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 2021. 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

***Business combinations and goodwill* (continued)**
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 Company 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 Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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

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

The Company 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 Company's performance as the Company performs.
b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The Company's performance does not create an asset with an alternate use to the Company and the Company 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 Company 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue recognition (continued)

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 Company 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 Company 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
The sales from medicine, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net of any discount or rebates and expected rejections by the insurance companies (if applicable) at the time of delivery of goods to the patients.

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

3.4 Foreign currencies

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Foreign currencies (continued)

Foreign operations (continued)
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 Company 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.

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 Company'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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property and equipment (continued)

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

Category of property and equipment	***Useful lives***
Buildings	*Shorter of lease period or 15 – 45 years*
Leasehold improvements	*Shorter of lease period or 10 – 20 years*
Plant and equipment	*4-15 years*
Computer equipment	*3 – 10 years*
Motor vehicles	*4 – 10 years*
Furniture and fixtures	*4 – 10 years*
Office equipment	*4 - 10 years*

3.6 Intangible assets

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

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

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

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

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

3.7 Leases

The Company 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).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Leases (continued)

i) Right-of-use assets (continued)

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

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

3.8 Borrowing costs

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

3.9 Financial instruments

i) Financial assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

i) Financial assets (continued)

Initial recognition and measurement **(continued)**
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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

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.

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:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

- 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

Financial liabilities

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

iv) Offsetting of financial instruments

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

3.10 Cash and cash equivalents

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

3.11 Inventories

Inventories represent spare parts and other supplies. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of financial and non-financial assets (continued)

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Employees' end-of-service benefits (continued)

Post-employment benefits(continued)
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 Company recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Company 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
The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiary is charged to the consolidated statement of profit or loss.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiary, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax

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

Value added tax (VAT)

Expenses and assets are recognised 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.

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: depreciation of property, plant 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
c) for which financial information is discretely available.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Segment reporting (continued)

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.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
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 2023 and must be applied retrospectively. The Group will assess the impact of the amendments will have on current practice and whether existing loan agreements may require renegotiation.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. These amendments are not applicable to the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have an impact on the consolidated financial statements of the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have an impact on the consolidated financial statements of the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. These amendments are not applicable to the Group.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have an impact on the consolidated financial statements of the Group.

IAS 41 Agriculture – Taxation in fair value measurements
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

This standard is not applicable to the Group.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

5.1 Estimates and assumptions

The preparation of the Company'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.

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

5.1 Estimates and assumptions (continued)

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 Company 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 Company is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Company 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 Company 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 Company 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.

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

5.1 Estimates and assumptions **(continued)**

Impairment of non-financial assets
During the year, management assessed the carrying amount of the subsidiary for impairment assessment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the future forecasted amounts, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The pre-tax discount rate applied to cash flow projections is 11.0% and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate that is the same as the long-term average growth rate for the healthcare industry. Based on the assessment, management concluded that no impairment is required.

Useful lives of property and equipment
The useful life of each of the Company'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.

Impact of COVID-19
In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the globe including Saudi Arabia. During the year ended 31 December 2021, the Saudi Arabian government rightly took many initiatives to contain the spread of virus, which included restrictions on travel, gathering of people and enactment of curfew timings. This resulted in many non-essential businesses to curtail or suspend activities until further notice. Considering these factors, the Group's management carried out an impact assessment on the overall Group's operations and business aspects and concluded that, as at the issuance date of these financial statements, the Group did not have significant impact on its operations and businesses due to COVID-19 pandemic and no significant changes are required to the judgements, assumptions and key estimates.

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

Impact of COVID-19 (continued)

The operational and financial impacts of the COVID-19 pandemic to date, if any, have been reflected in these consolidated financial statements. The strong financial position, including access to funds, nature of activities coupled with the actions taken by the Group to date and the continued activity at the terminal ensures that the Group has the capacity to continue through the challenges caused by impacts of the COVID-19 pandemic. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

6. SEGMENT INFORMATION

The Company's operations principally consist of one main operating segment, which is hospital services. Accordingly, presenting different segmental information is not considered necessary. Furthermore, the Company's operations are conducted in the Kingdom of Saudi Arabia.

***Operating segments*:**

As the operations of the Group are conducted in the Kingdom of Saudi Arabia, accordingly, for management purposes, the Group is organized into business units based on its products and services and has mainly three reportable segments. Information regarding the Group's reportable segments is presented below:

	31 December 2021				
	In patient services SR	**Outpatient services SR**	**Pharmacy sales SR**	**Others SR**	**Total SR**
Revenue	**1,098,304,743**	**491,235,877**	**265,423,792**	**17,656,378**	**1,872,620,790**
Cost of revenue	**(713,510,824)**	**(330,374,291)**	**(215,259,947)**	**(5,295,605)**	**(1,264,440,667)**
Gross profit	**384,793,919**	**160,861,586**	**50,163,845**	**12,360,773**	**608,180,123**
Operating expenses					**(553,935,419)**
Operating profit					**54,244,704**
Other income					**11,972,897**
Finance charges					**(46,985,115)**
Zakat					**(7,500,000)**
Net profit					**11,732,486**

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

6. SEGMENT INFORMATION (continued)

***Operating segments*: (continued)**

	31 December 2020 (Restated – note 35)				
	In patient services SR	Outpatient services SR	Pharmacy sales SR	Others SR	Total SR
Revenue	1,063,677,689	390,877,666	283,963,945	12,065,303	1,750,584,603
Cost of revenue	(693,829,951)	(259,890,528)	(217,730,795)	(759,184)	(1,172,210,458)
Gross profit	369,847,738	130,987,138	66,233,150	11,306,119	578,374,145
Operating expenses					(470,963,341)
Operating profit					107,410,804
Other income					7,477,578
Finance charges					(34,203,315)
Zakat					(5,500,000)
Net profit					75,185,067

7. PROPERTY AND EQUIPMENT

	Land SR	Buildings SR	Medical equipment SR	Motor vehicles SR	Furniture and equipment SR	Non-consumable items SR	Capital work in progress SR	Total SR
Cost:								
At 1 January 2020	**183,944,120**	**1,060,476,092**	**749,242,180**	**12,319,434**	**227,405,213**	**2,717,952**	**741,338,333**	**2,977,443,324**
Additions	-	3,599,200	41,280,804	941,806	17,354,075	959,628	228,938,148	293,073,661
Disposals	-	(3,536,678)	(48,123,269)	(592,340)	(7,772,152)	(535,626)	(54,483)	(60,614,548)
Transfers	-	154,121,416	91,535,609	-	146,704,024	4,513,214	(396,874,263)	-
Transfers to intangibles	-	-	-	-	-	-	(1,816,740)	(1,816,740)
At 31 December 2020	**183,944,120**	**1,214,660,030**	**833,935,324**	**12,668,900**	**383,691,160**	**7,655,168**	**571,530,995**	**3,208,085,697**
At 1 January 2021	**183,944,120**	**1,214,660,030**	**833,935,324**	**12,668,900**	**383,691,160**	**7,655,168**	**571,530,995**	**3,208,085,697**
Additions	-	5,476,540	50,605,849	520,000	12,310,716	663,375	346,984,556	416,561,036
Disposals	-	(4,000)	(31,011,537)	(445,151)	(10,837,785)	(820,857)	-	(43,119,330)
Transfers	-	19,049,395	846,178	-	3,723,817	-	(23,619,390)	-
Transfers to intangibles	-	-	-	-	-	-	(885,519)	(885,519)
At 31 December 2021	**183,944,120**	**1,239,181,965**	**854,375,814**	**12,743,749**	**388,887,908**	**7,497,686**	**894,010,642**	**3,580,641,884**

7. PROPERTY AND EQUIPMENT (continued)

	Land SR	Buildings SR	Medical equipment SR	Motor vehicles SR	Furniture and equipment SR	Non-consumable items SR	Capital work in progress SR	Total SR
Accumulated depreciation:								
At 1 January 2020	-	430,896,202	485,920,032	7,485,393	141,869,592	1,905,287	-	1,068,076,506
Charge during the year	-	32,439,996	57,822,916	843,046	25,345,764	4,554,346	-	121,006,068
Related to disposals	-	(74,033)	(47,251,591)	(551,362)	(6,241,084)	(517,229)	-	(54,635,299)
At 31 December 2020	-	**463,262,165**	**496,491,357**	**7,777,077**	**160,974,272**	**5,942,404**	-	**1,134,447,275**
At 1 January 2021	-	**463,262,165**	**496,491,357**	**7,777,077**	**160,974,272**	**5,942,404**	-	**1,134,447,275**
Charge during the year	-	35,981,834	61,298,453	866,345	30,847,736	1,912,160	-	130,906,528
Related to disposals	-	(126)	(30,330,711)	(445,147)	(9,663,435)	(810,113)	-	(41,249,532)
At 31 December 2021	-	**499,243,873**	**527,459,099**	**8,198,275**	**182,158,573**	**7,044,451**	-	**1,224,104,271**
Net carrying value at 31 December 2021	**183,944,120**	**739,938,092**	**326,916,715**	**4,545,474**	**206,729,335**	**453,235**	**894,010,642**	**2,356,537,613**
Net Carrying Value at 31 December 2020	183,944,120	751,397,865	337,443,967	4,891,823	222,716,888	1,712,764	571,530,995	2,073,638,422

7. PROPERTY AND EQUIPMENT (continued)

7.1 Capital work in progress (CWIP) mainly contains the progress payments for construction of a new hospital in Makkah, expansion of hospital in Riyadh, staff accommodation in Dammam, and renovations of several hospitals' buildings at different locations. These projects are expected to be completed financial year 2022. The amount of borrowing costs capitalised during the year ended 31 December 2021 was SR 9.4 million (2020: SR 17.5 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.90% to 3.50%, which is the effective profit rate of the specific borrowing.

7.2 The land and buildings with a net book value of SR 368.7 million (2020: SR 381.73 million) are mortgaged to secure loan from Ministry of Finance (note 22).

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

	2021	*2020*
	SR	*SR*
Cost of revenue	**100,257,502**	97,341,932
General and administrative expense	**30,649,026**	23,664,136
	130,906,528	121,006,068

8. INTANGIBLE ASSETS

The Group's intangibles comprise of software. the movement of intangible assets are as follows:

	2021	*2020*
	SR	*SR*
Cost		
At 1 January	**18,468,217**	15,130,134
Additions during the year	**953,254**	1,521,343
Transfers from CWIP (note 7)	**885,519**	1,816,740
Written off during the year	**(22,279)**	-
At 31 December	**20,284,711**	18,468,217
Amortization		
At the beginning of the year	**11,544,940**	10,236,601
Charge for the year (note 27)	**1,381,528**	1,333,874
Written off during the year	**(19,197)**	(25,535)
At the end of the year	**12,907,271**	11,544,940
Net book value	**7,377,440**	6,923,277

9. TRADE RECEIVABLES

	2021	*2020*
	SR	*SR*
		(Restated- note 35)
Third party customers	**1,329,492,240**	1,331,469,057
Related parties (note 24)	**17,705,619**	24,934,283
	1,347,197,859	1,356,403,340
Less: expected credit losses	**(64,890,065)**	(120,726,363)
	1,282,307,794	1,235,676,977

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.

Middle East Healthcare Company (A Saudi Joint Stock Company)
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9. TRADE RECEIVABLES (continued)

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

	At 31 December 2021					
	Current SR	***<90 days SR***	***90–180 days SR***	***181–365 days SR***	***>1 year SR***	***Total SR***
Total exposure at default	**403,938,199**	**373,428,364**	**278,928,840**	**269,120,743**	**4,076,094**	**1,329,492,240**
Expected loss rate	**3.0%**	**3.4%**	**3.3%**	**11.0%**	**25.2%**	**4.9%**
Expected credit loss	**(12,304,743)**	**(12,538,125)**	**(9,313,508)**	**(29,707,022)**	**(1,026,667)**	**(64,890,065)**
	391,633,456	**360,890,239**	**269,615,332**	**239,413,721**	**3,049,427**	**1,264,602,175**

	At 31 December 2020 (restated-note 35)					
	Current SR	*<90 days SR*	*90–180 days SR*	*181–365 days SR*	*>1 year SR*	*Total SR*
Total exposure at default	404,538,811	373,893,614	379,343,579	167,042,878	6,650,175	1,331,469,057
Expected loss rate	5.2%	6.5%	13.1%	15.1%	11.1%	9.1%
Expected credit loss	(20,998,913)	(24,184,533)	(49,533,819)	(25,268,805)	(740,293)	(120,726,363)
	383,539,898	349,709,081	329,809,760	141,774,073	5,909,7082	1,210,742,694

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

	2021 SR	*2020 SR (Restated- note35)*
At 1 January	**120,726,363**	118,103,831
Charge during the year	**3,312,773**	7,336,164
Reversal during the year	**(17,053,809)**	-
Written off during the year	**(42,095,262)**	(4,713,632)
At 31 December	**64,890,065**	120,726,363

10 INVENTORIES

	2021 *SR*	*2020* *SR*
Pharmacy items	**60,162,684**	96,237,994
Kitchen items	**840,027**	1,372,515
Spare parts and consumables	**112,359,225**	74,610,988
	173,361,936	172,221,497
Less: provision for slow moving and obsolete inventories	**(17,734,908)**	(16,378,305)
Total inventories at the lower of cost and net realisable value	**155,627,028**	155,843,192

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

	2021 *SR*	*2020* *SR*
At 1 January	**16,378,305**	14,077,627
Charge during the year	**1,356,603**	2,410,904
Written off during the year	**-**	(110,226)
At 31 December	**17,734,908**	16,378,305

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	2021 *SR*	*2020* *SR*
Advances to suppliers	**25,163,008**	31,415,237
Prepayments	**42,569,884**	23,554,789
Advances to staff	**1,043,894**	2,580,956
Deposits (refer to note (a) below)	**1,336,218**	1,336,218
Others (refer to note (b) below)	**39,570,174**	25,953,656
	109,683,178	84,840,856

a) Deposits mainly consists of security deposit paid to a vendor for janitorial services as per the terms of the agreement with the counter party and are renewed every year.

b) The carrying amount included VAT. During the year, ZATCA issued preliminary VAT assessment and penalties of SAR 41.09 million and SAR 57.12 million, for the years 2018 and 2019, respectively. The Group objected against the said assessment with ZATCA. ZATCA issued their revised decision in January 2021 and the total amount was reduced to SAR 52.56 million. Out of total amount, the Group paid SR 18.98 million to avail the amnesty scheme and waiver of penalties amounting to SR 33.57 million. The Group had a hearing session with Tax Violations and Disputes Resolution Committees (TVDRC) and the Company lost the case with the TVDRC. The Group has proceeded with the appeal with the Tax Violations and Dispute Resolution (ACTVDR). The management believes that the Company has adequate basis to contest and the outcome would be in favour of the Company.

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12 RIGHT OF USE ASSETS AND LEASE LIABILITIES

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

	2021 SR	*2020 SR*
Right of use assets		
Cost:		
At 1 January	**35,096,652**	35,096,652
Addition during the year	**16,965,129**	-
Lease contract terminated during the year	**(1,098,242)**	-
	50,963,539	35,096,652
Depreciation:		
Accumulated depreciation	**9,519,680**	4,642,409
Depreciation for the year	**9,121,488**	4,877,271
Relating to terminated contract	**(274,560)**	
Accumulated depreciation	**18,366,608**	9,519,680
Net value as at 31 December	**32,596,931**	25,576,972

	2021 SR	*2020 SR*
Lease liabilities		
At the beginning of the year	**27,132,548**	31,313,426
Interest expense for the year	**2,043,928**	1,722,241
Addition for the year	**16,965,127**	-
Related to terminated contract	**(1,098,242)**	-
Payments made during the year	**(10,236,451)**	(5,903,119)
At the end of the year	**34,806,910**	27,132,548

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

	2021 SR	*2020 SR*
Cost of revenue	**893,129**	893,125
General and administrative expense	**8,228,359**	3,984,146
	9,121,488	4,877,271

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

	2021 SR	*2020 SR*
Depreciation on right of use assets	**9,121,488**	4,877,271
Interest expense on lease liabilities	**2,043,928**	1,722,241
Expense relating to short term leases (included in cost of revenue)	**8,313,576**	9,115,276
Expense relating to lease of low value assets (included in cost of revenue)	**168,485**	168,485
	19,647,477	15,883,273

13 CASH AND CASH EQUIVALENTS

	2021 ***SR***	*2020* *SR*
Cash in hand	**1,505,013**	1,446,137
Cash at bank – current accounts	**26,624,394**	15,463,809
	28,129,407	16,909,946

14 SHARE CAPITAL

As at the statement of financial position date, the Parent Company's authorized, issued and fully paid share capital is SR 920.4 million (2020: SR 920.4 million) which is divided into 92.04 million (2021: 92.04 million) shares of SR 10 par value each (2020: SR 10 par value each).

15 STATUTORY RESERVE

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

16 NON-CONTROLLING INTEREST

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

	2021 ***SR***	*2020* *SR*
Non-current assets	**145,991,892**	153,933,136
Current assets	**49,292,101**	64,889,554
Non-current liabilities	**(61,123,979)**	(63,591,986)
Current liabilities	**(36,913,635)**	(73,978,905)
Net assets	**97,246,379**	81,251,799
Revenue	**119,610,482**	101,074,760
Loss for the year	**(10,317,974)**	(12,844,349)
Other comprehensive income	**312,554**	(1,402,757)
Total comprehensive income	**(10,005,420)**	(14,247,106)

During year 2020, the Parent Company increased its percentage holding from 32.3% to 47%, resulting in increase its share of losses by SR 11.5 million recorded in equity. The carrying amount of the net assets of the subsidiary includes advance paid by the Parent Company amounting to SR 26 million towards increasing the share capital of the subsidiary.

