

Crowe Solutions For Professional Consulting
Member Crowe Global

**AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITORS' REPORT

**TO: THE SHAREHOLDERS OF
Ayyan Investment Company
(A Saudi Joint Stock Company)**

Al Khobar – Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of **AYYAN Investment Company, (the “Company”), and its subsidiaries (collectively referred to as “the Group”)**, which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as 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 Conducts and 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related To Going Concern

We draw attention to note (1) to the consolidated financial statements which stated that the Group had accumulated losses amounting SR 258,024,934 Which representing 32% from the capital as of December 31,2023 ,The current liabilities of the Group had exceeded its current assets by SR 215.2 million as at December 31, 2023 (December 31, 2022: SR 77.9 million). The Group is currently in negotiations with a commercial bank for additional facilities to finance its working capital requirements, Also the Group submitted right issue file to the capital market authority to increase the capital by SR 200 million, Management of the Group believes that it would be successful in obtaining additional facilities in the near future as required. And also if required the Group will sale one of its investments from investment properties and investment in equity instruments designated at fair value through other comprehensive income to cover this issue. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern, our opinion has not been modified in this matter.

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. We have determined the matters described below to be the key audit matters to be communicated in our report:

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Ayyan Investment Company
(A Saudi Joint Stock Company)
Al Khobar – Kingdom of Saudi Arabia

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>1- Impairment of Investment properties</p> <p>As of December 31, 2023, the Group has investment properties amounted to 126.3 million (2022: SR 126.5 million) which is carried at cost. Management conducts impairment review on an annual basis to assess whether there is any indication of potential impairment for the Group's Investment properties. If this review has resulted in an indication of impairment, an impairment study is performed for assessing the impairment value based on the recoverable amount as per related market indicators.</p> <p>Impairment of investment properties is valued through valuation techniques which involve professional judgment, estimates and assumptions.</p> <p>The book value of investment properties is adjusted by any long term impairment.</p> <p>Based on the materiality of the investment properties and the uncertainty associated with the judgments related to the assessment of the impairment this matter has been considered as a key audit matter.</p> <p>Refer to the note (3-13 & 4g) for the accounting policies and note (10) for the management estimates and judgments.</p>	<ul style="list-style-type: none"> - We have obtained the valuation reports of the independent valuator who is accredited from Saudi Association of Valuators ("Taqeem"). - We performed audit procedures to test whether the basic information presented by the management to the valuator Company is appropriate and dependable. - We have verified the final valuation reports and assessed whether there was any impairment to be recorded to investment properties. - We have discussed the valuation reports with the management to assess the market data and assumptions used. - Based on our assessment, we have ensured that the disclosure is appropriate in the consolidated financial statements.
<p>2- Investments in equity instruments designated at fair value through other comprehensive income</p> <p>As of December 31, 2023, the Group has investments in equity instruments designated at fair value through other comprehensive income amounted to SR 82.5 million (2022: SR 121.9 million).</p> <p>These investments have been classified as investment at fair value through other comprehensive income based on the Group's business model and contractual cash flow specifications.</p> <p>This matter has been considered as a key audit matter based on the fact that IFRS 9 requires significant judgment for the business model testing and the contractual cash flow specifications.</p> <p>Refer to the note (3-17 & 4e) for the accounting policy and note (8) for the management estimates and judgments.</p>	<ul style="list-style-type: none"> - We have checked the appropriateness of the Group classification of the financial instruments as per the Group's business model and the related contractual cash flow. - We have obtained the valuation reports of the independent valuator who is accredited from Saudi Association of Valuators ("Taqeem") to measure the fair value of financial instruments. - We performed audit procedures to test completeness and accuracy of information presented by the management to the valuator. - We have discussed the valuation reports with the management to verify market data and assumptions used. - We have reviewed the related disclosure in the financial statements to ensure the compliance with the requirements of IFRS 9 and IFRS 7.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Ayyan Investment Company
(A Saudi Joint Stock Company)
Al Khobar – Kingdom of Saudi Arabia

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report for year 2023, other than 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 do not express any form of assurance or 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, and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the 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 (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA), Regulations for the Companies' and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (Board of Directors) 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 as 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 ISAs as 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Ayyan Investment Company
(A Saudi Joint Stock Company)
Al Khobar – Kingdom of Saudi Arabia

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

- 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 exist 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 disclosure 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.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the establishments or commercial 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, 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.



Crowe Solutions
For Professional Consulting



Abdullah M. AlAzem
License No. 335

9 Shawal, 1445H (18 April, 2024)
Khobar, Kingdom of Saudi Arabia


AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 SR	2022 SR
ASSETS			
Non-current assets			
Property, plant and equipment, net	6	1,063,803,819	1,061,689,553
Intangible assets, net	7	12,039,642	1,156,775
Investments in equity instruments designated at fair value through other comprehensive income	8	82,496,266	121,942,163
Investment in an associate	9	18,685,449	20,184,068
Investment properties, net	10	126,287,577	126,500,412
Right-of-use assets, net	11	52,649,581	64,363,706
Goodwill	12	2,094,678	2,094,678
Total non-current assets		1,358,057,012	1,397,931,355
Current assets			
Inventory, net	13	46,313,861	30,171,486
Trade receivables, prepayments and other assets, net	14	198,820,659	131,090,072
Investment in equity instruments at fair value through profit or loss	15	-	-
Cash and cash equivalents	16	61,770,101	77,049,943
Total current assets		306,904,621	238,311,501
TOTAL ASSETS		1,664,961,633	1,636,242,856
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	806,363,280	806,363,280
Share premium		65,478,995	65,478,995
Statutory reserve	17	7,786,135	7,786,135
Accumulated losses		(258,024,934)	(42,978,981)
Reserve for acquisition of additional shares in a subsidiary	18	(122,454,330)	(122,454,330)
Fair value reserve		(5,518,338)	15,932,210
Reserve for re-measurement of employees' defined benefit obligations		6,370,012	5,608,499
Total equity attributable to shareholders		500,000,820	735,735,808
Non-controlling interest		8,620,391	8,357,566
TOTAL EQUITY		508,621,211	744,093,374
LIABILITIES			
Non-current liabilities			
Long term loans – non-current portion	19	536,238,166	471,282,531
Lease liabilities - non-current portion	11	55,026,374	65,746,541
Employees' defined benefits obligations	21	42,930,189	38,958,097
Total non-current liabilities		634,194,729	575,987,169
Current liabilities			
Long term loans – current portion	19	31,419,205	80,809,025
Short term loans	20	175,371,372	118,147,146
Trade payables, accrued expenses and other liabilities	22	296,378,891	95,209,124
Lease liabilities - current portion	11	13,420,181	16,114,534
Zakat provision	23	5,556,044	5,882,484
Total current liabilities		522,145,693	316,162,313
Total liabilities		1,156,340,422	892,149,482
TOTAL EQUITY AND LIABILITIES		1,664,961,633	1,636,242,856

The consolidated financial statements were approved by the board of directors, on Shawal 9,1445H corresponding to April 18, 2024 and were signed on its behalf by:


Ahmed Ibrahim
Finance Manager


Raed Mohamed Al Naeem
CEO


Faisal Abdullah Al Qahtani
Chairman

The accompanying notes form an integral part of these consolidated financial statements

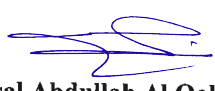
AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 SR	2022 SR
Revenues, net	26	333,277,992	266,226,780
Cost of revenues	27	(372,852,974)	(249,393,623)
Gross (Loss) profit		(39,574,982)	16,833,157
General and administrative expenses	28	(117,497,242)	(72,825,239)
Selling and marketing expenses	29	(3,424,292)	(1,144,722)
Operating loss		(160,496,516)	(57,136,804)
Finance cost	30	(68,611,452)	(3,387,122)
Dividends income	31	2,991,015	4,036,235
Share of results from associate	9	862,834	5,556,569
Realized gain on disposal of equity instruments at fair value through profit or loss	15	-	1,616,331
Gain from disposal of investments	8	26,724	-
Other income	32	13,161,801	10,600,577
Net loss before zakat		(212,065,594)	(38,714,214)
Zakat	23	(4,000,000)	(5,916,865)
Net loss for the year		(216,065,594)	(44,631,079)
OTHER COMPREHENSIVE INCOME			
<i>Item that will not be reclassified subsequently to the profit or loss</i>			
Net movement in fair value of equity instruments designated at fair value through other comprehensive income	8	(21,450,548)	(26,518,227)
Re-measurement loss on employees' defined benefits obligations	21	838,987	(1,659,483)
Other comprehensive losses		(20,611,561)	(28,177,710)
Total comprehensive loss for the year		(236,677,155)	(72,808,789)
Net loss for the year attributable to:			
Shareholders		(216,250,945)	(44,767,736)
Non-controlling interest		185,351	136,657
Net loss for the year		(216,065,594)	(44,631,079)
Total comprehensive losses attributable to:			
Shareholders		(236,939,980)	(72,922,687)
Non-controlling interest		262,825	113,898
Total comprehensive losses for the year		(236,677,155)	(72,808,789)
Loss per share			
Loss per share of net loss for the year	25	(2.68)	(0.56)
Loss per share of total comprehensive loss for the year	25	(2.94)	(0.90)
Number of outstanding Shares	25	80,636,328	80,636,328

The consolidated financial statements were approved by the board of directors, on Shawal 9, 1445H corresponding to April 18, 2024 and were signed on its behalf by:


Ahmed Ibrahim
Finance Manager


Raed Mohamed Al Naeem
CEO


Faisal Abdullah Al Qahtani
Chairman

The accompanying notes form an integral part of these consolidated financial statements

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Share Capital	Share premium	Statutory reserve	Accumulated losses	Reserve for acquisition of additional shares in a subsidiary	Fair value reserve	Reserve for re- measurement of employees' defined benefit obligations	Total equity attributable to shareholders of the Company	Non-controlling interest	Total equity
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Balance as at January 1, 2022	806,363,280	65,478,995	7,786,135	1,788,755	(122,454,330)	42,450,437	7,245,223	808,658,495	8,243,668	816,902,163
Net loss for the year	-	-	-	(44,767,736)	-	-	-	(44,767,736)	136,657	(44,631,079)
Other comprehensive loss	-	-	-	-	-	(26,518,227)	(1,636,724)	(28,154,951)	(22,759)	(28,177,710)
Total comprehensive income for the year	-	-	-	(44,767,736)	-	(26,518,227)	(1,636,724)	(72,922,687)	113,898	(72,808,789)
Balance as at December 31, 2022	806,363,280	65,478,995	7,786,135	(42,978,981)	(122,454,330)	15,932,210	5,608,499	735,735,808	8,357,566	744,093,374
Balance as at January 1, 2023	806,363,280	65,478,995	7,786,135	(42,978,981)	(122,454,330)	15,932,210	5,608,499	735,735,808	8,357,566	744,093,374
Net loss for the year	-	-	-	(216,250,945)	-	-	-	(216,250,945)	185,351	(216,065,594)
Other comprehensive loss	-	-	-	1,204,992	-	(21,450,548)	761,513	(19,484,043)	77,474	(19,406,569)
Total comprehensive income for the year	-	-	-	(215,045,953)	-	(21,450,548)	761,513	(235,734,988)	262,825	(235,472,163)
Balance as at December 31, 2023	806,363,280	65,478,995	7,786,135	(258,024,934)	(122,454,330)	(5,518,338)	6,370,012	500,000,820	8,620,391	508,621,211

The consolidated financial statements were approved by the board of directors, on Shawal 9, 1445H corresponding to April 18, 2024 and were signed on its behalf by:



Ahmed Ibrahim
Finance Manager



Raed Mohamed Al Naeem
CEO



Faisal Abdullah Al Qahtani
Chairman

The accompanying notes form an integral part of these consolidated financial statements.

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023


	2023	2022
	SR	SR
OPERATING ACTIVITIES		
Net loss for the year before zakat	(212,065,594)	(38,714,214)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	26,196,834	17,512,370
Depreciation on investment properties	212,835	183,675
Amortization of right of use asset	11,921,587	3,414,256
(Gain) loss from disposal of property, plant and equipment	(52,247)	176,890
Amortization of intangible assets	827,208	457,371
Finance cost	68,611,452	3,387,122
Share of results from associate	(862,834)	(5,556,569)
Dividends income	(2,991,015)	(4,036,235)
Expected credit losses	4,120,663	-
Realized gain on disposal of equity instruments at fair value through profit or loss	-	(1,616,331)
Gain from disposal of investments	(26,724)	-
Defined benefits obligations for employees	12,256,232	7,161,130
	(91,851,603)	(17,630,535)
Changes in operating assets and liabilities:		
Trade receivables, prepayments and other current assets	(71,851,250)	(12,644,035)
Inventories	(16,142,375)	(8,667,985)
Trade payables, accrued expenses and other liabilities	200,169,767	12,267,724
Cash from operations	20,324,539	(26,674,831)
Finance cost paid	(44,384,406)	(570,933)
Defined benefits obligations for employees paid	(7,445,153)	(7,461,113)
Zakat paid	(4,326,440)	(5,559,163)
Net cash used in operating activities	(35,831,460)	(40,266,040)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(39,076,625)	(146,898,665)
Addition of Right-of-use assets	(207,462)	-
Proceeds from disposal of property, plant and equipment	174,363	44,534
Purchase of intangible assets	(2,264,537)	-
Dividend received from investment recognized at equity method	2,361,453	800,000
Cash dividends received	2,991,015	4,036,235
Proceeds from disposal of investments	19,227,065	-
Proceeds of equity instruments at fair value through profit and loss	-	83,419,880
Purchase of equity instruments at fair value through profit and loss	-	(24,201,637)
Net cash used in investing activities	(16,794,728)	(82,799,653)
FINANCING ACTIVITIES		
Lease liabilities, net	(15,924,172)	6,547,247
Loans, net	53,270,518	164,076,763
Net cash provided by financing activities	37,346,346	170,624,010
Net change in cash and cash equivalents	(15,279,842)	47,558,317
Cash and cash equivalent as at 1 January	77,049,943	29,491,626
Cash and cash equivalents as at 31 December	61,770,101	77,049,943

Supplement information related to non-cash transaction are disclosed in note (35).

The consolidated financial statements were approved by the board of directors, on Shawal 9, 1445H corresponding to April 18, 2024 and were signed on its behalf by:


Ahmed Ibrahim
Finance Manager


Raed Mohamed Al Naeem
CEO


Faisal Abdullah Al Qahtani
Chairman

The accompanying notes form an integral part of these consolidated financial statements.