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17 LOANS AND BORROWINGS

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

	2021 SR	*2020 SR*
Loan from Ministry of Finance	**183,283,563**	158,589,873
Less: Unamortised portion of transaction cost (note 18)	**(13,602,238)**	(15,247,580)
Loan from Ministry of Finance, net (note a)	**169,681,325**	143,342,293
Long term loans (note b)	**1,039,999,055**	816,101,271
Short term loans (note c)	**722,324,720**	563,218,626
	1,932,005,100	1,522,662,190

	2021 SR	*2020 SR*
Current portion:		
Long term loans	**174,475,468**	107,142,856
Short-term borrowings	**722,324,720**	563,218,626
Loan from Ministry of Finance	**7,008,378**	4,900,343
	903,808,566	675,261,825
Non-current portion:		
Long term loans	**865,523,588**	708,958,415
Loan from Ministry of Finance	**162,672,946**	138,441,950
	1,028,196,534	847,400,365
	1,932,005,100	1,522,662,190

a) The loans from the Ministry of Finance (MOF) is secured by the mortgage of certain lands and buildings (note 7) of the Group. The outstanding balance comprise of:

- Interest free loan for Madinah Hospital The loan was fully repaid during the year 2021 (2020: SR 3.06 million).
- Interest free loan to 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 is SR 55.73 million (2020: SR 59.20 million).
- The Group obtained a Murabaha facility from Ministry of Finance for the construction of Dammam Hospital. The loan has been received partially in December 2020. The loan carries mark-up at the rate 2.5% on outstanding balance. The loan is repayable in 16 semi-annual instalments starting from February 2022. The net amount payable is SR 127.57 million (2020: SR 98.02 million).

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

- The Group has secured a Murabaha term facility from a commercial bank for part funding the construction of hospital project at Dammam and Makkah, amounting to SR 500 million. The loan was available for draw down over a period of three years started from December 2017. The first repayment was due in June 2020 and the last will be in December 2026. This loan is secured by promissory note from the Company. As at 31 December, the net amount payable is SR 399.33 million (2020: SR 359.09 million).

17 LOANS AND BORROWINGS (continued)

- A long-term loan amounting to SR 185 million was approved during the year ended 31 December 2020. The net amount as on 31 December 2021 is SR 110.7 million (2020: SR 8.7 million). This loan is secured by promissory note from the Company.

- In July 2018, the Company secured a Murabaha facility from a commercial bank amounting to SR 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 is SR 480.7 million (2020: SR 290.2 million).

- A long term loan amounting to SR 100 million was approved during the year ended 31 December 2019 by a commercial bank. The net amount payable as on 31 December 2021 is SR 49.3 million (2020: SR 22.3 million).

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

- The Group obtained a short-term loan amounting to SR 120 million in December 2020 for the working capital management. The net amount as on 31 December 2021 is SR 118.6 million (2020: SR 89.5 million).

- In December 2018, the Group signed an amendment to Islamic financing agreement with a commercial bank for increasing its revolving working capital facility from SR 35 million to SR 150 million. The net amount payable as on 31 December 2021 is SR 149.7 million (2020: SR 135.7 million).

- A loan facility amounting to SR 250 million received in October 2018 from a commercial bank. The net amount as on 31 December 2021 is SR 172.0 million (2020: SR 138.8 million).

- A short-term loan amounting to SR 100 million was approved during the year ended 31 December 2020 from a commercial bank for working capital. The net amount as on 31 December 2021 is SR 66.7 million (2020: SR 36.52 million).

- In March 2017, the Group secured revolving Tayseer facility from a commercial bank for an amount of SR 100 million. This loan was fully repaid during the year 2021 (2020: SR 30.08 million).

- A loan amount of SR 150 million was approved during the year ended 31 December 2019 from a commercial bank. The net amount payable as on 31 December 2021 is SR 137.0 million (2020: SR 149.5 million).

- A loan amount of SR 150 million was approved during the year ended 31 December 2019 from a commercial bank. The net amount as on 31 December 2021 is SR 78.4 million (2020: SR 118.8 million).

d) Loans from commercial banks are borrowed at SIBOR plus agreed mark ups.

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

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18 DEFERRED INCOME

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

	2021 SR	*2020 SR*
Balance at the beginning of the year	**15,144,276**	16,751,933
Transferred to statement of profit or loss (note 29)	**(1,542,038)**	(1,607,657)
	13,602,238	15,144,276
Current portion	**(1,474,121)**	(1,542,038)
Non current portion	**12,128,117**	13,602,238

19 EMPLOYEE TERMINAL 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:

	2021 SR	*2020 SR*
Balance at the beginning of the year	**235,391,073**	212,632,946
Included in statement of profit or loss		
Current service cost	**35,585,549**	31,437,992
Interest cost (included in employee cost)	**7,864,359**	5,986,120
	43,449,908	37,424,112
Included in statement of other comprehensive income		
Re-measurement (gain) / losses on defined benefit obligation	**(8,781,929)**	23,152,754
Benefits paid	**(39,450,156)**	(37,818,739)
Balance at the end of the year	**230,608,896**	235,391,073

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:

	2021	*2020*
Discount rate	**2.90%**	2.49%
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	**12.7 years**	12.8 years

19 EMPLOYEE TERMINAL BENEFITS (continued)

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.

The quantitative sensitivity analysis for principal assumptions is as follows:

		Impact on EOSB Increase / (decrease)	
	Change in assumption by	***Increase by***	***Decrease by***
31 December 2021		***SR***	***SR***
Discount rate	**1%**	**(27,159,905)**	**30,621,676**
Future salary growth / expected rate of salary increases	**1%**	**41,198,688**	**(33,907,037)**
31 December 2020			
Discount rate	**1%**	(26,718,444)	30,139,473
Future salary growth / expected rate of salary increases	**1%**	40,127,703	(33,009,556)

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

	2021 ***SR***	*2020* *SR*
Within the next 12 months (next annual reporting period)	**23,152,749**	21,684,241
Between 2 and 5 years	**78,754,918**	78,768,171
Beyond 5 years	**146,527,281**	133,548,582

20 TRADE PAYABLES

	2021 ***SR***	*2020* *SR*
Third party suppliers	**166,980,068**	205,843,629
Due to related parties (note 24)	**132,055,200**	153,120,511
	299,035,268	358,964,140

Trade payables are non-interest bearing and are normally settled on 90-days term.

21 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2021 ***SR***	*2020* *SR*
Accrued expenses	**94,750,612**	105,265,379
Value added tax (VAT) payable	**479,193**	6,975,115
Other liabilities	**44,372,254**	22,375,422
	139,602,059	134,615,916

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22 ZAKAT PAYABLE

The Company and its subsidiary files the zakat returns on an individual basis. The movements in accrued Zakat for the Group for the years are as follows:

	2021 ***SR***	*2020* *SR*
At 1 January	**6,309,663**	4,648,077
Provision made during the year	**7,500,000**	5,500,000
Payments made during the year	**(3,573,237)**	(3,838,414)
At 31 December	**10,236,426**	6,309,663

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 2008.

The Company filed the Zakat/tax returns for the years ended 31 December 2009 to 2013. General Authority of Zakat, Tax and Customs Authority ("ZATCA") did not issue the final Zakat/tax assessments for the said years till to date. The status of the Company for the said years is considered finalized. In addition to that, the Company has the balance of SR 11,739,543 with the ZATCA on its Zakat account to be used to settle Zakat differences based on Zakat assessments. The management believes that it has a strong chance to win the case regarding certain items in the said objection.

ZATCA issued the preliminary assessment for the year 2014, showing Zakat differences of SR 4.62 million due from the Company. The said differences resulted from rejecting the application of Fatwa No. 23408 by the ZATCA. The said Fatwa stated that Zakat is to be calculated on the Zakat base even if it is less than the net result of the year. The Company submitted a bank guarantee against the said Zakat differences and objected against such treatment. The ZATCA refused the Company's objection for the year 2014. The Company transferred the objection to the Committee for Resolution of Tax Violations and Disputes (CRTVD), which is still under study by the CRTVD to date. The management believes that it has a strong chance to win the case regarding certain items in the said objection.

The Company filed its Zakat/ tax returns for the years ended 31 December 2015 to 2018. The ZATCA issued the Zakat and withholding tax (WHT) assessment for the said years. The Company objected against the said assessment, which is still under review by the ZATCA till to date. The Company filed the Zakat/tax return for the year ended 31 December 2019 and 31 December 2020 and obtained the Zakat/tax certificate for the said year. The GAZT did not issue the Zakat/tax assessment for the said years till date.

The Subsidiary
The subsidiary has finalized its Zakat assessment up to the year ended 31 December 2012.The subsidiary filed the Zakat return for the year ended 31 December 2013 and obtained the unrestricted Zakat and tax certificate for the said year. The ZATCA issued the Zakat assessment for the said year, which showed Zakat differences of SR 0.059 million due from the subsidiary. The subsidiary filed an objection against the said assessment, which is still under review by ZATCA. The Subsidiary filed the Zakat/tax returns for the years ended 31 December 2014 to 2020, and obtained the Zakat/tax certificate for the said years.

23 OTHER FINANCIAL LIABILITIES

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

	2021 ***SR***	*2020* *SR*
Current portion	**7,178,313**	8,150,065
Non current portion	**11,350,561**	17,788,483
	18,528,874	25,938,548

24 RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of transactions	*Transactions for the year*		*Balance as 31 December*	
		2021	*2020*	***2021***	*2020*
Related parties due to shareholders / Board members		***SR***	*SR*	***SR***	*SR*
a) *Amounts due from related parties*					
Bait Al Batterjee Company for Education & Training	Staff training	**-**	241,993	**-**	7,164,940
Emirates Healthcare Development Company	Management fee	**8,778,641**	8,675,187	**10,702,133**	10,557,883
Egypt Healthcare Company	Management fee	**4,114,720**	1,048,699	**787,004**	985,645
Bait Al Batterjee Medical College	Training fee	**542,278**	1,069,883	**4,349,873**	5,095,235
Al Bait International Company	Medical services	**-**	-	**-**	3,203,073
Saudi German Hospital Sana'a	Medical services	**-**	-	**895,675**	895,675
Saudi German Hospital Ajman	Medical services	**-**	-	**857,979**	3,298,326
Bait Al Batterjee Fitness Company	Medical services	**-**	33,586	**112,955**	133,506
		-	-		
		-	-	**17,705,619**	24,934,283
		-	-		

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party, due to shareholder / Board member	*Nature of transactions*	*Transactions for the year* 2021 SR	2020 SR	*Balance at 31 December* 2021 SR	2020 SR
c) *Amounts due to related parties*					
Bait Al Batterjee Pharmaceutical Company	Supplies of certain pharmaceutical	**14,416,747**	16,124,727	**2,528,390**	3,057,528
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Repair of medical instruments	**1,292,106**	3,682,944	**475,573**	*997,902*
International Hospital Construction Company	Construction and renovation	**244,979,177**	85,746,243	**128,436,823**	*149,575,235*
Bait Al Batterjee Medical Company	Advisory fee	**6,300,895**	6,300,895	**3,199,452**	*2,534,871*
Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)	Janitorial services	**19,789,628**	11,769,744	**-**	-
Megamind IT Solution Company	Advance against outsourced IT services	**9,292,272**	-	**(2,585,038)**	*12,503*
				132,055,200	*153,120,511*

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 2021 and 2020, the amounts owed by related parties are not impaired.

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

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

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24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Compensation of key management personnel of the Group:

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

	2021 SR	*2020 SR*
Short-term employee benefits	**9,293,670**	6,657,633
Employees' defined benefit liabilities	**526,800**	183,254
	9,820,470	6,840,887

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

25 COST OF REVENUES

	2021 SR	*2020 SR*
Staff salaries and benefits	**678,941,295**	600,969,916
Medicines and disposal supplies	**392,585,087**	390,009,379
Depreciation on property and equipment (note 7)	**100,257,502**	97,341,932
Janitorial expenses	**31,198,235**	25,549,084
Utilities	**20,809,191**	22,360,495
Maintenance	**15,137,988**	11,151,333
Stationary	**4,801,036**	4,705,240
Depreciation on right of use assets (note 12)	**893,129**	893,125
Travelling expense	**81,916**	364,219
Other expenses	**19,735,288**	18,865,735
	1,264,440,667	1,172,210,458

26 SELLING AND MARKETING EXPENSES

	2021 SR	*2020 SR*
Advertisement and marketing	**38,834,838**	27,365,095
Sales promotion expenses	**7,130,272**	3,778,162
	45,965,110	31,143,257

27 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 SR	*2020 SR*
Staff salaries and benefits	**355,641,727**	314,534,216
Professional services	**41,548,263**	23,358,294
Depreciation (note 7)	**30,649,026**	23,664,136
Repair and maintenance	**13,035,638**	16,596,989
(Reversal) / allowance for expected credit losses	**(13,741,036)**	7,336,164
Security	**9,782,037**	10,137,434
Depreciation on right of use assets (note 12)	**8,228,359**	3,984,146
Bank charges	**6,813,698**	3,329,357
Postage, telephone and internet	**6,433,165**	5,134,943
Director's remuneration	**3,549,363**	2,057,661
Travelling expenses	**1,632,174**	2,017,800
Amortization of intangible assets (note 8)	**1,381,528**	1,333,874
Insurance	**1,042,465**	916,855
Other expenses	**41,973,902**	25,418,215
	507,970,309	439,820,084

28 OTHER INCOME, NET

	2021 SR	2020 SR
Rental income	**3,032,408**	3,118,636
Loss on sale of property and equipment	**(1,675,514)**	(1,667,013)
Training and symposium	**5,849,040**	4,283,880
Others	**4,766,963**	1,742,075
	11,972,897	7,477,578

29 FINANCE COST, NET

	2021 SR	*2020 SR*
Finance cost on borrowings	**41,522,134**	31,114,390
Finance income from government grants (note 18)	**(1,542,038)**	(1,607,657)
Others	**7,005,019**	4,696,582
	46,985,115	34,203,315

30 EARNINGS PER SHARE

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

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

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30 EARNINGS PER SHARE (continued)

Basic and diluted earnings per share from total income.

	2021	*2020*
	SR	*SR*
		(Restated)
Total income for the year	**17,201,012**	81,992,572
Weighted average number of ordinary shares	**92,040,000**	92,040,000
Basic and diluted earnings per share	**0.19**	0.89

31 COMMITMENTS AND CONTINGENCIES

a) Various employees have filed cases against the Group for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to SR 6.1 million (31 December 2020: SR 5.5 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard. In addition, potential Zakat and VAT exposure is disclosed in note 11 and 22, respectively.

b) The Company and its Subsidiary is also contesting various cases on account of alleged non-compliance of regulations. The total amount under consideration is SR 1.6 million (31 December 2020: SR 1.7 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) At 31 December 2021, the Group had commitments of SR 304.1 million (31 December 2020: SR 297.9 million) relating to capital expenditures.

d) At 31 December 2021 the Group's bankers have issued letters of guarantees amounting to SR 2.42 million (31 December 2020: Nil).

32 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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.

32 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The Company 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 2021, there were no movements between the levels.

As at 31 December 2021 and 31 December 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values except for interest free loans.

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

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

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

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

Increase / decrease in variable rate by 1% with all other variables held constant, the impact on the equity and profit before zakat and income tax for the year would have been SR 19.32 million (2020: SR 15.23 million).

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 Company's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Company 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 Company 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 Company's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Company comprise primarily of Government and its related ministries, insurance companies and others. The Company 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 Company's standard payment terms and conditions are offered. The credit terms are extended to customers where the Company does not expect any inability to pay.

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

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

	2021 SR	*2020 SR*
Financial assets		
Trade accounts receivable	**1,264,602,175**	1,210,760,563
Amount due from related parties	**17,705,619**	24,916,414
Deposits	**1,336,218**	1,336,218
Bank and cash balances	**28,019,749**	16,909,946
	1,311,663,761	1,253,923,141

Short-term deposits with banks and cash at banks
Credit risk from balances with banks and financial institution is managed by the Company's treasury department in accordance with the Company's policy. The Company 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 Company 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 Company maintains sufficient liquidity. Senior management continuously reviews information on the Company's liquidity developments.

The Company 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 Company'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 Company's financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

Middle East Healthcare Company (A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 December 2021

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

As at 31 December 2021	*Up to 12 months SR*	*One to five years SR*	*More than five years SR*	*Total SR*
Loans and borrowings	848,752,543	1,396,790,371	185,864,882	**2,431,407,796**
Trade payables	299,035,268	-	-	**299,035,268**
Lease liabilities	9,084,880	19,110,332	20,891,960	**49,087,172**
Other financial liabilities	7,317,861	12,208,910	-	**19,526,771**
Accruals and other liabilities	139,122,866	-	-	**139,122,866**
	1,303,313,418	**1,428,109,613**	**206,756,842**	**2,938,179,873**

As at 31 December 2020	*Up to 12 months SR*	*One to five years SR*	*More than five years SR*	*Total SR*
Loans and borrowings	695,716,884	867,785,723	825,733,076	2,389,235,683
Trade payables	358,964,140	-	-	358,964,140
Lease liabilities	5,903,120	6,006,680	22,418,880	34,328,680
Other financial liabilities	11,816,977	16,017,840	-	27,834,817
Accruals and other liabilities	127,640,801	-	-	127,640,801
	1,200,041,922	889,810,243	848,151,956	2,938,004,121

Changes in liabilities arising from financing activities are as follows:

	1 January 2021 SR	Cash flows SR	*New lease SR*	*Others SR*	***31 December 2021 SR***
Loans and borrowings	1,522,662,189	409,342,911	-	-	**1,932,005,100**
Lease liabilities	27,132,548	(9,677,943)	16,965,127	387,178	**34,806,910**
Total liabilities from financing activities	**1,549,794,737**	**399,664,968**	**16,965,127**	**387,178**	**1,966,812,010**

	1 January 2020 SR	Cash flows SR	New lease SR	*Others SR*	*31 December 2020 SR*
Loans and borrowings	1,000,158,340	522,503,854		-	1,522,662,189
Lease liabilities	31,313,428	(5,903,119)	-	1,722,239	27,132,548
Total liabilities from financing activities	1,031,471,768	516,600,735	-	1,722,239	1,549,794,742

Middle East Healthcare Company (A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 December 2021

34 CAPITAL MANAGEMENT

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

The Company 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 2021 and 31 December 2020.For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

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

	2021 SR	2020 SR
Loans and borrowings	**1,932,005,100**	1,522,662,190
Lease liabilities	**34,806,910**	27,132,548
Other financial liabilities	**18,528,874**	25,938,548
Trade and other payables	**438,637,327**	493,580,058
Less: Cash and cash equivalents	**(28,129,407)**	(16,909,946)
	2,395,848,804	2,052,403,398
Equity	**1,295,307,741**	1,274,793,325
Capital and net debt	**3,691,156,545**	3,327,196,723
Gearing ratio	**65%**	62%

35 RESTATEMENT OF PRIOR PERIODS

As stated in note 1, the Group provides medical and related services in accordance with contractual terms with customers and patients, through its branches and a subsidiary. During 2021, management of the Group conducted a detailed review of certain long outstanding receivables and discovered that certain invoices raised in prior years until 31 December 2020 were either not in accordance with the contractual terms and conditions or not preapproved prior to invoicing and were, consequentially, rejected by the customers. These errors were primarily due to weaknesses in applicable internal controls. To avoid the recurrence of these errors in the current year and future periods, the management has addressed these weaknesses in the current year and will continue to improve the control environment.

Accordingly, the management assessed that revenues from rejected and erroneous invoices and related receivables until 31 December 2020 were erroneously recorded and have been corrected by restating each of the affected consolidated financial statement line items for the prior periods, as follows:

	31 December 2020 SR (previously reported)	Impact of restatement SR	31 December 2020 SR (Restated)
Impact on statement of profit or loss			
Revenue	1,772,209,616	(21,625,013)	1,750,584,603
Allowance for expected credit losses	9,970,468	(2,634,304)	7,336,164
Net profit for the year	100,983,281	(18,990,709)	81,992,572
Earnings per share	1.10	(0.21)	0.89

35 RESTATEMENT OF PRIOR YEAR ERRORS (continued)

	31 December 2020 SR (previously stated)	*Impact of Restatement SR*	*31 December 2020 SR (Restated)*
Impact on statement of financial position			
Accounts receivable, gross	1,739,179,442	(407,710,385)	1,331,469,057
Allowance for expected credit losses	(170,392,610)	49,666,247	(120,726,363)
Accounts receivable, net	1,568,786,832	(358,044,138)	1,210,742,694
Retained earnings	477,466,298	(358,044,138)	119,422,160

	1 January 2020 SR (previously stated)	*Impact of Restatement SR*	*1 January 2020 SR (Restated)*
Impact on statement of financial position			
Accounts receivable, gross	1,255,829,839	(386,085,371)	869,744,468
Allowance for expected credit losses	(165,135,773)	47,031,942	(118,103,831)
Accounts receivable, net	1,090,694,066	(339,053,429)	751,640,637
Retained earnings	76,955,437	(17,961,658)	81,452,933

The change did not have an impact on OCI for the period or the Group's operating, investing and financing cash flows.

36 SUBSEQUENT EVENTS

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2021 that would have a material impact on the financial position or financial performance of the Group.

37 COMPARATIVE INFORMATION

Certain prior year amounts have been reclassified to conform to the current year presentation. However, there was no material impact of such reclassifications on the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group.

38 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the Board of Directors on 30 March 2022 corresponding to 26 Shaban 1443).

MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Middle East Healthcare Company (A Saudi Joint Stock Company)
As at 31 December 2022

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
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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 2022, 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 a summary of significant accounting policies.

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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
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.

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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
Revenue recognition	
During the year ended 31 December 2022, the Group recognised revenue of SR 2,151.7 million (2021: SR 1,872.6 million). The Group recognizes revenue upon performance of medical and trading service and is measured at the fair value of the consideration received or receivable. Revenue recognition is considered as a key audit matter as there is a risk that revenue may be misstated due to management's override of controls and judgements involved in estimating the related rejections rates. Refer to note 3.3 for the accounting policy related to revenue recognition, note 5.1 for estimates and assumption used in revenue recognition and note 6 for the revenue from contract with customers disclosure.	In order to evaluate the revenue recorded and reported during the year, we performed, among other audit procedures, the following: • Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards. • Discussed the overall policies and procedures and assessed the design of the Group's internal controls over the recognition of revenue. • Assessed the appropriateness of significant accounting judgements, estimates and assumptions made by the management to determine the variable consideration. We also performed a retrospective review of actual claims settled to the original gross claims on a sample basis. • Assessed the design of the process established by the Group in relation to the estimates of rejection rates and tested key inputs of the estimate on a sample basis. • Performed tests (on a sample basis) of settlements, claims and collections made with major clients of the Group (cash anchor testing). • Performed test of details and substantive analytical procedures utilising General Ledger Analyzer to ensure that revenues have been accurately recorded and at the correct price and period. • Considered the adequacy of the related disclosures in the Group's consolidated financial statements.

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

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment loss on trade receivables</td></tr>
<tr><td>As at 31 December 2022, the gross value of trade receivables amounted to SR 1,695 million. (2021: SR 1,329.5 million) and the allowance for expected credit losses ("ECL") amounted SR 66.4 million (2021: SR 64.9 million).

Assessment of allowance for expected credit losses is highly subjective due to the significant judgement, estimates and assumptions applied by the management in determining the expected losses. The management is required to determine an expected loss rate against its outstanding trade receivables based on the Group's historical credit loss experience adjusted with forward-looking information.

We considered this as a key audit matter given the judgements and assumptions regarding the ECL impairment against trade receivables and the potential impact on the Group's consolidated financial statements.

Refer to note 3.12 to the consolidated financial statements for the significant accounting policy related to impairment of financial assets, note 5.1 for the critical accounting estimates and judgements and note 9 which details the disclosure of ECL against trade receivables.</td><td>• We assessed the appropriateness of significant judgements, estimates and assumptions made by the management.
• We obtained and updated our understanding of management's assessment of ECL against trade receivables. We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9- 'Financial Instruments'.
• We involved our specialists to review methodology implemented by the Group in relation to the requirements of IFRS 9. Particularly, we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter.
• We reviewed the appropriateness of the Group's criteria and judgement for the determination of individually impaired receivable.
• We tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations.
• We also assessed the reasonableness and adequacy of disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 'Financial instruments: Disclosure'.</td></tr>
</table>

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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 2022 annual report
Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report there on. The board of directors is responsible for the other information in its annual report. The group's 2022 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 2022 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 The board of directors and those charged with governance for the consolidated financial statements
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and the provisions of Companies' Law and Company's By-laws, and for such internal control as The board of directors 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, The board of directors 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 The board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 board of directors.

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

for Ernst & Young Professional Services

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

Jeddah: 14 Sha'ban 1444H
6 March 2023G

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

Middle East Healthcare Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	*31 December 2022 SR*	*31 December 2021 SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	**2,471,495,624**	2,356,537,613
Right-of-use assets	12	**63,079,718**	32,596,931
Intangible assets	8	**7,452,840**	7,377,440
TOTAL NON-CURRENT ASSETS		**2,542,028,182**	2,396,511,984
CURRENT ASSETS			
Inventories	10	**149,277,849**	155,627,028
Trade receivables, net	9	**1,634,781,967**	1,282,307,794
Prepayments and other current assets	11	**157,341,333**	112,268,216
Cash on hand and at banks	13	**15,601,613**	28,129,407
TOTAL CURRENT ASSETS		**1,957,002,762**	1,578,332,445
TOTAL ASSETS		**4,499,030,944**	3,974,844,429
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**920,400,000**	920,400,000
Statutory reserve	15	**201,146,095**	193,627,813
Foreign currency translations reserve		**726,671**	-
Retained earnings		**242,688,046**	143,519,346
Equity attributable to the shareholders' of the Parent		**1,364,960,812**	1,257,547,159
Non-controlling interests	16	**43,199,034**	37,760,582
TOTAL EQUITY		**1,408,159,846**	1,295,307,741
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	17	**1,180,686,916**	1,028,196,534
Other financial liabilities	23	**7,059,370**	11,350,561
Lease liability	12	**56,904,420**	27,498,037
Deferred income	18	**10,724,287**	12,128,117
Employees' end of service benefits	19	**204,936,471**	230,608,896
TOTAL NON-CURRENT LIABILITIES		**1,460,311,464**	1,309,782,145
CURRENT LIABILITIES			
Short-term loans and borrowings	17	**990,972,145**	903,808,566
Other financial liabilities	23	**4,755,408**	7,178,313
Lease liability	12	**11,914,708**	7,308,873
Trade payables	20	**425,750,178**	301,620,306
Accrued expenses and other current liabilities	21	**187,732,004**	139,602,059
Zakat payable	22	**9,435,191**	10,236,426
TOTAL CURRENT LIABILITIES		**1,630,559,634**	1,369,754,543
TOTAL LIABILITIES		**3,090,871,098**	2,679,536,688
TOTAL EQUITY AND LIABILITIES		**4,499,030,944**	3,974,844,429

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

7The attached notes from 1 to 37 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 2022

	Note	2022 SR	2021 SR
Revenue from contract with customers	6	**2,151,743,736**	1,872,620,790
Cost of revenue	25	**(1,471,735,233)**	(1,264,440,667)
GROSS PROFIT		**680,008,503**	608,180,123
Selling and marketing expenses	26	**(30,383,444)**	(45,965,110)
General and administrative expenses	27	**(509,284,471)**	(507,970,309)
OPERATING PROFIT		**140,340,588**	54,244,704
Other income, net	28	**9,536,663**	11,972,897
Finance cost, net	29	**(68,658,881)**	(46,985,115)
PROFIT BEFORE ZAKAT		**81,218,370**	19,232,486
Zakat	22	**(9,616,006)**	(7,500,000)
NET PROFIT FOR THE YEAR		**71,602,364**	11,732,486
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserve		**726,671**	-
Remeasurement gain on employees' end-of-service benefits	19	**40,523,070**	8,781,929
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**112,852,105**	20,514,415
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		**75,182,816**	17,201,012
Non-controlling interests	16	**(3,580,452)**	(5,468,526)
		71,602,364	11,732,486
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		**115,206,347**	25,817,287
Non-controlling interests	16	**(2,354,242)**	(5,302,872)
		112,852,105	20,514,415
EARNINGS PER SHARE:			
Basic and diluted earnings per share	30	**0.82**	0.19

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 37 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 2022

		Equity attributable to the shareholders' of the Parent Company						
	Note	*Share capital SR*	*Statutory reserve SR*	*Retained earnings SR*	*Foreign currency translation reserve SR*	*Total SR*	*Non-controlling interests SR*	*Total SR*
Balance at 1 January 2021		920,400,000	191,907,712	119,422,160	-	1,231,729,872	43,063,454	1,274,793,326
Net profit for the year		-	-	17,201,012	-	17,201,012	(5,468,526)	11,732,486
Other comprehensive income	19	-	-	8,616,275	-	8,616,275	165,654	8,781,929
Total comprehensive income for the year		-	-	25,817,287	-	25,817,287	(5,302,872)	20,514,415
Transfer to statutory reserve		-	1,720,101	(1,720,101)	-	-	-	-
Balance as at 31 December 2021		920,400,000	193,627,813	143,519,346	-	1,257,547,159	37,760,582	1,295,307,741
Net profit for the year		-	-	75,182,816	-	75,182,816	(3,580,452)	71,602,364
Other comprehensive income		-	-	39,296,860	726,671	40,023,531	1,226,210	41,249,741
Total comprehensive income for the year		-	-	114,479,676	726,671	115,206,347	(2,354,242)	112,852,105
Transfer to statutory reserve		-	7,518,282	(7,518,282)	-	-	-	-
Change in ownership (note 16)		-	-	(7,792,694)	-	(7,792,694)	7,792,694	-
Balance as at 31 December 2022		**920,400,000**	**201,146,095**	**242,688,046**	**726,671**	**1,364,960,812**	**43,199,034**	**1,408,159,846**

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Chief Executive Officer

Madani Hozaien
Chief Financial Officer

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Middle East Healthcare Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	*2022* *SR*	*2021* *SR*
OPERATING ACTIVITIES			
Profit before zakat		**81,218,370**	19,232,486
Adjustments for:			
Depreciation on property and equipment	7	**129,563,410**	130,906,528
Depreciation on right of use assets	12	**14,893,533**	9,121,488
Amortization of intangible assets	8	**1,517,135**	1,381,528
(Reversal) / charge of allowance for expected credit losses	27	**1,569,508**	(13,741,036)
Provision for slow moving and obsolete inventories	10	**767,816**	1,356,603
Amortization of deferred income	18	**(1,474,122)**	(1,542,038)
Finance charges related to lease obligations	12	**3,022,853**	2,043,928
Finance charges related to borrowings		**66,506,387**	46,985,115
Winding of other financial liabilities	23	**603,764**	-
Provision for employees' end of service benefits	19	**46,326,540**	43,449,908
Loss on disposal of property and equipment	28	**1,978,636**	1,675,514
		346,493,830	240,870,024
Changes in operating assets and liabilities:			
Trade receivables		**(354,043,681)**	(32,889,781)
Inventories		**5,581,364**	(1,140,439)
Prepayments and other current assets		**(45,731,116)**	(24,842,323)
Trade payables		**124,129,872**	(59,928,872)
Accrued expenses and other current liabilities		**48,200,238**	4,986,143
Other financial liabilities		**(6,714,096)**	(7,409,674)
Cash generated from operating activities		**117,916,411**	119,645,078
Employees' end of service benefits paid	19	**(31,475,895)**	(39,450,156)
Zakat paid	22	**(10,417,241)**	(3,573,237)
Net cash flows from operating activities		**76,023,275**	76,621,685
INVESTING ACTIVITIES:			
Additions to property and equipment	7	**(249,524,078)**	(416,561,036)
Additions to intangible assets	8	**(3,382)**	(953,254)
Proceeds from disposal of property and equipment		**131,230**	125,909
Net cash flows used in investing activities		**(249,396,230)**	(417,388,381)
FINANCING ACTIVITIES:			
Proceeds from loans		**1,181,878,892**	1,105,017,762
Repayment of loans		**(937,004,597)**	(695,674,852)
Finance charges paid		**(69,642,180)**	(47,120,302)
Lease liabilities paid	12	**(14,386,954)**	(10,236,451)
Net cash flows from financing activities		**160,845,161**	351,986,157
Net change in cash and cash equivalents		**(12,527,794)**	11,219,461
Cash and cash equivalents at the beginning of the year		**28,129,407**	16,909,946
Cash and cash equivalents at the end of the year	13	**15,601,613**	28,129,407
MAJOR NON-CASH TRANSACTIONS			
Additions to right-of-use assets and lease liabilities	12	**37,214,196**	16,965,129
Re-measurement of employees' end-of-service benefits liability	19	**40,523,070**	8,781,929
Borrowing costs capitalised during the year	7	**10,811,000**	9,400,000
Transfer of assets from CWIP to Property and equipment	7	**1,606,402**	885,519

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 37 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 2022

1. CORPORATE INFORMATION

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

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

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

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

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

The Company also has investment in the following subsidiary:

Subsidiary name	*Principal activities*	*Effective holding* **2022**	*Effective holding* *2021*
National Hail Company for Healthcare (NHC) (note below)	Healthcare	53.89%	47%

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

2. BASIS OF PREPARATION

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

These consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting except for the employees' defined benefits obligation measured using present value of the defined benefit obligation using projected credit unit method.

2. BASIS OF PREPARATION (continued)

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

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

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

The Group applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first- time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

2. BASIS OF PREPARATION (continued)

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

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.
These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

3.3 Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

All other revenues are recognized on an accrual basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue recognition (continued)

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

3.4 Foreign currencies

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

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property and equipment (continued)

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

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

Capital work-in-progress

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

Depreciation

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

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

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

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

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

3.6 Intangible assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Intangible assets (continued)

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

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

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

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

3.7 Leases

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Leases (continued)

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

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

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

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

3.9 Financial instruments

i) Financial assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

i) Financial assets (continued)

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

a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

b) Financial assets at fair value through OCI

Debt instruments
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

- 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

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

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

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

3.11 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of financial and non-financial assets (continued)

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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Employees' end-of-service benefits (continued)

Post-employment benefits(continued)
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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Expenses (continued)

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.

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.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Groups's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.
The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.