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

AYYAN Investment Company ("the Company") is a Saudi Joint Stock Company established as per Ministerial Decree No. 573 dated 14 Rabea II 1414H corresponding to October 1, 1993 and registered under Commercial Register No. 2051064048 dated 19 Rajab 1438H corresponding to April 16, 2017. The Company has a branch registered under commercial registration number 2252021816 which is located in Al-Ahsa, Kingdom of Saudi Arabia.

The authorized, issued and paid up share capital amounted to SR 806,363,280 divided into 80,636,328 shares with par value of SR 10 per share. (As at December 31, 2022: SR 806,363,280 divided into 80,636,328 shares with par value of SR 10 per share).

The main activity of the Company is general construction of non-residential buildings including schools, hospitals, hotels etc.

Going Concern

As of December 31, 2023 the Group had accumulated losses amounting SR 258,024,934 Which representing 32% from the capital, The current liabilities of the Group had exceeded its current assets by SR 215.2 million as at December 31, 2023 (December 31, 2022: SR 77.9 million). The Group is currently in negotiations with a commercial bank for additional facilities to finance its working capital requirements, Also the Group submitted right issue file to the capital market authority to increase the capital by SR 200 million, Management of the Group believes that it would be successful in obtaining additional facilities in the near future as required. And also if required the Group will sale one of its investments from investment properties and investment in equity instruments designated at fair value through other comprehensive income to cover this issue. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, our opinion has not been modified in this matter.

1.1 Structure of the group

These consolidated financial statements include the financial statements of the Company and the following subsidiaries collectively referred to hereafter as "the Group":

Company	Legal Form	Incorporation Country	Effective ownership	
			2023	2022
A. Al-Ahsa Food Industries Company	Limited Liability Company	Saudi Arabia	100%	100%
B. Al-Ahsa Medical Services Company	Closed Joint Stock Company	Saudi Arabia	96.3%	96.3%
C. Al Salam Medical Services Company	Closed Joint Stock Company	Saudi Arabia	100%	100%

The assets, liabilities and result of operations of the above subsidiaries of the company have been included in the accompanying consolidated financial statements.

A. Al-Ahsa Food Industries Company ("AFIC")

Al-Ahsa Food Industries Company is a Saudi limited liability company registered under Commercial Register No. 2252023850 dated 7 Muharram 1416H corresponding to June 6, 1995. The principle activities of Al-Ahsa Food Industries Company are the production of dates and their derivatives and it is wholly owned by the Company. The subsidiary's accumulated losses exceeded its capital. Under the provisions of Article 181 of the Companies Law, the shareholders are required to resolve to continue in the business and provide support to the subsidiary or liquidate it., the Board of Directors resolved to continue to support the subsidiary and provide it with the necessary funding.

AYYAN INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

1.1 Structure of the group (Continued)

B. Al-Ahsa Medical Services Company ("AMSC")

Al-Ahsa Medical Services Company is a closed joint stock company under Commercial Register No. 2252025213 dated 07 Sha'ban 1418H corresponding to December 07, 1997. Al-Ahsa Medical Services Company is engaged in the establishment, management, operation and maintenance of hospitals. On May 1, 2019, The Group acquired additional 16.32% of the subsidiary's equity shares from the non-controlling interest, this resulted in an increase of the group's ownership in the subsidiary from 53.61% to 69.9%.

During the year 2021, the Group increase the capital from 737,320,690 to SAR 806,363,280 by issuing new shares (6,904,259 shares) for the acquisition of 26.43% of AMSC shares for SR 148.5 million to reach the group's ownership percentage 96.3%.

During the year 2024 The Group acquired additional 1.03% of the subsidiary's equity shares from the non-controlling interest, this resulted in an increase of the group's ownership in the subsidiary from 96.3% to 97.4%.

C. Al Salam Medical Services Company (ASMSC)

Al Salam Medical Services Company is a Saudi Closed Joint Stock Company Registered under commercial registration number 2051059611 dated 16 Safar 1436H corresponding to December 9, 2014. The principal activities of ASMSC include establishing, maintenance and operating hospitals, medical centers, government and private dispensaries. On March 15, 2020, the Group has acquired 100% share capital and voting interest in ASMSC and obtained control .

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

2.2 Preparation of consolidated financial statements

The accompanying consolidated financial statements have been prepared on the historical cost convention except for the end of service benefits which are recognized at the present value of future obligation using the projected unit credit method and investments in equity instruments designated at fair value through other comprehensive income which is measured at fair value. The preparation of consolidated financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the consolidated financial statements. These areas that are significant to the financial statements are disclosed in note 4.

2.3 Operational and presentation currency

These consolidated financial statements are presented in Saudi Riyal ("SR") which is the Group's functional and presentation currency. All amounts have been rounded to the nearest Saudi Riyal, unless otherwise indicated.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries detailed in note 1. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses 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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

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2. BASIS OF PREPARATION (Continued)

2.4 Basis of consolidation (Continued)

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Consolidated and each component of other comprehensive income are attributed to the owners of the Group. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.4.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified Consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue

Revenue is recognized at the fair value of the consideration received or receivables taking in the consideration the payment terms specified in the contract with the customer excluding any tax or fees. The Group recognizes revenues from contracts based on five steps model as follows:

- Identify the contract with the customer i.e. agreement with the Group which create exercisable rights and obligations.
- Identifying the performance obligation such as promises to deliver goods or services.
- Determining the transaction price based on the expected consideration receivables against the satisfaction of the performance obligation (excluding any amounts received on behalf of third parties)
- Allocate the transaction price for each performance obligation based on estimated selling price for goods and service provided to the client.
- Recognize revenue when (or as) the performance obligation is satisfied such as delivery of the contracted goods or services to the client till the client obtain the control which can be at a point of time or over time.

(a) Sale of goods

The sale of goods is recognized when the goods are delivered or shipped, in accordance with agreed contractual terms, when the control of the goods is transferred to the buyer and the Group has no continuing management relationship to the extent normally associated with ownership or effective control over the goods sold.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Revenue (continued)

(b) Rendering of services

Revenue from services are recognized on the satisfaction of the related performance obligations and is classified as revenues from the main operating activities. Certain services are subject to variable considerations such as discounts and rejections. The Group calculate discounts and rejections based on its best estimates and depending on its experience and knowledge about the past and current events.

(c) Income from operating leases

Income from operating leases is recognized on straight line basis over the life of the lease contract. Un-earned revenues represent amounts received from the customers in advance and recognized as liabilities to be amortized on a straight line basis when earned.

(d) Term deposit income

Income from term deposit for commission-related financial assets is recognized using the effective commission rate.

(e) Dividends

Dividends income is recognized when the Group has the right to receive these dividends. This is usually the case when the shareholders of the investee companies, resolve to distribute dividends.

(f) Other

Other income is recognized on an accrual basis.

3.2 Expenses

Distribution expenses principally comprise of costs incurred in the distribution and delivery of the Group's products.

Marketing expenses principally comprise of costs incurred in marketing and advertising the Group's products and services. All expenses, other than cost of sales, distribution and marketing expenses, are classified as administrative expenses.

Administrative expenses include indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles. Allocations between distribution, marketing and administrative expenses and cost of revenue, when required, are made on a consistent basis.

3.3 Earnings per share

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year. The Group does not have any factors that may result in a reduction in the basic earnings per share. Accordingly, the basic earnings per share is equal to the diluted earnings per share.

3.4 Foreign currency transactions

Presentation currency

The accompanying consolidated financial statements are presented in Saudi Riyals which is the functional currency and presentation currency of the parent company. Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entity operates (the functional currency). All of the Group's subsidiaries operate mainly in the Kingdom of Saudi Arabia.