5. SIGNIFICANT 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.

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

5.1 Estimates and assumptions (continued)

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.

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.

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

5.1 Estimates and assumptions (continued)

Impairment of non-financial assets (continued)
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.

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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 0.41% of total revenue, accordingly, for management purposes, the Group is organized into business units based on its products and services and has mainly three reportable segments. Information regarding the Group's reportable segments is presented below:

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

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6. SEGMENT INFORMATION (continued)

***Operating segments*: (continued)**

	31 December 2021				
	In patient services SR	*Outpatient services SR*	*Pharmacy sales SR*	*Others SR*	*Total SR*
Revenue	1,098,304,743	491,235,877	265,423,792	17,656,378	1,872,620,790
Cost of revenue	(713,510,824)	(330,374,291)	(215,259,947)	(5,295,605)	(1,264,440,667)
Gross profit	384,793,919	160,861,586	50,163,845	12,360,773	608,180,123
Unallocated income (expenses)					
Operating expenses					(553,935,419)
Operating profit					54,244,704
Other income					11,972,897
Finance charges					(46,985,115)
Income before Zakat					19,232,486
Zakat					(7,500,000)
Income for the year					11,732,486

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

7. PROPERTY AND EQUIPMENT

	Land SR	*Buildings SR*	*Medical equipment SR*	*Motor vehicles SR*	*Furniture and equipment SR*	*Non-consumable items SR*	*Capital work in progress SR*	*Total SR*
Cost:								
At 1 January 2021	183,944,120	1,214,660,030	833,935,324	12,668,900	383,691,160	7,655,168	571,530,995	3,208,085,697
Additions	-	5,476,540	50,605,849	520,000	12,310,716	663,375	346,984,556	416,561,036
Disposals	-	(4,000)	(31,011,537)	(445,151)	(10,837,785)	(820,857)	-	(43,119,330)
Transfers	-	19,049,395	846,178	-	3,723,817	-	(23,619,390)	-
Transfers to intangibles (note 8)	-	-	-	-	-	-	(885,519)	(885,519)
At 31 December 2021	183,944,120	1,239,181,965	854,375,814	12,743,749	388,887,908	7,497,686	894,010,642	3,580,641,884
At 1 January 2022	183,944,120	1,239,181,965	854,375,814	12,743,749	388,887,908	7,497,686	894,010,642	3,580,641,884
Additions	-	13,270,918	67,551,373	147,600	8,819,925	1,179,972	158,554,290	249,524,078
Disposals	-	-	(37,298,288)	(538,491)	(17,031,582)	(2,848,709)	-	(57,717,070)
Transfers	-	312,322,667	-	1,325,940	139,444,032	-	(454,699,041)	(1,606,402)
Reclassification from intangible assets	-	-	-	-	16,824	-	-	16,824
Translation differences	-	(354,938)	-	-	(1,119,645)	-	(56,537)	(1,531,120)
At 31 December 2022	**183,944,120**	**1,564,420,612**	**884,628,899**	**13,678,798**	**519,017,462**	**5,828,949**	**597,809,354**	**3,769,328,194**

7. PROPERTY AND EQUIPMENT (continued)

	Land SR	*Buildings SR*	*Medical equipment SR*	*Motor vehicles SR*	*Furniture and equipment SR*	*Non-consumable items SR*	*Capital work in progress SR*	*Total SR*
Accumulated depreciation:								
At 1 January 2021	-	463,262,165	496,491,357	7,777,077	160,974,272	5,942,404	-	1,134,447,275
Charge during the year	-	35,981,834	61,298,453	866,345	30,847,736	1,912,160	-	130,906,528
Disposals	-	(126)	(30,330,711)	(445,147)	(9,663,435)	(810,113)	-	(41,249,532)
At 31 December 2021	-	499,243,873	527,459,099	8,198,275	182,158,573	7,044,451	-	1,224,104,271
At 1 January 2022	-	499,243,873	527,459,099	8,198,275	182,158,573	7,044,451	-	1,224,104,271
Charge during the year	-	42,992,760	53,670,523	978,016	31,104,520	817,591	-	129,563,410
Disposals	-	(389,834)	(36,335,618)	(538,485)	(16,080,513)	(2,263,116)	-	(55,607,566)
Translation differences	-	(43,254)	-	-	(184,291)	-	-	(227,545)
At 31 December 2022	**-**	**541,803,545**	**544,794,004**	**8,637,806**	**196,998,289**	**5,598,926**	**-**	**1,297,832,570**
Net book value								
At 31 December 2022	**183,944,120**	**1,022,617,067**	**339,834,895**	**5,040,992**	**322,019,173**	**230,023**	**597,809,354**	**2,471,495,624**
At 31 December 2021	183,944,120	739,938,092	326,916,715	4,545,474	206,729,335	453,235	894,010,642	2,356,537,613

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7. PROPERTY AND EQUIPMENT (continued)

7.1 Capital work in progress (CWIP) represents the progress billings for the construction of a new hospital in Makkah, expansion of a hospital in Riyadh, staff accommodation in Dammam, and renovations of several hospital buildings at different locations. These projects are expected to be completed before period ending 30 June 2023. The amount of borrowing costs capitalized during the year ended 31 December 2022 was SR 10.8 million (2021: SR 9.4 million). The rate used to determine the amount of borrowing costs eligible for capitalization was 1.90% to 5.50%, which is the effective profit rate of the specific borrowing.

7.2 Land and buildings with a net book value amounting to SR 257.0 million (2021: SR 368.7 million) are pledged to secure loan from Ministry of Finance (note 17).

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

	2022 ***SR***	*2021* *SR*
Cost of revenue (note 25)	**108,038,843**	100,257,502
General and administrative expenses (note 27)	**21,524,567**	30,649,026
	129,563,410	130,906,528

8. INTANGIBLE ASSETS

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

	2022 ***SR***	*2021* *SR*
Cost		
At 1 January	**20,284,711**	18,468,217
Additions during the year	**3,382**	953,254
Transfers from Property and Equipment (note 7)	**1,606,402**	885,519
Written off during the year	**(904)**	(22,279)
Reclassification of Asset (note 7)	**(16,824)**	-
At 31 December	**21,876,767**	20,284,711
Amortization		
At the beginning of the year	**12,907,271**	11,544,940
Charge for the year (note 27)	**1,517,135**	1,381,528
Written off during the year	**(479)**	(19,197)
At the end of the year	**14,423,927**	12,907,271
Net book value	**7,452,840**	7,377,440

9. TRADE RECEIVABLES, NET

	2022 ***SR***	*2021* *SR*
Third party customers	**1,694,968,577**	1,329,492,240
Related parties (note 24)	**6,272,963**	17,705,619
	1,701,241,540	1,347,197,859
Less: expected credit losses	**(66,459,573)**	(64,890,065)
	1,634,781,967	1,282,307,794

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

As at 31 December 2022, approximately 97% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2021: 94%).

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At 31 December 2022

9. TRADE RECEIVABLES (continued)

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

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

	At 31 December 2021					
	Current SR	*<90 days SR*	*90–180 days SR*	*181–365 days SR*	*>1 year SR*	*Total SR*
Total exposure at default	403,938,199	373,428,364	278,928,840	269,120,743	4,076,094	1,329,492,240
Expected loss rate	3.0%	3.4%	3.3%	11.0%	25.2%	4.9%
Expected credit loss	(12,304,743)	(12,538,125)	(9,313,508)	(29,707,022)	(1,026,667)	(64,890,065)
	391,633,456	360,890,239	269,615,332	239,413,721	3,049,427	1,264,602,175

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

	2022 SR	*2021 SR*
At 1 January	**64,890,065**	120,726,363
Charge during the year	**1,569,508**	3,312,773
Reversal during the year	**-**	(17,053,809)
Written off during the year	**-**	(42,095,262)
At 31 December	**66,459,573**	64,890,065

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. As at 31 December 2022 the allowance for expected credit losses reached SR 66,459,573 (as at 31 December 2021: SR 64,890,065).

10 INVENTORIES

	2022 SR	*2021 SR*
Consumable medical and non-medical items	**98,215,956**	112,359,225
Pharmacy items	**68,593,584**	60,162,684
Kitchen items	**971,033**	840,027
	167,780,573	173,361,936
Less: provision for slow moving and obsolete inventories	**(18,502,724)**	(17,734,908)
Total inventories at the lower of cost and net realisable value	**149,277,849**	155,627,028

During 2022: nil (2021: nil) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

10 INVENTORIES (Continued)

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

	2022 SR	*2021 SR*
At 1 January	**17,734,908**	16,378,305
Charge during the year	**767,816**	1,356,603
	-	-
At 31 December	**18,502,724**	17,734,908

11 PREPAYMENTS AND OTHER CURRENT ASSETS

	2022 SR	*2021 SR*
Advances to suppliers	**38,624,459**	31,544,050
Receivable from ZATCA against ongoing appeals (note a)	**38,944,499**	32,471,702
Advances to a related party supplier (note 24)	**33,691,866**	2,585,038
Prepayments	**27,677,906**	42,569,884
Margins against letter of guarantees and deposits (note 31)	**14,523,049**	1,336,218
Advances to staff	**1,645,055**	1,043,894
Others	**2,234,499**	717,430
	157,341,333	112,268,216

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

- An amount of SR 20.5 million to avail the amnesty scheme and waiver of penalties for open ZAKAT and Withholding tax assessment for the years 2018 and 2019 amounting to SR 52.56 million- The Group escalated the appeal to the Appellate Committee for Tax Violations and Disputes (ACTVD), which is still under study by the ACTVD till to date. The management believes that the Company has adequate basis to contest and the outcome would be in favour of the Company

- Refundable debit balance with ZATCA amounting to SR 18.4 million for closed assessments that will be utilized against any further finalized assessments with ZATCA

12 RIGHT OF USE ASSETS AND LEASE LIABILITIES

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

	2022 SR	*2021 SR*
Right of use assets		
Cost:		
At 1 January	**50,963,539**	35,096,652
Addition during the year	**45,376,319**	16,965,129
Lease contract terminated during the year	**(3,777,107)**	(1,098,242)
	92,562,751	50,963,539
Depreciation:		
Accumulated depreciation	**18,366,608**	9,519,680
Depreciation for the year	**14,893,533**	9,121,488
Relating to terminated contract	**(3,777,108)**	(274,560)
Accumulated depreciation	**29,483,033**	18,366,608
Net value as at 31 December	**63,079,718**	32,596,931

	2022 SR	*2021 SR*
Lease liabilities		
At the beginning of the year	**34,806,910**	27,132,548
Interest expense for the year	**3,022,853**	2,043,928
Addition for the year	**45,376,319**	16,965,127
Related to terminated contract	**-**	(1,098,242)
Payments made during the year	**(14,386,954)**	(10,236,451)
As at 31 December	**68,819,128**	34,806,910
Non-current	**56,904,420**	27,498,037
Current	**11,914,708**	7,308,873
	68,819,128	34,806,910

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

	2022 SR	*2021 SR*
Cost of revenue (note 25)	**4,642,091**	893,129
General and administrative expense (note 27)	**10,251,442**	8,228,359
	14,893,533	9,121,488

12 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

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

	2022 SR	*2021 SR*
Depreciation on right of use assets	**14,893,533**	9,121,488
Interest expense on lease liabilities	**3,022,853**	2,043,928
Expense relating to short term leases (included in cost of revenue)	**4,455,052**	8,313,576
Expense relating to lease of low value assets (included in cost of revenue)	**121,141**	168,485
	22,492,579	19,647,477

13 CASH IN HAND AND AT BANKS

	2022 SR	*2021 SR*
Cash at bank – current accounts	**14,092,092**	26,624,394
Cash in hand	**1,509,521**	1,505,013
	15,601,613	28,129,407

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 2022 and 31 December 2021.

At 31 December 2022, the Group had available SR 234 million (31 December 2021: SR 275million) of undrawn committed borrowing facilities.

14 SHARE CAPITAL

As at the statement of financial position date, the Parent Company's authorized, issued and fully paid share capital is SR 920.4 million (2021: SR 920.4 million) which is divided into 92.04 million (2022: 92.04 million) shares of SR 10 par value each (2021: SR 10 par value each).

15 STATUTORY RESERVE

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

16 NON-CONTROLLING INTEREST

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

	2022 ***SR***	*2021* *SR*
Non-current assets	**144,146,180**	145,991,892
Current assets	**76,916,395**	49,292,101
Non-current liabilities	**(55,650,121)**	(61,123,979)
Current liabilities	**(71,725,547)**	(36,913,635)
Net assets	**93,686,907**	97,246,379
Attributable to:		
Shareholders of the parent Company	**50,487,873**	59,485,797
Non-controlling interest	**43,199,034**	37,760,582
Revenue	**145,958,959**	119,610,482
Loss for the year	**(7,765,023)**	(10,317,974)
Other comprehensive income	**2,659,316**	312,554
Total comprehensive loss	**(5,105,707)**	(10,005,420)
Attributable to:		
Shareholders of the parent Company	**(2,751,465)**	(4,536,894)
Non-controlling interest	**(2,354,242)**	(5,468,526)

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

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

	2022 ***SR***	*2021* *SR*
Balance at 1 January	**37,760,582**	43,063,454
Total comprehensive loss for the year	**(2,354,242)**	(5,302,872)
Change in ownership	**7,792,694**	-
Balance as at 31 December	**43,199,034**	37,760,582

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17 LOANS AND BORROWINGS

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

	2022 *SR*	*2021* *SR*
Loan from Ministry of Finance	**200,247,683**	183,283,563
Less: Unamortised portion of transaction cost (note 18)	**(12,128,116)**	(13,602,238)
Loan from Ministry of Finance, net (note a)	**188,119,567**	169,681,325
Long term loans (note b)	**1,180,320,704**	1,039,999,055
Short term loans (note c)	**803,218,790**	722,324,720
	2,171,659,061	1,932,005,100

	2022 *SR*	*2021* *SR*
Current portion:		
Long term loans	**180,674,684**	174,475,468
Short-term borrowings	**803,218,790**	722,324,720
Loan from Ministry of Finance	**7,078,671**	7,008,378
	990,972,145	903,808,566
Non-current portion:		
Long term loans	**999,646,021**	865,523,588
Loan from Ministry of Finance	**181,040,895**	162,672,946
	1,180,686,916	1,028,196,534
	2,171,659,061	1,932,005,100

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 2021 is SR 52.24 million (2021: SR 55.73million).

- Murabaha facility for the construction of Dammam Hospital. The loan carries mark-up at the rate 2.5% on outstanding balance. The loan is repayable in 16 semi-annual instalments starting from February 2022. The net amount payable as at 31 December 2022 is SR 148.01 million (2021: SR 127.57 million).

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

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

- Murabaha term facility from a commercial bank for part funding the construction of hospital project at Dammam and Makkah, amounting to SR 500 million. The loan was available for draw down over a period of three years started from December 2017. The first repayment was due in June 2021 and the last will be in December 2026. This loan is secured by promissory note from the Company. As at 31 December 2022, the net amount payable is SR 357.14 million (2021: SR 399.33 million).

- A long-term loan amounting to SR 185 million was approved during the year ended 31 December 2021. The net amount payable as at 31 December 2022 is SR 165.43 million (2021: SR 110.7 million). This loan is secured by promissory note from the Company.

17. LOANS AND BORROWINGS (continued)

- In July 2018, the Company secured a Murabaha facility from a commercial bank amounting to SR 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 is SR 435.6 million (2021: SR 480.7 million).

- A long-term loan amounting to SR 100 million was approved during the year ended 31 December 2019 by a commercial bank. The net amount payable as at 31 December 2022 is SR 66.1 million (2021: SR 49.3million).

- A long-term loan amounting to SR 200 million was approved during the year ended 31 December 2022 by a commercial bank. The net amount payable as at 31 December 2022 is SR 156 million (2021: SR Nil). This loan is secured by promissory note from the Company

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

- The Group obtained a short-term loan amounting to SR 120 million in December 2020 for the working capital management. The net amount as on 31 December 2022 is SR 118.0 million (2021: SR 118.6 million).

- In December 2018, the Group signed an amendment to an Islamic financing agreement with a commercial bank to increase its revolving working capital facility from SR 35 million to SR 150 million. The net amount payable as at 31 December 2022 is SR 94.7 million (2021: SR 149.7 million).

- A loan facility amounting to SR 250 million received in October 2018 from a commercial bank. The net amount payable as at 31 December 2022 is SR 149.8 million (2021: SR 172.0 million).

- A short-term loan amounting to SR 100 million was approved during the year ended 31 December 2020 from a commercial bank for working capital. The net amount payable as at 31 December 2022 is SR 99.8 million (2021: SR 66.7 million).

- A loan amount of SR 150 million was approved during the year ended 31 December 2019 from a commercial bank. The net amount payable as at 31 December 2022 is SR 146.2 million (2021: SR 137.0 million).

- A loan amount of SR 150 million was approved during the year ended 31 December 2019 from a commercial bank. The net amount payable as at 31 December 2022 is SR 149.8 million (2021: SR 78.4 million).

- A loan amount of SR 50 million was approved during the year ended 31 December 2022 from a commercial bank. The net amount payable as at 31 December 2022 is SR 44.8 million (2021: SR 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 band debt service coverage ratio.