Transaction and balances

Transactions denominated in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences on monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income in the period in which they arise.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Employees defined benefit obligations

Liabilities for defined benefit obligations of employees are determined using the projected credit unit method, with an actuarial valuation performed at the end of each financial year. The re-measurement, consisting of actuarial gains or losses, is recognized directly in the consolidated statement of financial position with the addition or reversal of the carrying amount in other comprehensive income in the year in which they occur. Re-measurement recognized in other comprehensive income is recognized immediately in retained earnings and will not be reclassified to consolidated profit or loss in subsequent periods. Changes in the present value of the benefit obligation arising from the plan's adjustments or reductions are recognized directly in profit or loss as an interest expense. Interest cost is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are classified as follows:

- Service cost (including the cost of the current service or the cost of the previous service, plus gains and losses from reductions and adjustments).
- Interest expense
- re-measurement

The Group recognizes the first two items of the defined benefit costs on the consolidated statement of profit or loss under "administrative expenses", while the third component of the "re-measurement" is charged to comprehensive income and is recognized in the consolidated statement of changes in equity. A termination benefit obligation is recognized when the Group cannot withdraw the offer of termination benefits or when the Group recognizes any related restructuring costs, whichever is earlier.

Short-term employee benefits

Employees' accrued liabilities for wages, salaries, annual leaves and sick leaves, which are expected to be repaid within 12 months after the end of the period and are recognized in the period in which the related service is provided, are recognized in the amount expected to be paid for the benefits expected to be paid for that service and disclosed in current liabilities.

3.6 Zakat

The Group is subject to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the kingdom of Saudi Arabia. Zakat is calculated on accrual basis. Zakat is calculated on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3.7 Segmental reporting

The sector represents a unit that can be identified in the group that sells or provides goods and services (the sectors by activity) or those that sell or deliver goods and services within a specific economic environment (the sectors by geographical area). Each sector has its own risk and benefits from the risks and benefits of other sectors. The Group's segments are divided into industrial, service (medical) and investment sectors. Although the Industry Department does not meet the quantitative requirements that qualify it to be a segmental reporting, management is required to disclose it separately as it monitors the sector as a potential sector to grow economically and is expected to contribute significantly to the Group's future revenues.

3.8 Property, plant & equipment

Property, plant and equipment are stated at their cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Property, plant & equipment (continued)

Property and equipment (except freehold land and building under construction) are depreciated over its useful lives using the straight line method.

The estimated useful life of the principal classes of assets are as follows:

	Year
Buildings and leasehold improvements	5 – 33 years
Machinery	10 years
Vehicles	4 years
Furniture, and office equipment	3 – 10 years
Computer	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of profit or loss and other comprehensive income.

The capital work in progress is the cumulative costs incurred by the Group for the construction of additional buildings. Costs incurred on capital work in progress are recorded and transferred to property, plant and equipment upon completion of construction. Finance costs are capitalized from loans relating to the construction of qualifying assets within the period of time required to complete and prepare them for the intended purpose.

Capitalization of costs

The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the reporting year in which they are incurred. Maintenance and normal repairs which do not extend the estimated economic useful life of an asset or production output are charged to the consolidated statement of profit or loss and other comprehensive income as and when incurred.

Capital work-in-progress

Assets in the course of construction or development are capitalized in the capital work-in-progress ("CWIP") account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing period. Capital work-in-progress is not depreciated or amortized.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Intangible assets

Intangible assets with finite lives acquired separately are recorded at cost less accumulated amortization and the total impairment loss. Amortization is recognized using the straight-line method over its estimated useful lives. The estimated useful lives and the amortization method are reviewed at the end of each reporting period and any changes in estimates are accounted for on a future basis. Intangible assets with indefinite useful lives that are acquired separately are stated at cost less accumulated impairment losses.

An intangible asset is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Gains or losses on de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated profit or loss on de-recognition of the asset.

The Group's significant intangible assets, their useful lives and the methods used to determine the cost of intangible assets acquired during the business combination are as follows:

	Productive life
Computer program	4 years
Contractual relations	5 years

3.10 Impairment of tangible and intangible assets

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

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

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss and other comprehensive income.

3.11 Inventory

Inventories are valued at the lower of cost and net realizable value. Cost of inventories is determined on a weighted average basis and includes costs of purchase of inventory, production or conversion costs and other costs incurred to bringing the inventories to their present location and condition. In the case of manufactured goods and work in progress, the cost includes an appropriate share of indirect production costs based on normal operating capacity.

Net realizable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Investment properties

Initial recognition of investment properties is carried at cost including transaction costs. Investment properties are subsequently measured at cost less accumulated depreciation and any impairment losses. Investment properties in land held for capital appreciation and not for sale in the short term are in the normal course of business, land held for future indefinite use and buildings that are used for leasing. Depreciation of buildings is calculated over a period of 33 years using the straight line method and the depreciation of the land is not accounted for.

The fair values of investment properties that reflect the prevailing market conditions are disclosed at the reporting date. The fair value is determined on the basis of an annual valuation by an independent valuer.

The carrying values of investment properties are reviewed to ensure that there is no impairment in value when events or changes in circumstances indicate that the carrying amount is not recoverable. Where there are indications that the carrying amount of the investment property exceeds its estimated recoverable amount, that difference is recognized as an impairment loss on the consolidated statement of profit or loss and other comprehensive income. Recoverable amount is the higher of fair value less costs to sell or value in use.

Investment properties are derecognised when they are permanently excluded from use or no future economic benefits are expected upon disposal. The difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated profit or loss for the period in which the asset is derecognised.

3.14 Investment in an associate

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes separately in the statement of profit or loss.

Accounting policies of associates are required to be changed where necessary to ensure consistency with the policies adopted by the Group.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred.

3.16 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis as follows:

(a) Right of use asset

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

(b) Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the additional borrowing rate, which represents the price that the tenant will pay to borrow the money needed to obtain an asset of similar value in a similar economic environment on similar terms and conditions.

Payments relating to short term leases and rentals of low value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease period of 12 months or less.

The lease terms are renegotiated on an individual basis and have a wide range of terms and conditions. The lease agreements do not impose any obligations, but the leased assets may not be used as security for borrowing purposes.

3.17 Financial instruments

3-17-1 Financial assets

The group classify its financial assets based on the entity's business model for managing the financial assets and the contractual terms of the cash flows as follows:

- Financial assets at amortized cost
- Equity instruments at fair value through other comprehensive income.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

3-17-1-1 Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. The Group de-recognizes a financial asset at amortized cost 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 gain or loss on de-recognition is recognized in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Financial instruments (Continued)

3-17-1-2 Equity instruments at fair value through other comprehensive income

Equity instruments at fair value through other comprehensive income are those instruments for which the Group has irrevocably elected to present subsequent changes in its fair value in Other Comprehensive Income. This election is made on an instrument-by-instrument basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Change in the fair value of such instruments are recognized in OCI and are never reclassified to profit or loss.

The Group de-recognizes the equity instruments at fair value through other comprehensive income when 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 gain or loss on de-recognition is recognized as an equity transaction and are never reclassified to profit or loss.

3-17-1-3 Investment in equity instruments at fair value through profit or loss

The group classifies the following financial assets at fair value through profit or loss (FVTPL):

- Debt investments that do not qualify for measurement at either amortized cost or fair value through other comprehensive income (FVTOCI)
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognize fair value gains and losses through other comprehensive income.

These assets are subsequently measured at fair value. Change in the fair value of such instruments and dividends are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

The Group de-recognizes the equity instruments at fair value through profit or loss when 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 gain or loss on de-recognition is charged to profit or loss.

3-17-2 Financial Liabilities

Financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities of the Group comprise of bank borrowings and trade and other payables.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is 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.

3-17-3 Impairment of financial assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets, carried at amortized cost.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. 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 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.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Financial instruments (Continued)

3-17-4 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.18 Government grant

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them. Government grants are recorded in the period during which they are received and are included as a deduction from the relevant fixed asset.

3.19 Discontinued operations

Discontinued operations represent a component of the Group that either has been disposed of or is classified as held for sale and:

- a) Represents a separate major line of business or geographical area of operations,
- b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- c) Is a subsidiary acquired exclusively with a view to re-sale.

Discontinued operations are presented in the consolidated statement of profit or loss and other comprehensive income, which includes post-tax gains or losses for discontinued operations plus gains and losses recognized after taxes during the re-measurement of the fair value of the assets or disposal groups, which represents discontinued operations less cost of sale.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Following are the critical judgement and key assumptions:

(a) Impairment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The carrying values of property, plant 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 values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

(b) Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management estimates the useful lives of its property and equipment and intangible assets for the purpose of calculating depreciation and amortization. These estimates are determined after considering the expected usage of the asset or physical wear and tear for useful lives. Useful lives and residual values are reviewed by the management on an annual basis. Any change in the depreciation is accounted for prospectively.

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4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants in the principal market 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 to 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. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(e) Fair value of investments in equity instruments designated at fair value through other comprehensive income

The fair value of investments in equity instruments that are not quoted in active markets is determined by using known valuation techniques such as discounted cash flows and recent transaction prices. Fair value is determined at a given time on the basis of market conditions and available information about the investee companies. These estimates are subjective in nature, involve uncertainties and require a high degree of diligence, and therefore cannot be determined with extreme precision. Future events (such as continued operating profit and financial strength) are uncertain and it is possible, based on current information, that the results for the next fiscal year will differ from earlier assumptions, requiring future adjustments to the carrying amount of investments. In cases where discounted cash flow models are used to estimate fair values, future cash flows are estimated by the management in accordance with the information available with the representatives of the investee and according to the latest available audited or unaudited financial statements.

(f) Goodwill impairment

An impairment test is performed on cash-generating units by comparing the carrying amount of the cash-generating units and their recoverable amount. The recoverable amount of the cash-generating unit is the higher of its fair value less costs to sell or its value in use. The valuation process used to determine fair value and value in use includes the use of methods such as the discounted cash flow method that uses assumptions to estimate cash flows. The recoverable amount depends largely on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

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4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

UNCERTAINTY (Continued)

(g) Investment properties impairment

The Group reviews the carrying amount of investment properties to determine whether there is any indication that the asset is impaired. Where necessary, management uses estimates and judgments to determine whether there is any indication of impairment in value of investment properties. The carrying values of investment properties are reviewed to ensure that there is no impairment in value when events or changes in circumstances indicate that the carrying amount is not recoverable. Where there are indications that the carrying amount of the investment properties exceeds its estimated recoverable amount, that difference is recognized as an impairment loss on the consolidated statement of profit or loss and other comprehensive income. Recoverable amount is the higher of fair value less costs to sell or value in use.

(h) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and unexpected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(i) Employee end of service benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using various assumptions that may differ from actual developments in future. The assumptions used include the discount rate, future salary increases, mortality rates and future pension increases. Changes in these assumptions will impact the carrying amount of the pension obligation. The Group determines the appropriate discount rate at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the expected term of the related pension obligation.

(j) Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete or subject to technological changes, an estimate is made of their net realizable value. Factors considered in determination of markdowns include current and anticipated demand, customer preferences and age of inventories as well as seasonal trends. For individually significant amounts, this estimation is performed on an individual basis. Items which are not individually significant, but which are old or obsolete, are assessed collectively and a markdown provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

(k) Rejections and discounts

The Group calculate discounts and rejections based on its best estimates and depending on its experience and knowledge about the past and current events.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND NEW STANDARDS

5.1 New Standards and Amendments to Standards and Interpretations:

There are no new standards that have been applied. However, a number of amendments to the standards are effective as of January 01, 2023, but they do not have a material impact on the company's consolidated financial statements. The following is a summary of the amendments applied by the company:

Amendments to IAS 1 "Presentation of Financial Statements" on Classification of Liabilities.

These narrowly defined amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The rating is not affected by the entity's expectations or by events after the reporting date (eg, receipt of a waiver or breach of a covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of an obligation.

Amendments to IAS 1, Practice Statement 2 and IAS 8.

The amendments aim to improve accounting policy disclosures and help users of financial statements distinguish between changes in accounting estimates and changes in accounting policies.

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5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND NEW STANDARDS (Continued)

Amendments to IAS 12 - Deferred Tax relating to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition, result in equal amounts of deductible and taxable temporary differences.

The Company does not expect that the application of these new and amended standards and interpretations will have a material impact on its financial statements.

5.2 Standards issued not yet applied:

The following is a statement of the new standards and amendments to the applicable standards for the years beginning on or after January 1, 2024 with early application permitted, but the Company did not apply them when preparing these financial statements.

Amendments to IFRS 16 - Lease Obligations in Sale and Leaseback Transactions.

These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how a company accounts for sale and leaseback transactions after the date of the transaction. Sale and leaseback transactions in which some or all of the lease payments are considered to be variable lease payments depend on an index or rate that is highly probable.

Amendments to IAS 1 - Non-current liabilities with commitments and classification of liabilities as current or non-current.

These amendments explain how compliance with conditions with which a company must comply in the twelve months after the reporting period affects the classification of liabilities. These amendments are also intended to improve the information provided by the Company in relation to the liabilities subject to these Terms.

Amendments to IAS 7 and IFRS 7 – Supplier financing arrangements.

Amendments to IAS 27 – Non-convertibility.

The following are the new International Financial Reporting Standards for Sustainability Disclosure effective for annual periods beginning on or after January 1, 2024 AD and subject to the approval of the Saudi Organization for Auditors and Accountants.

IFRS (Sustainability 1) “General requirements for disclosure of financial information related to sustainability”

This standard includes the basic framework for disclosing material information about sustainability-related risks and opportunities across an organization's value chain.

IFRS (Sustainability 2) “Climate-related disclosures”

This is the first objective standard issued that sets requirements for entities to disclose information about climate-related risks and opportunities.

The Company does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its consolidated financial statements.