18. DEFERRED INCOME

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

	2022 ***SR***	*2021* *SR*
Balance at the beginning of the year	**13,602,238**	15,144,276
Transferred to statement of profit or loss (note 29)	**(1,474,122)**	(1,542,038)
	12,128,116	13,602,238
Current portion	**(1,403,829)**	(1,474,121)
Non-current portion	**10,724,987**	12,128,117

19 EMPLOYEES' END OF SERVICE BENEFITS

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

	2022 ***SR***	*2021* *SR*
Balance at the beginning of the year	**230,608,896**	235,391,073
Included in statement of profit or loss		
Current service cost	**38,765,060**	35,585,549
Interest cost (included in employee cost)	**7,561,480**	7,864,359
	46,326,540	43,449,908
Included in statement of other comprehensive income		
Re-measurement (gain) / losses on defined benefit obligation	**(40,523,070)**	(8,781,929)
Benefits paid	**(31,475,895)**	(39,450,156)
Balance at the end of the year	**204,936,471**	230,608,896

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:

	2022	*2021*
Discount rate	**5.04%**	2.90%
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	**10.9 years**	12.7 years

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

19 EMPLOYEES' END OF SERVICE BENEFITS (continued)

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

	Impact on EOSB Increase / (decrease)		
	Change in assumption by	***Increase by SR***	***Decrease by SR***
31 December 2022			
Discount rate	**1%**	**(19,416,295)**	**21,524,516**
Future salary growth / expected rate of salary increases	**1%**	**31,190,316**	**(25,827,692)**
31 December 2021			
Discount rate	1%	(27,159,905)	30,621,676
Future salary growth / expected rate of salary increases	1%	41,198,688	(33,907,037)

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

	2022 SR	*2021 SR*
Within the next 12 months (next annual reporting period)	**30,176,660**	23,152,749
Between 2 and 5 years	**84,992,223**	78,754,918
Beyond 5 years	**201,355,809**	146,527,281

20 TRADE PAYABLES

	2022 SR	*2021 SR*
Third party suppliers	**350,834,401**	166,980,068
Due to related parties (note 24)	**74,915,777**	134,640,238
	425,750,178	301,620,306

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

21 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2022 SR	*2021 SR*
Payroll related accrued expenses	**124,374,350**	94,750,612
Cost related accrued expenses	**29,250,865**	24,356,985
Value added tax (VAT) payable	**22,667,670**	479,193
Other liabilities	**11,439,119**	20,015,269
	187,732,004	139,602,059

22 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 2022 amounted to SR 9,435,191 (2021: SR 10,236,426) which is charged to the consolidated statement of income in accordance with the ZATCA regulations.

22 ZAKAT PAYABLE (continued)

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

A. Zakat provision

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

	2022 SR	*2021 SR*
At 1 January	**10,236,426**	6,309,663
Charged to the year	**9,616,006**	7,500,000
paid during the year	**(10,417,241)**	(3,573,237)
At 31 December	**9,435,191**	10,236,426

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 2008.

ZATCA issued the final assessment for the year 2014, showing Zakat differences of SR 4.62 million due from the Company. The Company objected against ZATCA assessment and transferred its objection to GSTC. Recently the TVDAC issued its decision and accepted Company's appeal. Accordingly, the Company finalized its Zakat status for the said year with output in the favor of the company.

ZATCA issued the Zakat and withholding tax (WHT) assessment for the years 2015 to 2018 with total amount of SR 150 million. The Company submitted an appeal against ZATCA's assessment with the Tax violation and Dispute Resolution Committee (TVDRC). The TVDRC decision partially accepted the Company's appeal related to Zakat differences and rejected the Company's objection in relation to WHT and delay penalty. Based on the ZATCA amnesty the Company settled the WHT due of SR 38,5 million to wave the delay penalty of SR 14 million as advance tax and continue its objection on the same. Accordingly, The Zakat liability based on the TVDRC decision was reduced to SR 122 million (SR 83 million related to Zakat differences and SR 39 million related to WHT). The Company escalated the appeal to the Tax Violation and Dispute Appellate Committee (TVDAC). The management believes that it has a strong chance to win the case regarding the said objection.

ZATCA issued the Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The Company submitted an appeal against ZATCA's assessment with the TVDRC. The TVDRC decision rejected the Company's appeal. The company is in the process to file an appeal against TVDRC decision with TVDAC. The management believes that it has a strong chance to win the case regarding the said objection.

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

The Subsidiary
The subsidiary has finalized its Zakat assessment up to the year ended 31 December 2012.The subsidiary filed the Zakat return for the year ended 31 December 2013 and obtained the unrestricted Zakat and tax certificate for the said year. The ZATCA issued the Zakat assessment for the said year, which showed Zakat differences of SR 0.059 million due from the subsidiary. The subsidiary filed an objection against the said assessment, which is still under review by ZATCA. The Subsidiary filed the Zakat/tax returns for the years ended 31 December 2014 to 2021 and obtained the Zakat/tax certificate for the said years.

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

	2022 SR	*2021 SR*
Non-current portion	**7,059,370**	11,350,561
Current portion	**4,755,408**	7,178,313
	11,814,778	18,528,874

24 RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	*Relationship type*	*Nature of transactions*	*Transactions for the year*		*Balance as 31 December*	
			2022	*2021*	***2022***	*2021*
			SR	*SR*	***SR***	*SR*
a) *Amounts due from related parties*						
Emirates Healthcare Development Company	Related party, shareholder / Board member	Management fee	**5,760,236**	8,778,641	**4,811,594**	10,702,133
Egypt Healthcare Company	Related party, shareholder / Board member	Management fee	**3,017,107**	4,114,720	**1,017,479**	787,004
Bait Al Batterjee Medical College	Related party, shareholder / Board member	Training fee	**390,012**	542,278	**321,218**	4,349,873
Saudi German Hospital Sana'a	Related party, shareholder / Board member	Medical services	**-**	-	**-**	895,675
Saudi German Hospital Ajman	Related party, shareholder / Board member	Medical services	**-**	-	**-**	857,979
Bait Al Batterjee Fitness Company	Related party, shareholder / Board member	Medical services	**-**	-	**122,672**	112,955
					6,272,963	17,705,619
b) *Prepayments and other current assets*						
Megamind IT Solution Company	Related party, shareholder / Board member	Advance against outsourced IT services	**198,220,042**	145,890,763	**33,691,866**	2,585,038

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	*Relationship type*	*Nature of transactions*	*Transactions for the year*		*Balance as 31 December*	
			2022 SR	*2021 SR*	***2022 SR***	*2021 SR*
c) Amounts due to related parties						
Bait Al Batterjee Pharmaceutical Company	Related party, shareholder/Board member	Supplies of certain pharmaceutical	**42,673,880**	14,416,747	**13,212,103**	2,528,390
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Related party, shareholder/Board member	Repair of medical instruments	**1,284,564**	1,292,106	**244,381**	475,573
International Hospital Construction Company	Related party, shareholder/Board member	Construction and renovation	**149,898,920**	244,979,177	**59,141,629**	128,436,823
Bait Al Batterjee Medical Company	Related party, shareholder/Board member	Advisory fee	**6,300,895**	6,300,895	**1,868,495**	3,199,452
Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)	Related party, shareholder/Board member	Janitorial services	**14,881,326**	19,789,628	**449,169**	-
					74,915,777	134,640,238

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 2022 and 2021, the amounts owed by related parties are not impaired.

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

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

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24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Compensation of key management personnel of the Group:

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

	2022 SR	*2021 SR*
Short-term employee benefits	**7,315,758**	9,293,670
Employees' defined benefit liabilities	**536,274**	526,800
Board of directors remuneration	**2,040,000**	3,549,363
	9,892,032	13,369,833

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

25 COST OF REVENUE

	2022 SR	*2021 SR*
Staff salaries and benefits	**810,436,022**	678,941,295
Medicines and disposal supplies	**446,265,740**	392,585,087
Depreciation of property and equipment (note 7)	**108,038,843**	100,257,502
Janitorial expenses	**32,798,505**	31,198,235
Utilities	**26,058,139**	20,809,191
Maintenance	**16,739,512**	15,137,988
Stationary	**4,083,659**	4,801,036
Depreciation on right of use assets (note 12)	**4,642,091**	893,129
Other expenses	**22,672,722**	19,817,204
	1,471,735,233	1,264,440,667

26 SELLING AND MARKETING EXPENSES

	2022 SR	*2021 SR*
Advertisement and marketing	**22,797,477**	38,834,838
Sales promotion expenses	**7,585,967**	7,130,272
	30,383,444	45,965,110

27 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 *SR*	*2021* *SR*
Staff salaries and benefits	**363,434,683**	355,641,727
Professional services	**34,521,121**	41,548,263
Depreciation (note 7)	**21,524,567**	30,649,026
Government taxes and fees	**13,922,109**	226,632
Security and safety	**10,518,705**	9,782,037
Depreciation on right of use assets (note 12)	**10,251,442**	8,228,359
Postage, telephone and internet	**9,830,035**	6,433,165
Repair and maintenance	**8,022,035**	13,035,638
Travelling expenses	**3,898,935**	1,632,174
Bank charges	**3,035,894**	6,813,698
Director's remuneration	**2,040,000**	3,549,363
Allowance / (Reversal) for expected credit losses (note 9)	**1,569,508**	(13,741,036)
Amortization of intangible assets (note 8)	**1,517,135**	1,381,528
Insurance	**1,043,784**	1,042,465
Other expenses	**24,154,518**	41,747,270
	509,284,471	507,970,309

28 OTHER INCOME, NET

	2022 *SR*	*2021* *SR*
Rental income	**3,589,361**	3,032,408
Loss on disposal of property and equipment	**(1,978,636)**	(1,675,514)
Training and symposium	**6,296,660**	5,849,040
Others	**1,629,278**	4,766,963
	9,536,663	11,972,897

29 FINANCE COST, NET

	2022 *SR*	*2021* *SR*
Finance cost on borrowings	**65,986,225**	41,522,134
Finance income from government grants (note 18)	**(1,474,122)**	(1,542,038)
Others	**4,146,778**	7,005,019
	68,658,881	46,985,115

30 EARNINGS PER SHARE

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

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

30 EARNINGS PER SHARE (continued)

Basic and diluted earnings per share from total income.

	2022 ***SR***	*2021* *SR*
Total income for the year	75,182,816	17,201,012
Weighted average number of ordinary shares	92,040,000	92,040,000
Basic and diluted earnings per share	0.82	0.19

31 COMMITMENTS AND CONTINGENCIES

a) Various employees have filed cases against the Group for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to SR 3.5 million (31 December 2021: SR 6.1 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard. In addition, potential Zakat and VAT exposure is disclosed in note 11 and 22, respectively.

b) The Company and its Subsidiary is also contesting various cases on account of alleged non-compliance of regulations. The total amount under consideration is SR nil (31 December 2021: SR 1.6 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 2022, the Group had commitments of SR 207.1 million (31 December 2021: SR 304.1 million) relating to capital expenditures.

d) On 31 December 2022, the Group had outstanding open Zakat and withholding tax (WHT) assessment with ZATCA for the years 2015 to 2018 amounting to SR 122 (SR 83 million related to Zakat differences and SR 39 million related to WHT). The Company escalated the appeal to the Tax Violation and Dispute Appellate Committee (TVDAC). The management believes that it has a strong chance to win the case regarding the said objection. Also, the group had outstanding Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The company is in the process to file an appeal against TVDRC decision with TVDAC. The management believes that it has a strong chance to win the case regarding the said objection (refer to note 11).

e) On 31 December 2022, the Group had outstanding letters of guarantee amounting to SR 40.1 million to the favour of ZATCA against the assessment of zakat and tax for the years ended 31 December 2014, 31 December 2019 and 31 December 2020 with cover of 14.2 million as disclosed in note 11.

32 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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

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.

32 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 2022, there were no movements between the levels.

As at 31 December 2022 and 31 December 2021, the fair values of the Group's financial instruments are estimated to approximate their carrying values except for interest free loans.

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

Market risk

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

Commission rate risk

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

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

Sensitivity Analysis

	Increase/decrease in base points	*Impact on losses before Zakat SR*
2022	**+1**	**21,720,000**
	-1	**(21,720,000)**
2021	+1	19,320,000
	-1	(19,320,000)

Currency risk

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

Credit risk

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

33 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

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

	2022 SR	*2021 SR*
Financial assets		
Trade receivables, net	**1,628,509,004**	1,264,602,175
Amount due from related parties	**6,272,963**	17,705,619
Margin against letter of guarantee and deposits	**14,523,049**	1,336,218
Cash on hand and at banks	**15,601,613**	28,019,747
	1,664,906,629	1,311,663,759

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.

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33 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

As at 31 December 2022	*Up to 12 months SR*	*One to five years SR*	*More than five years SR*	*Total SR*
Loans and borrowings	990,972,145	924,716,266	255,970,650	**2,171,659,061**
Trade payables	425,750,178	-	-	**425,750,178**
Lease liabilities	11,914,708	29,910,582	26,993,838	**68,819,128**
Other financial liabilities	7,059,370	4,755,408		**11,814,777**
Accruals and other liabilities	187,732,004	-	-	**187,732,004**
	1,623,428,405	**959,382,256**	**282,964,488**	**2,865,775,149**

As at 31 December 2021	*Up to 12 months SR*	*One to five years SR*	*More than five years SR*	*Total SR*
Loans and borrowings	848,752,543	1,396,790,371	185,864,882	2,431,407,796
Trade payables	299,035,268	-	-	299,035,268
Lease liabilities	9,084,880	19,110,332	20,891,960	49,087,172
Other financial liabilities	7,317,861	12,208,910	-	19,526,771
Accruals and other liabilities	139,122,866	-	-	139,122,866
	1,303,313,418	1,428,109,613	206,756,842	2,938,179,873

Changes in liabilities arising from financing activities are as follows:

	1 January 2022 SR	*Cash flows SR*	*New lease SR*	*Others SR*	***31 December 2022 SR***
Loans and borrowings	1,932,005,100	239,653,961	-	-	**2,171,659,061**
Lease liabilities	34,806,910	(11,364,101)	45,376,319	-	**68,819,128**
Total liabilities from financing activities	**1,966,812,010**	**228,289,860**	**45,376,319**	-	**2,240,478,1891**

	1 January 2021 SR	*Cash flows SR*	*New lease SR*	*Others SR*	*31 December 2021 SR*
Loans and borrowings	1,522,662,189	409,342,911	-	-	1,932,005,100
Lease liabilities	27,132,548	(9,677,943)	16,965,127	387,178	34,806,910
Total liabilities from financing activities	1,549,794,737	399,664,968	16,965,127	387,178	1,966,812,010

34 CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.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.

	2022 ***SR***	*2021* *SR*
Loans and borrowings	**2,171,659,061**	1,932,005,100
Lease liabilities	**68,819,128**	34,806,910
Other financial liabilities	**11,814,777**	18,528,874
Trade and other payables	**613,482,182**	438,637,327
Less: Cash and cash equivalents	**(15,601,613)**	(28,129,407)
	2,850,173,535	2,395,848,804
Equity	**1,408,159,846**	1,295,307,741
Capital and net debt	**4,258,333,381**	3,691,156,545
Gearing ratio	**67%**	65%

35 SUBSEQUENT EVENTS

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2022 that would have a material impact on the financial position or financial performance of the Group.

36 COMPARATIVE INFORMATION

Certain prior year amounts have been reclassified to conform to the current year presentation. However, there was no material impact of such reclassifications on the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group.

37 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the board of directors on 23 February 2023 (corresponding to 2 Sha'ban 1444H).

MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

EY
Building a better working world

Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Middle East Healthcare Company (a Saudi Joint Stock Company) ("the Company") and its subsidiary (collectively referred to as "the Group") as at 31 March 2023, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Board Of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with *International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34")* that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
Licence No. 356

Jeddah: 28 Shawaal 1444H
18 May 2023G

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CR 4030276644
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three-month period ended 31 March 2023

	Note	*For the three-month period ended 31 March 2023 (Unaudited) SR*	*For the three-month period ended 31 March 2022 (Unaudited) SR*
Revenue from contracts with customers	18	637,988,761	513,322,162
Cost of revenue	18	(412,493,397)	(348,300,386)
GROSS PROFIT		225,495,364	165,021,776
Selling and marketing expenses		(10,221,519)	(4,591,649)
General and administrative expenses		(138,767,172)	(125,154,260)
OPERATING PROFIT		76,506,673	35,275,867
Finance costs		(23,542,041)	(11,509,914)
Other income, net		3,630,592	2,310,734
PROFIT BEFORE ZAKAT		56,595,224	26,076,687
Zakat	4	(4,625,000)	(6,015,736)
PROFIT FOR THE PERIOD		51,970,224	20,060,951
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Item that will be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		22,640	6,966
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		51,992,864	20,067,917
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the Parent Company		50,116,617	20,487,776
Non-controlling interests		1,853,607	(426,825)
		51,970,224	20,060,951
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the Parent Company		50,139,257	20,494,742
Non-controlling interests		1,853,607	(426,825)
		51,992,864	20,067,917
Earnings per share			
Basic and diluted earnings per share from net profit for the period attributable to the shareholders of the Parent	16	0.54	0.22

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	*31 March 2023 (Unaudited) SR*	*31 December 2022 (Audited) SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	**2,496,299,800**	2,471,495,624
Right-of-use assets	9	**64,336,125**	63,079,718
Intangible assets		**9,751,040**	7,452,840
TOTAL NON-CURRENT ASSETS		**2,570,386,965**	2,542,028,182
CURRENT ASSETS			
Inventories	7	**130,595,258**	149,277,849
Trade receivables, net	6	**1,848,958,305**	1,634,781,967
Prepayments and other current assets	8	**143,554,402**	157,341,333
Bank balances and cash	10	**14,047,031**	15,601,613
TOTAL CURRENT ASSETS		**2,137,154,996**	1,957,002,762
TOTAL ASSETS		**4,707,541,961**	4,499,030,944
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**920,400,000**	920,400,000
Statutory reserve		**201,146,095**	201,146,095
Foreign currency translation reserves		**749,311**	726,671
Retained earnings		**292,804,663**	242,688,046
Equity attributable to the shareholders of the parent		**1,415,100,069**	1,364,960,812
Non-controlling interests		**45,052,641**	43,199,034
TOTAL EQUITY		**1,460,152,710**	1,408,159,846
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	12	**1,158,115,372**	1,180,686,916
Other financial liabilities		**2,915,152**	7,059,370
Lease obligations	9	**53,717,537**	56,904,420
Deferred income		**9,393,213**	10,724,287
Employees' end of service benefits		**202,271,720**	204,936,471
TOTAL NON-CURRENT LIABILITIES		**1,426,412,994**	1,460,311,464
CURRENT LIABILITIES			
Short-term loans and borrowings	12	**1,002,934,159**	990,972,145
Other financial liabilities		**7,177,216**	4,755,408
Lease obligations	9	**13,838,053**	11,914,708
Trade payables	13	**524,027,024**	425,750,178
Accrued expenses and other current liabilities	15	**258,939,614**	187,732,004
Zakat payable	4	**14,060,191**	9,435,191
TOTAL CURRENT LIABILITIES		**1,820,976,257**	1,630,559,634
TOTAL LIABILITIES		**3,247,389,251**	3,090,871,098
TOTAL EQUITY AND LIABILITIES		**4,707,541,961**	4,499,030,944

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2023

	Attributable to equity holders of the parent						
	Share capital SR	*Statutory reserve SR*	*Foreign currency translation reserves SR*	*Retained Earnings SR*	*Total SR*	*Non-controlling interests SR*	*Total SR*
Balance as at 1 January 2022 (audited)	920,400,000	193,627,813	-	143,519,346	1,257,547,159	37,760,582	1,295,307,741
Profit / (loss) for the period	-	-	-	20,487,776	20,487,776	(426,825)	20,060,951
Other comprehensive income for the period	-	-	6,966	-	6,966	-	6,966
Total comprehensive income / (loss) for the period	-	-	6,966	20,487,776	20,494,742	(426,825)	20,067,917
Balance as at 31 March 2022 (unaudited)	920,400,000	193,627,813	6,966	164,007,122	1,278,041,901	37,333,757	1,315,375,658
Balance as at 1 January 2023 (audited)	920,400,000	201,146,095	726,671	242,688,046	1,364,960,812	43,199,034	1,408,159,846
Profit for the period	-	-	-	50,116,617	50,116,617	1,853,607	51,970,224
Other comprehensive income for the period	-	-	22,640	-	22,640	-	22,640
Total comprehensive income for the period	-	-	22,640	50,116,617	50,139,257	1,853,607	51,992,864
Balance as at 31 March 2023 (unaudited)	**920,400,000**	**201,146,095**	**749,311**	**292,804,663**	**1,415,100,069**	**45,052,641**	**1,460,152,710**

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2023

	Note	*For the three-month period ended 31 March 2023 (Unaudited) SR*	*For the three-month period ended 31 March 2022 (Unaudited) SR*
OPERATING ACTIVITIES			
Profit for the period before zakat		**56,595,224**	26,076,687
Non-cash adjustments to reconcile profit before zakat to net cash flow:			
Depreciation of property and equipment	5	**41,954,807**	30,355,179
Depreciation of right-of-use assets	9	**3,599,466**	2,277,599
Amortisation of intangible assets		**450,381**	354,166
Allowance for expected credit losses	6	**-**	-
Provision for slow moving and obsolete inventories		**(156,543)**	66,739
Loss on disposal of property and equipment		**574,835**	865,651
Amortization deferred income		**(1,403,828)**	(1,403,828)
Provision for employee benefits		**10,323,686**	13,676,705
Unwinding impact of other financial liabilities		**107,057**	173,746
Financial charges related to borrowings		**25,389,385**	9,088,082
Finance charges related to lease obligation	9	**853,255**	498,886
		138,287,725	82,029,612
Changes in operating assets and liabilities			
Inventories		**18,839,134**	3,600,851
Trade receivable		**(214,176,338)**	(105,782,635)
Prepayments and other current assets		**13,786,931**	(11,473,778)
Trade payable		**98,276,845**	19,899,415
Accrued expenses and other current liabilities		**79,319,399**	48,565,411
Other financial liabilities		**(1,829,465)**	(1,655,719)
Cash generated from operations		**132,504,231**	35,183,157
Employees' benefits paid		**(12,988,437)**	(11,281,670)
Net cash generated from operating activities		**119,515,794**	23,901,487
INVESTING ACTIVITIES			
Purchase of property and equipment, right of use assets and intangible assets		**(70,103,456)**	(52,785,208)
Proceeds from disposal of property and equipment		**14,046**	4,340
Net cash used in investing activities		**(70,089,410)**	(52,780,868)
FINANCING ACTIVITIES			
Lease obligations, net	9	**(6,972,992)**	(2,344,295)
Financial charges paid		**(33,428,428)**	(9,088,082)
Proceeds of loans and borrowings		**950,703,665**	252,816,505
Repayment of loans and borrowings		**(961,283,211)**	(195,644,799)
Net cash (used in) / generated from financing activities		**(50,980,966)**	45,739,329
(DECREASE) / INCREASE IN BANK BALANCES AND CASH		**(1,554,582)**	16,859,948
Bank balances and cash at the beginning of the period		**15,601,613**	28,129,407
BANK BALANCES AND CASH AT THE END OF THE PERIOD		**14,047,031**	44,989,355

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

Middle East Healthcare Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2023

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

Branch name	***Commercial registration***	***Issued on***	***Corresponding to***
Saudi German Hospital – Jeddah	4030124187	5 Safar 1419H	30 May 1998
Hai Jama (operating under SGH- Jeddah)	4030124187	5 Safar 1419H	30 May 1998
Saudi German Hospital – Riyadh	1010162269	24 Rajab 1421H	22 October 2000
Saudi German Hospital – Aseer	5855019364	28 Dhul Hijah 1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5August 2002
Abdul Jaleel Ibrahim Baterjee 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
Abha Clinics	58501024337	24 Ramadan 1443H	25 April 2022
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

The Company also has investment in the following subsidiary:

Subsidiary name	**Principal activities**	**Effective holding** 31 March 2023	**Effective holding** 31 December 2022
National Hail Company for Healthcare (NHC)	Healthcare	53.9%	53.9%

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements for the three-month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed consolidated financial statements do not include all the information and disclosures required in full set of annual consolidated financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022. In addition, results for the interim period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023 (see also note 2.5)

2 BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting and the going concern assumption, except for the valuation of employee benefit liabilities where actuarial present value calculations are used.

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of the Group.

2.4 Basis of consolidation

These interim condensed consolidated financial statements comprising the financial statements of 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 Parent Company.

2.4.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all of the following three criteria must be met:

i) the Group has power over an entity;
ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

2.4.2 Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from the Group's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.4.3 Transactions eliminated on consolidation

Balances between the Group entities, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed consolidated 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. The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2022.

The significant judgments, estimates and assumptions made by the management in applying the Group's accounting policies are same as those used described in the annual consolidated financial statements for the year ended 31 December 2022.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023.The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 01, 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 01, 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 01, 2023.

New standards not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024

4 ZAKAT

The movement in the zakat provision during the period/year is as follows:

	For the three-month period ended 31 March 2023 (Unaudited) SR	*For the year ended 31 December 2022 (Audited) SR*
At the beginning of the period/year	**9,435,191**	10,236,426
Provided during the period/year	**4,625,000**	9,616,006
Paid during the period/year	-	(10,417,241)
At the end of the period/year	**14,060,191**	9,435,191

The Group's latest zakat assessment status is as follows:

Zakat status of Middle East Health Care Company

The Company finalized its Zakat status up to the year 2008.

Zakat, Tax and Customs Authority (ZATCA) issued the final assessment for the year 2014, showing Zakat differences of SR 4.62 million due from the Company. The Company objected against ZATCA assessment and transferred its objection to General Secretariat of Zakat, Tax and Customs Committees (GSTC). Recently the Tax Violation and Dispute Appellate Committee (TVDAC) issued its decision and accepted Company's appeal. Accordingly, the Company finalized its Zakat status for the said year with output in the favor of the company.

ZATCA issued the Zakat and withholding tax (WHT) assessment for the years 2015 to 2018 with total amount of SR 150 million. The Company submitted an appeal against ZATCA's assessment with the Tax violation and Dispute Resolution Committee (TVDRC). The TVDRC decision partially accepted the Company's appeal related to Zakat differences and rejected the Company's objection in relation to WHT and delay penalty. Based on the ZATCA amnesty the Company settled the WHT due of SR 48.5 million to wave the delay penalty of SR 14 million as advance tax and continue its objection on the same. Accordingly, The Zakat liability based on the TVDRC decision was reduced to SR 122 million (SR 83 million related to Zakat differences and SR 39 million related to WHT). The Company escalated the appeal to the Tax Violation and Dispute Appellate Committee (TVDAC). The management believes that it has a strong chance to win the case regarding the said objection.

ZATCA issued the Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The Company submitted an appeal against ZATCA's assessment with the TVDRC. The TVDRC decision rejected the Company's appeal. The company is in the process to file an appeal against TVDRC decision with TVDAC. The management believes that it has a strong chance to win the case regarding the said objection.

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

Zakat status of Subsidiary Company ("National Hail Company for Health Care" or "NHC")

The subsidiary has finalized its Zakat assessment up to the year ended 31 December 2012.The subsidiary filed the Zakat return for the year ended 31 December 2013 and obtained the unrestricted Zakat and tax certificate for the said year. The ZATCA issued the Zakat assessment for the said year, which showed Zakat differences of SR 0.059 million due from the subsidiary. The subsidiary filed an objection against the said assessment, which is still under review by ZATCA. The Subsidiary filed the Zakat/tax returns for the years ended 31 December 2014 to 2021 and obtained the Zakat/tax certificate for the said years.

5 PROPERTY AND EQUIPMENT

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Operating assets	**2,092,563,484**	1,873,686,270
Capital work-in-progress (CWIP)	**403,736,316**	597,809,354
	2,496,299,800	2,471,495,624

5.1 CWIP mainly contains the progress payments for expansion of hospital in Riyadh, and renovations of several hospitals' buildings and digitalization projects at different locations.

5.2 During the period finance charges amounting to SR 2.1 million (31 December 2022: SR 10.8 million) have been capitalized in CWIP.

5.3 The land and buildings with a net book value of SR 250 million (31 December 2022: SR 257 million) are mortgaged to secure loan from Ministry of Finance (note 12).

The movement in property and equipment for the period/year is shown below:

	For the three-months period ended 31 March 2023 (Unaudited) SR	*For the year ended 31 December 2022 (Audited) SR*
Cost:		
At the beginning of the period/year	**3,769,328,194**	3,580,641,884
Additions during the period/year	**69,744,020**	249,524,078
Disposals during the period/year	**(8,937,681)**	(57,717,070)
Transfers to intangible assets	**(2,389,418)**	(1,589,578)
Translation differences	**(12,363)**	(1,531,120)
At the end of the period/year	**3,827,732,752**	3,769,328,194
Depreciation:		
At the beginning of the period/year	**1,297,832,570**	1,224,104,271
Charge for the period/year	**41,954,806**	129,563,410
Relating to disposals	**(8,350,201)**	(55,607,566)
Translation differences	**(4,223)**	(227,545)
At the end of the period/year	**1,331,432,952**	1,297,832,570
Net book value:		
At the end of the period/year	**2,496,299,800**	2,471,495,624

6 TRADE RECEIVABLES

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Third party customers	**1,907,619,011**	1,694,968,577
Related parties (note 14)	**7,798,867**	6,272,963
	1,915,417,878	1,701,241,540
Less: expected credit losses	**(66,459,573)**	(66,459,573)
	1,848,958,305	1,634,781,967

6 TRADE RECEIVABLES (continued)

Terms and conditions of the above financial assets:
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 are, therefore, unsecured.

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

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

	At 31 March 2023					
	Current	***<90 days***	***90–180 days***	***181–365 days***	***>1 year***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Total exposure at default	**591,835,765**	**516,975,179**	**353,706,235**	**383,159,665**	**61,942,167**	**1,907,619,011**
Expected loss rate	**2.56%**	**2.84%**	**3.12%**	**4.81%**	**11.53%**	**3.48%**
Expected credit loss	**(15,168,637)**	**(14,691,101)**	**(11,025,004)**	**(18,434,498)**	**(7,140,333)**	**(66,459,573)**
	576,667,128	**502,284,078**	**342,681,231**	**364,725,167**	**54,801,834**	**1,841,159,438**

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

The movement in expected credit losses for the period/year is shown below:

	For the three-months period ended 31 March 2023 (Unaudited) SR	*For the year ended 31 December 2022 (Audited) SR*
At the beginning of the period/year	**66,459,573**	64,890,065
Charge during the period/year	-	1,569,508
At the end of the period/year	**66,459,573**	66,459,573

7 INVENTORIES

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Pharmacy items	**60,108,039**	68,593,584
Kitchen items	**1,007,748**	971,033
Spare parts and consumables	**87,825,652**	98,215,956
	148,941,439	167,780,573
Less: provision for slow moving and obsolete inventories	**(18,346,181)**	(18,502,724)
	130,595,258	149,277,849

The movement in provision for slow moving and obsolete inventories for the period/year is shown below:

	For the three-months period ended 31 March 2023 (Unaudited) SR	*For the year ended 31 December 2022 (Audited) SR*
At the beginning of the period/year	**18,502,724**	17,734,908
(Write back) / charge during the period/year	**(156,543)**	767,816
At the end of the period/year	**18,346,181**	18,502,724

8 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Advances to suppliers	**45,965,757**	38,624,459
Prepayments	**21,409,807**	27,677,906
Receivable from ZATCA against ongoing appeals	**48,324,418**	38,944,499
Advances to staff	**1,846,651**	1,645,055
Margins against letter of guarantees and deposits (refer note 17)	**14,523,049**	14,523,049
Advances to a related party supplier (refer note 14)	**9,287,157**	33,691,866
Others	**2,197,563**	2,234,499
	143,554,402	157,341,333

9 RIGHT OF USE AND LEASE LIABILITIES

The movement in right-of-use assets and lease liability for the year is as follows:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Right of use assets		
At the beginning of the period/year	**63,079,718**	32,596,931
Addition during the period/year	**4,855,073**	45,376,319
Foreign currency translation difference	**799**	-
Depreciation for the period / year	**(3,599,465)**	(14,893,532)
At the end of the period/year	**64,336,125**	63,079,718

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Lease liabilities		
At the beginning of the period/year	**68,819,128**	34,806,910
Interest expense for the period/year	**853,255**	3,022,853
Addition for the period/year	**4,856,201**	45,376,319
Payments made during the period / year	**(6,972,994)**	(14,386,954)
At the end of the period/year	**67,555,590**	68,819,128

Out of the total lease liability, SR 13.8 million (31 December 2022: SR 11.9 million) represents current portion of lease liability.

10 BANK BALANCES AND CASH

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Cash in hand	**1,574,241**	1,509,521
Cash at bank – current accounts	**12,472,790**	14,092,092
	14,047,031	15,601,613

At 31 March 2023, the Group had available SR 175 million (31 December 2022: SR 234 million) of undrawn committed borrowing facilities.

11 SHARE CAPITAL

As at 31 March 2023, the Parent Company's authorized, issued and fully paid share capital is SR 920.4 million (31 December 2022: SR 920.4 million) which is divided into 92.04 million (31 December 2022: 92.04 million) shares of SR 10 par value each (31 December 2022: SR 10 par value each).

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2023

12 LOANS AND BORROWINGS

Term loans comprise of the following:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Loan from commercial banks	**1,975,233,605**	1,983,539,494
Loan from Ministry of Finance	**197,944,042**	200,247,683
Less: Unamortised portion of transaction cost	**(12,128,116)**	(12,128,116)
Loan from Ministry of Finance, net	**185,815,926**	188,119,567
	2,161,049,531	2,171,659,061

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Current portion:		
Long term loans	**180,674,684**	180,674,684
Short-term borrowings	**813,029,378**	803,218,790
Loan from Ministry of Finance	**9,230,097**	7,078,671
	1,002,934,159	990,972,145
Non-current portion:		
Long term loans	**981,529,543**	999,646,021
Loan from Ministry of Finance	**176,585,829**	181,040,895
	1,158,115,372	1,180,686,916
	2,161,049,531	2,171,659,061

Loan from Ministry of Finance are secured by the mortgage of land and building of Saudi German Hospital – Madinah, Dammam and Hail (Note 5.3). This loan is interest free. Loans from commercial banks are borrowed at SIBOR plus an agreed mark up. These loans are secured through promissory notes issued by the Group. Other information relating to the loans, including covenants, repayment terms, collaterals etc. are primarily consistent with the information disclosed in the consolidated financial statements for the year ended 31 December 2022.