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6. PROPERTY, PLANT AND EQUIPMENT, NET

	Lands SR	Buildings and improvements SR	Machines SR	Vehicles SR	Furniture & of- fice equipment SR	Computers SR	Capital work- in-progress SR	Total SR
Cost								
At January 1, 2023	165,897,406	390,763,625	150,634,077	5,457,172	22,540,994	11,397,857	551,178,919	1,297,870,050
Transfer to intangible assets (note 7)	-	-	-	-	-	-	(9,445,538)	(9,445,538)
Capitalization	-	519,181,262	19,129,889	718,000	9,518,116	9,329,159	(557,876,426)	-
Additions	-	133,475	13,651,936	1,181,735	689,343	1,014,280	22,405,856	39,076,625
Disposals	-	-	(1,072,031)	(428,250)	(171,406)	(100,884)	-	(1,772,571)
Reclassification	-	1,000	(548,768)	-	11,074	536,694	-	-
Fair value adjustments	-	(1,197,871)	-	-	-	-	-	(1,197,871)
At December 31, 2023	165,897,406	908,881,491	181,795,103	6,928,657	32,588,121	22,177,106	6,262,811	1,324,530,695
Accumulated Depreciation								
At January 1, 2023	-	96,731,418	108,766,944	4,903,211	16,876,226	8,902,698	-	236,180,497
Charge for the year	-	14,130,739	8,649,510	348,670	1,521,958	1,545,957	-	26,196,834
Disposals	-	-	(982,477)	(428,250)	(119,857)	(119,871)	-	(1,650,455)
Reclassification	-	-	(665,367)	-	483,817	181,550	-	-
At December 31, 2023	-	110,862,157	115,768,610	4,823,631	18,762,144	10,510,334	-	260,726,876
Net book value								
At December 31, 2023	165,897,406	798,019,334	66,026,493	2,105,026	13,825,977	11,666,772	6,262,811	1,063,803,819

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6. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

	Lands	Buildings and improvements	Machines	Vehicles	Furniture & office equipment	Computers	Capital work-in-progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost								
At January 1, 2022	136,698,750	189,294,191	148,238,991	5,552,721	22,056,778	9,556,614	704,875,708	1,216,273,753
Transfer to right of used assets (note 11)	-	-	-	-	-	-	(64,580,987)	(64,580,987)
Transfer to investment properties (note 10)	(1,759,588)	-	-	-	-	-	(936,587)	(2,696,175)
Capitalization	30,958,244	201,194,976	636,017	-	-	992	(232,790,229)	-
Additions	-	274,458	3,634,230	78,101	546,944	1,976,990	144,422,234	150,932,957
Disposals	-	-	(1,875,161)	(173,650)	(62,728)	(136,739)	-	(2,248,278)
Fair value adjustments	-	-	-	-	-	-	188,780	188,780
At December 31, 2022	165,897,406	390,763,625	150,634,077	5,457,172	22,540,994	11,397,857	551,178,919	1,297,870,050
Accumulated Depreciation								
At January 1, 2022	-	89,439,070	102,326,580	4,803,561	15,622,032	8,503,738	-	220,694,981
Charge for the year	-	7,292,348	8,127,957	273,298	1,306,553	512,214	-	17,512,370
Disposals	-	-	(1,687,593)	(173,648)	(52,359)	(113,254)	-	(2,026,854)
At December 31, 2022	-	96,731,418	108,766,944	4,903,211	16,876,226	8,902,698	-	236,180,497
Net book value								
At December 31, 2022	165,897,406	294,032,207	41,867,133	553,961	5,664,768	2,495,159	551,178,919	1,061,689,553

- Depreciation allocation

	December 31, 2023	December 31, 2022
	SR	SR
Cost of revenues (Note 27)	18,678,181	13,665,106
General and administrative expenses (Note 28)	7,416,968	3,805,759
Selling and marketing expenses (Note 29)	101,685	41,505
	26,196,834	17,512,370

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6. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

For the subsidiary (Al-Salam Medical Services Company)

- As of December 31, 2023 capital work in progress represents certain construction works, which are all expected to complete during the year 2024.
- The project for land and buildings are pledged against a term loan from Ministry of Finance (note 19).
- Additions to capital work in progress of Al-Salam Medical Services Company includes interest capitalized during the period amounting to SR 1.28 million (December 31, 2022: SR 24.58 million), payroll cost capitalized during the year amounting to SR 21.56 million (December 31, 2022: SR 17.83 million) and impact of re-measurement of lease liability by Nil (December 31, 2022: 4.03 million), the effect of fair value adjustments has impact SR 1.1 million (December 31, 2022: SR 0.18 million).
- Capital work in progress of Al-Salam Medical Services Company include advances to contractor for capital expenditures amounting Nil (December 31, 2022: SR 10.37 million).
- The total expected cost to complete the project of Al-Salam Medical Services Company as at December 31, 2022 is SR 5.55 million (December 31, 2022: SR 13 million).
- Capital work in progress include advances to suppliers and equipment amounting to Nil (December 31, 2022: SR 18.88 million), that the Company obtained under leasing arrangement that will be capitalized separately as right of use, as the relevant assets will be ready for use.

For the subsidiary (Al-Ahsa Medical Services Company)

- Capital work in progress of Al-Ahsa Medical Services Company mainly represent cost of development and upgrading of existing software.

7. INTANGIBLE ASSETS, NET

Intangible assets comprise of the medical services programs used by AMSC and ASMSC . The movement of intangible assets during the year is as follows:

	2023	2022
	SR	SR
Cost		
Balance at January 1	5,833,935	5,833,935
Transfer from property, plant and equipments	9,445,538	-
Additions	2,264,537	-
Balance at December 31	<u>17,544,010</u>	<u>5,833,935</u>
Accumulated amortization		
Balance at 1 January	4,677,160	4,219,789
Charged during the year (Note 7.1)	827,208	457,371
Balance at December 31	<u>5,504,368</u>	<u>4,677,160</u>
Net book value	<u>12,039,642</u>	<u>1,156,775</u>

7.1 Amortization charged during the year is allocated to the consolidated statement of profit or loss and comprehensive income as follows:

	2023	2022
	SR	SR
General and administrative expenses (Note 28)	827,208	457,371
	<u>827,208</u>	<u>457,371</u>

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8. INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	SR	SR
Unquoted in the Saudi stock market	82,496,266	121,942,163
	82,496,266	121,942,163

A) Unquoted in the Saudi stock market

	Ownership %			
	2023	2022	2023	2022
			SR	SR
Industrialization and Energy Services Co. TAQA	0.95	0.95	63,888,068	80,356,290
Arab Paper Manufacturing Co. (Warq)	4.74	4.74	17,100,507	20,695,393
Al Ahsa Tourism & Leisure Co.	7.57	7.57	1,507,691	1,690,139
Taleem Investment Co. Ltd *	-	12.78	-	19,200,341
Arab Company for Industrial Fibers (Ibn Rushd)	0.42	0.42	-	-
			82,496,266	121,942,163

The above investments were valued by an independent valuation expert who issued his report after evaluating all investments by Value Hub for business valuation & Partners Company and evaluation business license for the valuator Abdullah Khalaf AlYousuf No. 3912000021. The independent valuation expert issued his report on the value of these investments as at December 31, 2023. The guideline publicly-traded comparable method, using the earnings multiples of similar companies in GCC and other countries, was used to assess the fair value of investments except for Taleem for which discounted cash flows method is used. The valuation techniques used in current year are consistent with those used in last year for investment valuation.

*During the year, the investment in Taleem Investment Company Limited was disposed. The company received an amount of 19,227,065 Saudi riyals, resulting in a realized gain of 26,724 Saudi riyals from disposal.

B) Movement in equity instruments designated at fair value through other comprehensive income is as follows:

	2023	2022
	SR	SR
Balance at January 1	121,942,163	148,460,390
Change in fair value	(20,245,556)	(26,518,227)
Realized gain form disposal	26,724	-
Proceeds from disposal during the year	(19,227,065)	-
Balance at December 31	82,496,266	121,942,163

The hierarchy for determining the fair value of financial instruments, valuation techniques used and key inputs for valuation is disclosed in Note 33.

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9. INVESTMENT IN AN ASSOCIATE

In March 2019, the Group acquired 25% of Twareat Medical Care Company at a total cost of SR 15.4 million, which is initially recognized at cost including consideration paid and direct incidental expenses. The above cost includes an option to acquire more shares in Twareat Medical Care Company which has been valued by the independent valuer accredited by the Saudi Association of Independent Valuers (Taqeem) who issued his report showing the fair value of identifiable assets amounting to SR 11.1 million and goodwill amounting to SR 4.3 million which is included in the carrying value of the investment. Furthermore, the call option for purchase of additional shares of the investment has been valued at zero at the acquisition date as well as the date of these consolidated financial statements. Twareat Medical Services Company is a limited liability company registered in the Kingdom of Saudi Arabia. The main activity of the company is the provision of administrative services, medical support services, human health activities and social work, and during the year 2021 the company increase its capital from SR 5,277,000 to SR 8,999,000. During the year 2022 the Company was converted from a "Limited Liability Company" to a "Closed Joint Stock Company" effective 11 Shawwal 1443H corresponding to May 12, 2022. As of the year-end, all related legal formalities have been completed. During the year 2022, as per the shareholders' resolution dated August 21, 2022, the Company had increased its share capital by SR 11 million through transfer from retained earnings. The related formalities have been completed during the year.

	2023	2022
	SR	SR
Balance at January 1,	20,184,068	15,427,499
Share of result from associate *	862,834	5,556,569
Dividend distribution	(2,361,453)	(800,000)
Balance at December 31	18,685,449	20,184,068

* Share of result from associate comprised of amortization of purchase price allocation (PPA) of the identifiable assets and share of result from associate.

The financial information of the associate represents the values presented in the financial statements of the associate and not the group's share of those values. It has also been presented after fair value adjustments and is as follows:

	2023	2022
	SR	SR
Current assets	61,399,418	63,261,903
Non-current assets	25,578,383	25,882,621
Current liabilities	24,035,336	21,687,350
Non-current liabilities	10,908,776	8,059,828
Revenue	154,723,503	157,897,908
Net profit for the year	3,451,335	22,226,276
Total comprehensive income	3,066,077	22,226,276

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10. INVESTMENT PROPERTIES, NET

Investment properties represents land and leased buildings as follows:

	Lands	Leased building	Total
	SR	SR	SR
2023			
Cost			
Cost at January 1, 2023	149,351,128	7,007,183	156,358,311
Less: impairment of investment properties	(26,252,660)	-	(26,252,660)
Balance at December 31, 2023	123,098,468	7,007,183	130,105,651
Accumulated depreciation			
Balance at January 1, 2023	-	3,605,239	3,605,239
Charged during the year	-	212,835	212,835
Balance at December 31, 2023	-	3,818,074	3,818,074
Net book value			
At December 31, 2023	123,098,468	3,189,109	126,287,577

	Lands	Leased building	Total
	SR	SR	SR
2022			
Cost			
Cost at January 1, 2022	147,591,540	6,070,596	153,662,136
Transfer from property and equipment (note 6)	1,759,588	936,587	2,696,175
Less: impairment of investment properties	(26,252,660)	-	(26,252,660)
Balance at December 31, 2022	123,098,468	7,007,183	130,105,651
Accumulated depreciation			
Balance at January 1, 2022	-	3,421,564	3,421,564
Charged during the year	-	183,675	183,675
Balance at December 31, 2022	-	3,605,239	3,605,239
Net book value			
As at December 31, 2022	123,098,468	3,401,944	126,500,412

The fair value of investment properties amounted to SR 221.5 million as of December 31, 2023 (2022: SR 189.9 million) and was determined based on the evaluation by an independent certified real estate valuator, as follows:
 -Zohor for valuation company and evaluation license for the valuator Abdullah Suliman Al Mutlaq No. 1210000630.

- Value degree office for real-estate valuation and evaluation license for the valuator Hashim Al Shewaiki No. 1210000762.

- Valie for valuation and real-estate valuation and evaluation license for the valuator Abdulmajeed Al Olayan No. 1210000094.

The fair value of the properties has been determined based on the prevailing market prices for similar investment properties.

Part of the investment properties represented in the lands of Ayyan Investment Company were mortgaged (note 19-1).

Rental income recognized from the lease of investment properties by Al Ahsa Medical Services Company (AMSC) as of December 31, 2023 amounts to SR 2.76 million (2022: SR 2.6 million), Rental income recognized from the lease of investment properties by Al Salam Medical Services Company (ASMSC) as of December 31, 2023 amounts to SR 0.29 million (2022: Nil) (Note 32).

Movement in impairment of investment properties is as follows:

	2023	2022
	SR	SR
Balance at January 1	26,252,660	26,252,660
Reversal	-	-
Balance at December 31	26,252,660	26,252,660

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10. INVESTMENT PROPERTIES, NET (CONTINUED)

The minimum lease receivables under non-cancellable operating lease agreement as of December 31,

	2023	2022
	SR	SR
Operating lease receivables	2,500,000	2,371,000

11. RIGHT OF USE ASSET AND LEASE LIABILITIES

The right of use asset consists of leased land and building.

	Machinery and medi- cal equip- ment	Furniture and office equipment & vehicles	IT Equip- ment	Land	Building	Total	
	SR	SR	SR	SR	SR	2023 SR	2022 SR
Cost							
Balance at January 1	49,710,628	8,294,448	6,575,911	1,632,913	5,195,533	71,409,433	6,828,446
Transfer from PPE note6	-	-	-	-	-	-	64,580,987
Additions	-	-	-	-	207,462	207,462	-
Balance at December 31	49,710,628	8,294,448	6,575,911	1,632,913	5,402,995	71,616,895	71,409,433
Accumulated depreciation							
Balance at January 1	2,009,618	335,314	265,840	241,913	4,193,042	7,045,727	3,631,471
Charge for the year	8,431,155	1,406,777	1,115,305	60,478	907,872	11,921,587	3,414,256
Balance at December 31	10,440,773	1,742,091	1,381,145	302,391	5,100,914	18,967,314	7,045,727
Net book value	39,269,855	6,552,357	5,194,766	1,330,522	302,081	52,649,581	64,363,706

Lease liabilities are as follows:

	2023	2022
	SR	SR
At January 1	81,861,075	68,432,515
Additions during the year	207,462	18,693,991
Restructuring effect	-	4,223,072
Paid during the year	(16,191,059)	(12,146,744)
Finance cost	2,569,077	2,658,241
Total balance at the year end	68,446,555	81,861,075
Less: current portion	(13,420,181)	(16,114,534)
Non-current portion	55,026,374	65,746,541

As at December 31, 2023, The minimum lease payments of lease liabilities are as follows:

	2023	2022
	SR	SR
Lease payments		
Within one year	13,420,181	16,114,534
Year two to five	59,767,114	59,958,274
Year five and above	1,600,000	14,216,743
Gross minimum lease payments	74,787,295	90,289,551
Less: Finance charges	(6,340,740)	(8,428,476)
Present value of net minimum lease payments	68,446,555	81,861,075

During the year 2019 ASMSC (subsidiary) entered into a leasing agreement with a financial institution for lease of its medical equipment, for a total assets value of SR 99.2 million and a lease term of 84 months. During the year 2021, the term of the lease agreement increased from 84 months to 96 months with no change in overall scope of leased assets. This change in lease term resulted in lease re-measurement impact of SR 12.35 million. During the year 2022, the term of the lease agreement increased from 96 months to 105 months with no change in overall scope of leased assets. This change in lease term resulted in lease re-measurement impact of SR 4.2 million (note 35).