13 TRADE PAYABLES

Trade payables comprise of the following:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Third party suppliers	**421,432,682**	350,834,401
Due to related parties (note 14)	**102,594,342**	74,915,777
	524,027,024	425,750,178

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	*Nature of relationship*	*Nature of transactions*	*Transactions for the three-months period ended*		*Balance as at*	
			31 March 2023 SR	*31 March 2022 SR*	***31 March 2023 SR***	*31 December 2022 SR*
a) ***Amounts due from related parties***						
Emirates Healthcare Development Company	Related party, shareholder / Board member	Management fee	**1,821,995**	2,020,374	**6,544,487**	4,811,594
Egypt Healthcare Company	Related party, shareholder / Board member	Management fee	**(59,422)**	1,284,529	**953,801**	1,017,479
Bait Al Batterjee Medical College	Related party, shareholder / Board member	Training fee	**43,500**	-	**177,718**	321,218
Saudi German Hospital Ajman	Related party, shareholder / Board member	Medical services	-	-	**122,861**	122,672
					7,798,867	6,272,963
b) ***Prepayments and other current assets***						
Megamind IT Solution Company	Related party, shareholder / Board member	Advance against outsourced IT services	**63,465,739**	35,846,085	**9,287,157**	33,691,866

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The above balances are unsecured, interest free and have no fixed repayment. The management estimate the allowance on due from related party balance at the reporting date at an amount equal to lifetime expected credit losses. No receivable balance from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate, the management considers 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. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 March 2023 and year ended 31 December 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Related party	*Nature of relationship*	*Nature of transactions*	*Transactions for the three-months period ended*		*Balance as at*	
			31 March 2023 SR	*31 March 2022 SR*	***31 March 2023 SR***	*31 December 2022 SR*
c) *Amounts due to related parties*						
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Related party, shareholder / Board member	Repair of medical instruments	**248,266**	112,718	**515,762**	244,381
International Hospital Construction Company	Related party, shareholder / Board member	Construction and renovation	**41,507,237**	59,453,941	**80,918,020**	59,141,629
Bait Al Batterjee Medical Company	Related party, shareholder / Board member	Advisory fee	**1,579,236**	1,597,140	**2,010,057**	1,868,495
Sawaed Al Halool Maintenance & Cleaning Company (JAN-PRO)	Related party, shareholder / Board member	Janitorial services	**4,158,166**	2,510,983	**-**	499,169
Bait Al Batterjee Pharmaceutical Company	Related party, shareholder / Board member	Supplies of certain pharmaceutical products	**8,346,353**	3,530,380	**19,150,503**	13,212,103
					102,594,342	74,915,777

Amount due from / to related parties are shown in notes 6,8 and 13, respectively.

14 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:

	For the three-month period ended 31 March 2023 SR	*For the three-month period ended 31 March 2022 SR*
Salaries and other benefits	**1,943,329**	1,900,955
Post-employment benefits	**121,320**	162,333
	2,064,649	2,063,288

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

15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprise of the following:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Payroll related accrued expenses	**185,900,717**	124,374,350
Cost related accrued expenses	**33,612,922**	29,250,865
Value added tax (VAT) payable	**31,122,045**	22,667,670
Other liabilities	**8,303,930**	11,439,119
	258,939,614	187,732,004

16 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period have been computed by dividing the net profit attributable to shareholders of the Parent Company for the period by the weighted average number of shares outstanding during the period.

	For the three-month period ended 31 March 2023 Unaudited SR	*For the three-month period ended 31 March 2022 Unaudited SR*
Profit for the period attributable to ordinary shareholders of the Parent	**50,116,617**	20,487,776
Weighted average number of ordinary shares in issue	**92,040,000**	92,040,000
Basic and diluted earnings per share	**0.54**	0.22

Middle East Healthcare Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 March 2023

17 COMMITMENTS AND CONTINGENCIES

17.1 Various employees have filed cases against the Group for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to SR 5.8 million (31 December 2022: SR 3.5 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard.

17.2 The Company and its Subsidiary is also contesting various cases on account of alleged non-compliance of regulations. The total amount under consideration is SR 1.4 million (31 December 2022: SR nil million). Most of the cases are under hearing. The management is confident that the outcome will be in favour of the Group and no provision is required in this regard.

17.3 At 31 March 2023, the Group had commitments with related parties amounting to SR 23.0 million (31 December 2022: SR 207.1 million) relating to capital expenditures.

17.4 At 31 March 2023, the Group had outstanding open Zakat and withholding tax (WHT) assessment with ZATCA for the years 2015 to 2018 amounting to SR 122 (SR 83 million related to Zakat differences and SR 39 million related to WHT). The Company escalated the appeal to the Tax Violation and Dispute Appellate Committee (TVDAC). The management believes that it has a strong chance to win the case regarding the said objection. Also, the group had outstanding Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The company is in the process to file an appeal against TVDRC decision with TVDAC. The management believes that it has a strong chance to win the case regarding the said objection (refer to note 4).

17.5 At 31 March 2023, the Group had outstanding letters of guarantee amounting to SR 40.1 million to the favour of ZATCA against the assessment of zakat and tax for the years ended 31 December 2014, 31 December 2019 and 31 December 2020 with cover of 14.5 million (refer to note 8).

18 SEGMENTAL INFORMATION

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 0.41% of total revenue, accordingly, for chief operating decision maker 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:

Based on nature of services

	31 March 2023 (unaudited)				
	In patient services	*Outpatient services*	*Pharmacy sales*	*Others*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Revenue	**369,082,767**	**176,604,455**	**90,424,098**	**1,877,441**	**637,988,761**
Cost of revenue	**(218,761,817)**	**(120,243,261)**	**(73,321,531)**	**(166,788)**	**(412,493,397)**
Gross profit	**150,320,950**	**56,361,194**	**17,102,567**	**1,710,653**	**225,495,364**
Operating expenses					**(148,988,691)**
Operating profit					**76,506,673**
Finance charges					**(23,542,041)**
Other income					**3,630,592**
Zakat					**(4,625,000)**
Net profit					**51,970,224**

	31 March 2022 (unaudited)				
	In patient services	*Outpatient services*	*Pharmacy sales*	*Others*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Revenue	290,287,985	141,032,362	78,898,358	3,103,457	513,322,162
Cost of revenue	(186,567,670)	(95,372,344)	(66,356,514)	(3,858)	(348,300,386)
Gross profit	103,720,315	45,660,018	12,541,844	3,099,599	165,021,776
Operating expenses					(129,745,909)
Operating profit					35,275,867
Finance charges					(11,509,914)
Other income					2,310,734
Zakat					(6,015,736)
Net profit					20,060,951

Geographical information

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

19 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 interim condensed consolidated 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.

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

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

20 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2023 have been approved by the Board of Directors on 24 Shawwal 1444H, corresponding to 14 May 2023.

MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE -MONTH PERIODS ENDED 30 SEPTEMBER 2023

Building a better working world

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Middle East Healthcare Company (A Saudi Joint Stock Company) ("the Company") and its subsidiary (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-months period then ended, and explanatory notes.

Board Of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with *International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34")* that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

J14
EY
CR 4030276644

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

Jeddah: 24 Rabi Al-Thani 1445H
08 November 2023G

Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2023

		For the three-month period ended		*For the nine-month period ended*	
	Note	***30 September 2023 (Unaudited) SR***	*30 September 2022 (Unaudited) SR*	***30 September 2023 (Unaudited) SR***	*30 September 2022 (Unaudited) SR*
Revenue from contracts with customers	18	**671,046,555**	512,373,881	**1,933,359,913**	1,533,787,388
Cost of revenue	18	**(404,720,779)**	(360,169,293)	**(1,212,907,592)**	(1,057,791,213)
GROSS PROFIT		**266,325,776**	152,204,588	**720,452,321**	475,996,175
Selling and marketing expenses		**(8,901,250)**	(6,494,557)	**(28,810,683)**	(20,509,129)
General and administrative expenses		**(147,573,978)**	(119,454,867)	**(436,296,163)**	(373,105,072)
OPERATING PROFIT		**109,850,548**	26,255,164	**255,345,475**	82,381,974
Finance costs		**(54,975,916)**	(18,214,201)	**(103,709,276)**	(48,056,488)
Other income		**4,079,611**	3,861,607	**10,594,846**	13,141,115
PROFIT BEFORE ZAKAT		**58,954,243**	11,902,570	**162,231,045**	47,466,601
Zakat	4	**(4,725,000)**	(3,415,702)	**(14,050,000)**	(9,825,461)
PROFIT FOR THE PERIOD		**54,229,243**	8,486,868	**148,181,045**	37,641,140
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:					
Item that will be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		**822,119**	180,627	**1,374,153**	140,161
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**55,051,362**	8,667,495	**149,555,198**	37,781,301
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Shareholders of the Parent Company		**53,303,078**	11,105,760	**143,674,184**	42,021,412
Non-controlling interests		**926,165**	(2,618,892)	**4,506,861**	(4,380,272)
		54,229,243	8,486,868	**148,181,045**	37,641,140
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Shareholders of the Parent Company		**54,125,197**	11,286,387	**145,048,337**	42,161,573
Non-controlling interests		**926,165**	(2,618,892)	**4,506,861**	(4,380,272)
		55,051,362	8,667,495	**149,555,198**	37,781,301
Earnings per share					
Basic and diluted earnings per share from net profit for the period attributable to the shareholders of the Parent	16	**0.58**	0.12	**1.56**	0.46

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

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Note	*30 September 2023 (Unaudited) SR*	*31 December 2022 (Audited) SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	**2,510,205,966**	2,471,495,624
Right-of-use assets	9	**58,590,479**	63,079,718
Intangible assets		**12,323,719**	7,452,840
Advance for investment		**10,000,000**	-
TOTAL NON-CURRENT ASSETS		**2,591,120,164**	2,542,028,182
CURRENT ASSETS			
Inventories	7	**100,977,049**	149,277,849
Trade receivables, net	6	**2,084,626,793**	1,634,781,967
Prepayments and other current assets	8	**144,482,788**	157,341,333
Bank balances and cash	10	**65,213,382**	15,601,613
TOTAL CURRENT ASSETS		**2,395,300,012**	1,957,002,762
TOTAL ASSETS		**4,986,420,176**	4,499,030,944
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**920,400,000**	920,400,000
Statutory reserve		**201,146,095**	201,146,095
Foreign currency translation reserves		**2,100,824**	726,671
Retained earnings		**386,362,230**	242,688,046
Equity attributable to the shareholders of the parent		**1,510,009,149**	1,364,960,812
Non-controlling interests		**47,705,895**	43,199,034
TOTAL EQUITY		**1,557,715,044**	1,408,159,846
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	12	**1,207,600,302**	1,180,686,916
Other financial liabilities		-	7,059,370
Lease obligations	9	**47,569,144**	56,904,420
Deferred income		**9,393,213**	10,724,287
Employees' end of service benefits		**208,230,272**	204,936,471
TOTAL NON-CURRENT LIABILITIES		**1,472,792,931**	1,460,311,464
CURRENT LIABILITIES			
Short-term loans and borrowings	12	**1,158,939,583**	990,972,145
Other financial liabilities		**6,599,010**	4,755,408
Lease obligations	9	**13,700,918**	11,914,708
Trade payables	13	**535,641,674**	425,750,178
Accrued expenses and other current liabilities	15	**227,033,743**	187,732,004
Zakat payable	4	**13,997,273**	9,435,191
TOTAL CURRENT LIABILITIES		**1,955,912,201**	1,630,559,634
TOTAL LIABILITIES		**3,428,705,132**	3,090,871,098
TOTAL EQUITY AND LIABILITIES		**4,986,420,176**	4,499,030,944

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

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2023

	Attributable to equity holders of the parent						
	Share capital SR	***Statutory reserve SR***	***Foreign currency translation reserves SR***	***Retained Earnings SR***	***Total SR***	***Non-controlling interests SR***	***Total SR***
Balance as at 1 January 2022 (audited)	920,400,000	193,627,813	-	143,519,346	1,257,547,159	37,760,582	1,295,307,741
Profit / (loss) for the period	-	-	-	42,021,412	42,021,412	(4,380,272)	37,641,140
Other comprehensive income for the period	-	-	140,161	-	140,161	-	140,161
Total comprehensive income / (loss) for the period	-	-	140,161	42,021,412	42,161,573	(4,380,272)	37,781,301
Change in ownership	-	-	-	(7,079,725)	(7,079,725)	7,079,725	-
Balance as at 30 September 2022 (unaudited)	920,400,000	193,627,813	140,161	178,461,033	1,292,629,007	40,460,035	1,333,089,042
Balance as at 1 January 2023 (audited)	**920,400,000**	**201,146,095**	**726,671**	**242,688,046**	**1,364,960,812**	**43,199,034**	**1,408,159,846**
Profit for the period	-	-	-	143,674,184	143,674,184	4,506,861	148,181,045
Other comprehensive income for the period	-	-	1,374,153		1,374,153		1,374,153
Total comprehensive income for the period	-	-	1,374,153	143,674,184	145,048,337	4,506,861	149,555,198
Balance as at 30 September 2023 (unaudited)	**920,400,000**	**201,146,095**	**2,100,824**	**386,362,230**	**1,510,009,149**	**47,705,895**	**1,557,715,044**

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2023

	Note	*For the Nine -month period ended 30 September 2023 (Unaudited) SR*	*For the Nine -month period ended 30 September 2022 (Unaudited) SR*
OPERATING ACTIVITIES			
Profit for the period before zakat		**162,231,045**	47,466,601
Non-cash adjustments to reconcile profit before zakat to net cash flow:			
Depreciation of property and equipment	5	**128,856,909**	95,607,444
Depreciation of right-of-use assets	9	**9,728,851**	8,020,240
Amortisation of intangible assets		**1,622,494**	1,119,366
Allowance for expected credit losses	6	**2,812,705**	1,239,508
Provision for slow moving and obsolete inventories	7	**2,014,507**	2,858,293
Loss on disposal of property and equipment		**694,060**	1,699,538
Amortization deferred income		**(1,403,829)**	(1,403,829)
Provision for employee benefits		**31,019,802**	34,028,913
Unwinding impact of other financial liabilities		**272,629**	476,969
Financial charges related to borrowings		**102,180,537**	-
Finance charges related to lease obligation	**9**	**2,659,937**	1,324,925
		442,689,647	192,437,968
Changes in operating assets and liabilities			
Inventories		**46,286,293**	(540,957)
Trade receivable		**(452,657,531)**	(323,653,205)
Prepayments and other current assets		**12,858,545**	(59,677,151)
Trade payable		**109,891497**	130,899,388
Accrued expenses and other current liabilities		**47,525,090**	57,740,704
Other financial liabilities		**(5,488,395)**	(5,011,426)
Cash generated from / (used in) operations		**201,105,146**	(7,804,679)
Employees' benefits paid		**(27,725,999)**	(23,859,936)
Zakat paid	4	**(9,487,918)**	(10,447,241)
Net cash generated from / (used in) operating activities		**163,891,229**	(42,111,856)
INVESTING ACTIVITIES			
Purchase of property and equipment, right of use assets and intangible assets		**(175,434,960)**	(165,782,915)
Proceeds from disposal of property and equipment		**293,537**	117,878
Advance for investment		**(10,000,000)**	-
Net cash used in investing activities		**(185,141,423)**	(165,665,037)
FINANCING ACTIVITIES			
Lease obligations, net	9	**(15,448,963)**	(9,359,644)
Financial charges paid		**(110,331,143)**	(53,179,618)
Proceeds of loans and borrowings		**1,166,903,201**	1,074,038,974
Repayment of loans and borrowings		**(970,261,132)**	(818,194,301)
Net cash generated from financing activities		**70,861,963**	193,305,411
INCREASE / (DECREASE) IN BANK BALANCES AND CASH		**49,611,769**	(14,471,482)
Bank balances and cash at the beginning of the period		**15,601,613**	28,129,407
BANK BALANCES AND CASH AT THE END OF THE PERIOD		**65,213,382**	13,657,925
MAJOR NON-CASH TRANSACTIONS			
Additions to right-of-use assets and lease liabilities	9	**5,239,960**	9,688,253
Borrowing costs capitalised during the year	5	**5,907,660**	8,184,403

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

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2023

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

Branch name	*Commercial registration*	*Issued on*	*Corresponding to*
Saudi German Hospital – Jeddah	4030124187	5 Safar 1419H	30 May 1998
Hai Jama (operating under SGH- Jeddah)	4030124187	5 Safar 1419H	30 May 1998
Saudi German Hospital – Riyadh	1010162269	24 Rajab 1421H	22 October 2000
Saudi German Hospital – Aseer	5855019364	28 Dhul Hijah 1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5August 2002
Abdul Jaleel Ibrahim Baterjee 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
Abha Clinics	58501024337	24 Ramadan 1443H	25 April 2022
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

The Company also has investment in the following subsidiary:

Subsidiary name	**Principal activities**	**Effective holding**	**Effective holding**
		30 September 2023	31 December 2022
National Hail Company for Healthcare (NHC)	Healthcare	53.9%	53.9%

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements for the three months and Nine months period ended 30 September 2023 prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed consolidated financial statements do not include all the information and disclosures required in full set of annual consolidated financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022. In addition, results for the interim period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023 (see also note 2.5)

2 BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting and the going concern assumption.

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of the Group.

2.4 Basis of consolidation

These interim condensed consolidated financial statements comprising the financial statements of 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 Parent Company.

2.4.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all of the following three criteria must be met:

i) the Group has power over an entity;
ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

2.4.2 Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from the Group's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.4.3 Transactions eliminated on consolidation

Balances between the Group entities, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed consolidated 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. The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2022.

The significant judgments, estimates and assumptions made by the management in applying the Group's accounting policies are same as those used described in the annual consolidated financial statements for the year ended 31 December 2022.

Middle East Healthcare Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 30 September 2023

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted and methods of commutation used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023.The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 01, 2023.
Definition of Accounting Estimates - Amendments to IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures	Annual periods beginning on or after January 01, 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 01, 2023.

New standards not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing change to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 21 Lack of exchangeability	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.	1 January 2025
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024

4 ZAKAT

The movement in the zakat provision during the period/year is as follows:

	For the Nine-month period ended 30 September 2023 (Unaudited) SR	*For the year ended 31 December 2022 (Audited) SR*
At the beginning of the period/year	**9,435,191**	10,236,426
Provided during the period/year	**14,050,000**	9,616,006
Paid during the period/year	**(9,487,918)**	(10,417,241)
At the end of the period/year	**13,997,273**	9,435,191

The Group's latest zakat assessment status is as follows:

Zakat status of Middle East Health Care Company

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

ZATCA issued the Zakat and withholding tax (WHT) assessment for the years 2015 to 2018 with total amount of SR 150 million. The Company submitted an appeal against ZATCA's assessment with the Tax violation and Dispute Resolution Committee (TVDRC). The TVDRC decision partially accepted the Company's appeal related to Zakat differences and rejected the Company's objection in relation to WHT and delay penalty. Based on the ZATCA amnesty the Company settled the WHT due of SR 56.8 million to wave the delay penalty of SR 14 million as advance tax and continue its objection on the same. Accordingly, The Zakat liability based on the TVDRC decision was reduced to SR 122 million (SR 83 million related to Zakat differences and SR 39 million related to WHT). The Company escalated the appeal to the Tax Violation and Dispute Appellate Committee (TVDAC). The management believes that it has a strong chance to win the case regarding the said objection.

ZATCA issued the Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The Company submitted an appeal against ZATCA's assessment with the TVDRC. The TVDRC decision rejected the Company's appeal. The company is in the process to file an appeal against TVDRC decision with TVDAC. The management believes that it has a strong chance to win the case regarding the said objection.

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

Zakat status of Subsidiary Company ("National Hail Company for Health Care" or "NHC")

The subsidiary has finalized its Zakat assessment up to the year ended 31 December 2012.The subsidiary filed the Zakat return for the year ended 31 December 2013 and obtained the unrestricted Zakat and tax certificate for the said year. The ZATCA issued the Zakat assessment for the said year, which showed Zakat differences of SR 0.059 million due from the subsidiary. The subsidiary filed an objection against the said assessment, which is still under review by ZATCA. The Subsidiary filed the Zakat/tax returns for the years ended 31 December 2014 to 2022 and obtained the Zakat/tax certificate for the said years.

5 PROPERTY AND EQUIPMENT

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Operating assets	**2,281,580,103**	1,873,686,270
Capital work-in-progress (CWIP)	**228,625,863**	597,809,354
	2,510,205,966	2,471,495,624

5.1 CWIP mainly contains the progress payments for expansion of hospital in Riyadh, and renovations of several hospitals' buildings and digitalization projects at different locations.

5.2 During the period finance charges amounting to SR 5.9 million (31 December 2022: SR 10.8 million) have been capitalized in CWIP.

5.3 The land and buildings with a net book value of SR 678 million (31 December 2022: SR 257 million) are mortgaged to secure loan from Ministry of Finance (note 12).

The movement in property and equipment for the period/year is shown below:

	For the Nine-month period ended 30 September 2023 (Unaudited) SR	*For the year ended 31 December 2022 (Audited) SR*
Cost:		
At the beginning of the period/year	**3,769,328,194**	3,580,641,884
Additions during the period/year	**173,916,586**	249,524,078
Disposals during the period/year	**(19,824,737)**	(57,717,070)
Transfers to intangible assets	**(4,973,374)**	(1,589,578)
Translation differences	**(597,037)**	(1,531,120)
At the end of the period/year	**3,917,849,632**	3,769,328,194
Depreciation:		
At the beginning of the period/year	**1,297,832,570**	1,224,104,271
Charge for the period/year	**128,856,909**	129,563,410
Relating to disposals	**(18,839,904)**	(55,607,566)
Translation differences	**(205,909)**	(227,545)
At the end of the period/year	**1,407,643,666**	1,297,832,570
Net book value:		
At the end of the period/year	**2,510,205,966**	2,471,495,624

6 TRADE RECEIVABLES

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Third party customers	**2,144,295,184**	1,694,968,577
Related parties (note 14)	**9,603,887**	6,272,963
	2,153,899,071	1,701,241,540
Less: expected credit losses	**(69,272,278)**	(66,459,573)
	2,084,626,793	1,634,781,967

Middle East Healthcare Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 30 September 2023

6 TRADE RECEIVABLES (continued)

Terms and conditions of the above financial assets:
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 are, therefore, unsecured.

As at 30 September 2023, approximately 96.67% of the group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2022: 97%)

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

	At 30 September 2023					
	Current	***<90 days***	***90–180 days***	***181–365 days***	***>1 year***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Total exposure at default (net)	693,604,677	536,191,627	441,299,724	433,840,645	39,358,511	**2,144,295,184**
Expected loss rate	2.40%	2.52%	2.91%	4.43%	17.82%	**3.23%**
Expected credit loss	(16,671,403)	(13,500,539)	(12,855,143)	(19,232,662)	(7,012,531)	**(69,272,278)**
	676,933,274	**522,691,088**	**428,444,581**	**414,607,983**	**32,345,980**	**2,075,022,906**

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

The movement in expected credit losses for the period/year is shown below:

	For the Nine-month period ended 30 September 2023 (Unaudited)	*For the year ended 31 December 2022 (Audited)*
	SR	*SR*
At the beginning of the period/year	**66,459,573**	64,890,065
Charge during the period/year	**2,812,705**	1,569,508
At the end of the period/year	**69,272,278**	66,459,573

7 INVENTORIES

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Spare parts and consumables	**77,037,015**	98,215,956
Pharmacy items	**43,682,604**	68,593,584
Kitchen items	**774,661**	971,033
	121,494,280	167,780,573
Less: provision for slow moving and obsolete inventories	**(20,517,231)**	(18,502,724)
	100,977,049	149,277,849

The movement in provision for slow moving and obsolete inventories for the period/year is shown below:

	For the Nine-month period ended 30 September 2023 (Unaudited) SR	*For the year ended 31 December 2022 (Audited) SR*
At the beginning of the period/year	**18,502,724**	17,734,908
Charge during the period/year	**2,014,507**	767,816
At the end of the period/year	**20,517,231**	18,502,724

8 PREPAYMENTS AND OTHER CURRENT ASSETS

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Advances to suppliers	**44,261,065**	38,624,459
Prepayments	**24,295,823**	27,677,906
Receivable from ZATCA against ongoing appeals (refer note 4)	**56,803,597**	38,944,499
Advances to staff	**1,955,719**	1,645,055
Margins against letter of guarantees and deposits (refer note 17)	**13,765,998**	14,523,049
Advances to a related party supplier (refer note 14)	**273,347**	33,691,866
Others	**3,127,239**	2,234,499
	144,482,788	157,341,333

9 RIGHT OF USE AND LEASE LIABILITIES

The movement in right-of-use assets and lease liability for the year is as follows:

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Right of use assets		
At the beginning of the period/year	**63,079,718**	32,596,931
Addition during the period/year	**5,239,960**	45,376,319
Foreign currency translation difference	**(348)**	-
Depreciation for the period / year	**(9,728,851)**	(14,893,532)
At the end of the period/year	**58,590,479**	63,079,718

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Lease liabilities		
At the beginning of the period/year	**68,819,128**	34,806,910
Interest expense for the period/year	**2,659,937**	3,022,853
Addition for the period/year	**5,239,960**	45,376,319
Payments made during the period / year	**(15,448,963)**	(14,386,954)
At the end of the period/year	**61,270,062**	68,819,128

Out of the total lease liability, SR 13.7 million (31 December 2022: SR 11.9 million) represents current portion of lease liability.

10 BANK BALANCES AND CASH

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Cash in hand	**2,265,848**	1,509,521
Cash at bank – current accounts	**62,947,534**	14,092,092
	65,213,382	15,601,613

At 30 September 2023, the Group had available SR 145 million (31 December 2022: SR 234 million) of undrawn committed borrowing facilities.

11 SHARE CAPITAL

As at 30 September 2023, the Parent Company's authorized, issued and fully paid share capital is SR 920.4 million (31 December 2022: SR 920.4 million) which is divided into 92.04 million (31 December 2022: 92.04 million) shares of SR 10 par value each (31 December 2022: SR 10 par value each).

12 LOANS AND BORROWINGS

Term loans comprise of the following:

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Loan from commercial banks	**2,045,636,293**	1,983,539,494
Loan from Ministry of Finance	**331,627,880**	200,247,683
Less: Unamortised portion of transaction cost	**(10,724,288)**	(12,128,116)
Loan from Ministry of Finance, net	**320,903,592**	188,119,567
	2,366,539,885	2,171,659,061

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Current portion:		
Long term loans	**180,674,684**	180,674,684
Short-term borrowings	**971,113,474**	803,218,790
Loan from Ministry of Finance	**7,151,425**	7,078,671
	1,158,939,583	990,972,145
Non-current portion:		
Long term loans	**893,848,135**	999,646,021
Loan from Ministry of Finance	**313,752,167**	181,040,895
	1,207,600,302	1,180,686,916
	2,366,539,885	2,171,659,061

Loan from Ministry of Finance are secured by the mortgage of land and building of Saudi German Hospital – Hail, Dammam and Makkah (Note 5.3). Loans from Ministry of Finance related to SGH Hail is interest free and unamortised interest is calculated and being amortised over the period of the loan term. As at 30 September 2023 the transaction costs amounting SR 10.7 million is netted of against loan balance. However, loans related to SGH Dammam and SGH Makkah are borrowed at SIBOR plus an agreed mark-up. Loans from commercial banks are borrowed at SIBOR plus an agreed mark up. These loans are secured through promissory notes issued by the Group. Other information relating to the loans, including covenants, repayment terms, collaterals etc. are primarily consistent with the information disclosed in the consolidated financial statements for the year ended 31 December 2022

13 TRADE PAYABLES

Trade payables comprise of the following:

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Third party suppliers	**432,861,006**	350,834,401
Due to related parties (note 14)	**102,780,668**	74,915,777
	535,641,674	425,750,178

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	*Nature of relationship*	*Nature of transactions*	*Transactions for the Nine-months period ended*		*Balance as at*	
			30 September 2023 SR	*30 September 2022 SR*	***30 September 2023 SR***	*31 December 2022 SR*
a) *Amounts due from related parties*						
Emirates Healthcare Development Company	Related party, shareholder / Board member	Management fee	**3,909,245**	3,525,174	**8,631,738**	4,811,594
Egypt Healthcare Company	Related party, shareholder / Board member	Management fee	**927,969**	2,372,128	**760,192**	1,017,479
Bait Al Batterjee Medical College	Related party, shareholder / Board member	Training fee	**100,300**	-	**77,718**	321,218
Bait Al Batterjee Fitness Company	Related party, shareholder / Board member	Medical services	**11,567**	-	**134,239**	122,672
					9,603,887	6,272,963
b) *Prepayments and other current assets*						
Megamind IT Solution Company	Related party, shareholder / Board member	outsourced IT services	**84,223,812**	94,070,421	**273,347**	33,691,866

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The above balances are unsecured, interest free and have no fixed repayment. The management estimate the allowance on due from related party balance at the reporting date at an amount equal to lifetime expected credit losses. No receivable balance from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate, the management considers 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. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 September 2023 and year ended 31 December 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Related party	*Nature of relationship*	*Nature of transactions*	*Transactions for the Nine-months period ended*		*Balance as at*	
			30 September 2023 SR	*30 September 2022 SR*	***30 September 2023 SR***	*31 December 2022 SR*
c) *Amounts due to related parties*						
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Related party, shareholder / Board member	Repair of medical instruments	**571,602**	995,699	**208,426**	244,381
International Hospital Construction Company	Related party, shareholder / Board member	Construction and renovation	**60,790,657**	91,919,189	**76,126,249**	59,141,629
Bait Al Batterjee Medical Company	Related party, shareholder / Board member	Advisory fee	**4,729,683**	4,725,671	**611,912**	1,868,495
Sawaed Al Halool Maintenance & Cleaning Company (JAN-PRO)	Related party, shareholder / Board member	Janitorial services	**11,495,052**	14,777,062	**786,574**	449,169
Bait Al Batterjee Pharmaceutical Company	Related party, shareholder / Board member	Supplies of certain pharmaceutical products	**32,836,612**	29,916,493	**25,047,507**	13,212,103
					102,780,668	74,915,777

Amount due from / to related parties are shown in notes 6,8 and 13, respectively.

14 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:

	For the Nine-month period ended 30 September 2023 (Unaudited) SR	*For the Nine-month period ended 30 September 2022 (Unaudited) SR*
Salaries and other benefits	**7,213,957**	7,119,715
Post-employment benefits	**310,804**	390,893
	7,524,761	7,510,608

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

15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprise of the following:

	30 September 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Payroll related accrued expenses	**135,194,299**	124,374,350
Cost related accrued expenses and other liabilities	**71,894,975**	40,689,984
Value added tax (VAT) payable	**19,944,469**	22,667,670
	227,033,743	187,732,004

16 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period have been computed by dividing the net profit attributable to shareholders of the Parent Company for the period by the weighted average number of shares outstanding during the period.

	For the three-month period ended 30 September 2023 Unaudited SR	*For the three-month period ended 30 September 2022 Unaudited SR*	***For the Nine-month period ended 30 September 2023 Unaudited SR***	*For the Nine - month period ended 30 September 2022 Unaudited SR*
Profit for the period attributable to ordinary shareholders of the Parent	**53,303,078**	11,105,759	**143,674,184**	42,021,412
Weighted average number of ordinary shares in issue	**92,040,000**	92,040,000	**92,040,000**	92,040,000
Basic and diluted earnings per share	**0.58**	0.12	**1.56**	0.46

Middle East Healthcare Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 30 September 2023

17 COMMITMENTS AND CONTINGENCIES

17.1 Various employees have filed cases against the Group for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to SR 21.6 million (31 December 2022: SR 3.5 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard.

17.2 The Company and its Subsidiary is also contesting various cases on account of alleged non-compliance of regulations. The total amount under consideration is SR 48 thousand (31 December 2022: SR nil million). Most of the cases are under hearing. The management is confident that the outcome will be in favour of the Group and no provision is required in this regard.

17.3 At 30 September 2023, the Group had commitments with related parties amounting to SR 9.5 million (31 December 2022: SR 207.1 million) relating to capital expenditures.

17.4 At 30 September 2023, the Group had outstanding open Zakat and withholding tax (WHT) assessment with ZATCA for the years 2015 to 2018 amounting to SR 122 (SR 83 million related to Zakat differences and SR 39 million related to WHT). The Company escalated the appeal to the Tax Violation and Dispute Appellate Committee (TVDAC). The management believes that it has a strong chance to win the case regarding the said objection. Also, the group had outstanding Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The company is in the process to file an appeal against TVDRC decision with TVDAC. The management believes that it has a strong chance to win the case regarding the said objection (refer to note 4).

17.5 At 30 September 2023, the Group had outstanding letters of guarantee amounting to SR 56.8 million to the favour of ZATCA against the assessment of zakat and tax for the years ended 31 December 2014, 31 December 2019 and 31 December 2020 with cover of 14.5 million (refer to note 8).

18 SEGMENTAL INFORMATION

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 0.41% of total revenue. The Board of Directors is the Chief Operating Decision Maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment, segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the interim condensed consolidated financial statements. However, the Group's financing (including finance costs, finance income and other income) and zakat are managed on a Group basis and are not allocated to operating segments. Accordingly, for chief operating decision maker 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:

Based on nature of services

	30 September 2023 (unaudited)				
	In patient services	*Outpatient services*	*Pharmacy sales*	*Others*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Revenue	1,140,091,104	529,643,726	257,171,483	6,453,600	**1,933,359,913**
Cost of revenue	(668,956,295)	(336,688,164)	(207,129,661)	(133,472)	**(1,212,907,592)**
Gross profit	471,134,809	192,955,562	50,041,822	6,320,128	**720,452,321**
Operating expenses					**(463,408,857)**
Operating profit					**257,043,464**
Finance charges					**(103,709,275)**
Other income					**10,594,846**
Zakat					**(14,050,000)**
Net profit					**149,879,035**

	30 September 2022 (unaudited)				
	In patient services	*Outpatient services*	*Pharmacy sales*	*Others*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Revenue	878,259,826	424,531,392	223,947,715	7,048,455	1,533,787,388
Cost of revenue	(573,474,331)	(295,604,517)	(188,321,521)	(390,844)	(1,057,791,213)
Gross profit	304,785,495	128,926,875	35,626,194	6,657,611	475,996,175
Operating expenses					(392,014,711)
Operating profit					83,981,464
Finance charges					(48,056,488)
Other income					11,541,625
Zakat					(9,825,461)
Net profit					37,641,140

19 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 interim condensed consolidated 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.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the period ended 30 September 2023, there were no movements between the levels.

As at 30 September 2023 and 31 December 2022, the fair values of the Group’s financial instruments are estimated to approximate their carrying values.

20 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of the Group for the three-month period ended 30 September 2023G have been approved by the Board of Directors on 18 Rabi Al-Thani 1445H, corresponding to 02 November 2023.

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