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12. GOODWILL

Goodwill resulted from the Group's control at the time of acquisition over the Al-Ahsa Medical Services Company, after completing the purchase of additional interest in the company during the year 2015, in which control was achieved. According to the requirements of the International Financial Reporting Standards, the Group's management are required to annually measures the impairment of goodwill mentioned above. The Group's management carried out impairment assessment for the year ended December 31, 2023. The recoverable amount has been determined on the basis of the value in use. The two main assumptions used in the measurement are the discount rate and expected future cash flows from the business, which are as follows:

- Discount rate used to discount future cash flows is 10.33%
- Profit before zakat, interest, depreciation and amortization is expected to grow at 2.5% over the next 5 years

As per the above rates, recoverable amount, determined based on value in use model, is more than the book value, therefore there are no impairment losses for goodwill to be recorded for the year ended December 31, 2023.

Sensitivity to changes in assumptions used

With regard to assessing the value in use of the cash-generating units, the management believes that there is no potential change in any of the underlying assumptions that could cause the carrying value of goodwill to decrease substantially from its recoverable amount.

13. INVENTORIES, NET

	2023	2022
	SR	SR
Medical consumables	14,458,288	11,921,999
Medicines	16,609,915	12,247,680
Dates and others	7,204,784	5,802,458
Medical supplies and spare parts	8,445,669	604,144
	46,718,656	30,576,281
The movement in the provision during the year		
Balance at January 1,	(404,795)	(404,795)
Provide during the year	-	-
Allowance for slow moving inventories	(404,795)	(404,795)
	46,313,861	30,171,486

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	2023	2022
	SR	SR
Trade receivables	163,982,901	131,020,924
Prepayments and other receivables	35,272,075	23,409,001
Due from related parties (note 24)	151,508	-
	199,406,484	154,429,925
Less: Expected credit losses	(585,825)	(23,339,853)
	198,820,659	131,090,072

The movement in the expected credit losses during the year ended December 31 is as follows:

	2023	2022
	SR	SR
Balance at January 1	23,339,853	23,339,853
charge for the year	4,120,663	-
Write off	(26,874,691)	-
Balance at December 31	585,825	23,339,853

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14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS (continued)
Aging of trade receivables

	2023	2022
	SR	SR
Within 3 month	96,388,117	88,153,045
from 3 to 6 months	30,150,713	13,647,079
Over 6 months	37,444,071	29,220,800
	163,982,901	131,020,924

15. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company have investment in portfolio of equity instruments to be held for trading and are measured at fair value through profit or loss, during the year 2022 the Group had been sold all investment in equity instruments at fair value through profit or loss. The movement on investment in equity instruments at fair value through profit or loss is as follows:

	2023	2022
	SR	SR
Opening balance	-	57,601,912
Additions	-	24,201,637
Disposal	-	(83,419,880)
Realized gain on disposal of equity instruments at fair value through profit or loss	-	1,616,331
Closing balance	-	-

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits and highly liquid investments that mature within three months or less. As of December 31, 2023 and 2022. Cash and cash equivalents in full included cash and bank balances and short-term bank deposits. The balance of cash at banks contains Murabaha investment deposits amounted SR 47,500,000 and the maturity date for it on January 2024.

	2023	2022
	SR	SR
Cash at banks – current account	14,155,156	20,399,256
Murabaha investment deposits	47,500,000	56,493,189
Cash on hand	114,945	157,498
	61,770,101	77,049,943

17. STATUTORY RESERVE

(10%) of the net profits are set aside annually to form the company's statutory reserve. The Ordinary General Assembly may decide to stop this reserve when the aforementioned reserve reaches (30%) of the paid-up capital. The statutory reserve is used to cover the company's losses or increase capital. If this reserve exceeds (30%) of the paid-up capital, the ordinary general assembly may decide to distribute the increase to shareholders in the years in which the company does not achieve net profits sufficient to distribute the share determined for them in the company's bylaws.

18. RESERVE FOR ACQUISITION FOR ADDITIONAL SHARES IN A SUBSIDIARY

This reserve represents the difference between the consideration paid to acquire additional shares in Al-Ahsa Medical Services Company, a subsidiary, and the fair value of those additional shares .

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19. LONG TERM LOANS

	2023	2022
	SR	SR
Loan from commercial bank - ASMSC (Note 19.1)	414,191,403	407,404,748
Loan from commercial bank - AMSC (Note 19.2)	35,759,860	45,062,350
Loan from Ministry of Finance - ASMSC (Note 19.3)	117,706,108	99,624,458
	567,657,371	552,091,556

19.1 This loans belong to the subsidiary ASMSC which had signed facility agreement ("the facility"), to partially finance the construction of hospital, comprising of documentary credits and bills, deferred payment credits/documentary credits and bills, performance guarantees, long term loan facility amounting to SR 163.43 million and medium term loan facility amounting to SR 122.16 million. During the year 2021, the Company capitalized interest amounting to SR 2.7 million, related to this loan, in capital work in progress . This complete loan has been paid by the Company during the year ended December 31, 2021.

During the year 2021, the company has changed its financing arrangement and obtained a new facility with a new commercial bank, whereby the purpose of financing is to pay outstanding obligations of previous commercial bank, financing the remaining cost of completing the hospital construction, and any other entitlements. During the year 2021, the company obtained loan amounting SR 443.2 million from this facility, out of which SR 116 million is a medium term flexible murabaha loan and SR 327.2 million is long term flexible Murabaha loan. During the year ended 2022, the company obtained loan amounting SR 97.80 million from this facility, out of which SR 65 million is a short-term facility and SR 32.80 million is long term flexible Murabaha loan.

The facility carries mark up at market rates and is secured by corporate guarantees of the Holding Company (Ayyan Investment Company), joint and personal guarantees of several related parties, assignment of proceeds and guarantees from certain financial and other suppliers, mortgage of title deed of land of the Holding Company and the Company's property, and pledge over Holding Company's interest in Al Ahsa medical services company (related party). The facilities agreement contains certain financial and non-financial covenants. During the year ended 2023, the Company capitalized interest amounting to nil (2022: SR 24.58 million), related to these loans, in capital work in progress.

During the year 2023, the company has modified its whole financing arrangements and signed the new facility for long term loan under Murabaha amounting to SR 400 million. This newly structured loan facility will be utilized by the Company to fund its prospective projects. The facility is secured by corporate guarantees of the Holding Company (i.e. Ayyan), joint and personal guarantees of several related parties and pledge of shares and land title deeds being held by parent Company (i.e. Ayyan). Certain borrowings of the Company require the maintenance of debt covenants which will be applicable from the year ended December 31, 2025. This restructuring resulted in non-substantial modification as per IFRSs. The modification impact of restructuring, amounting to SR 12.97 million has been charged to profit or loss for the year ended December 31, 2023 (note 30). The unwinding of this modification impact will result in lesser finance cost and will result in positive impact on profit or loss in future years.

The undiscounted contractual cash flows for borrowings are presented in note 33 to the consolidated financial statements.

The movement in the long term loan from commercial banks is as follows:

	2023	2022
	SR	SR
Principal amount		
Opening balance	406,331,695	443,202,642
Loan obtained	49,999,700	32,797,178
Loan settled	(56,477,950)	(69,668,125)
Loans restructured during the year	(399,853,842)	-
Revised value of modified loan including impact of modification due to restructuring of new loan , net of advance service charges	409,548,100	-
Total loans	409,547,703	406,331,695
Accrued interest	5,643,700	4,497,385
Advance service charges	(1,000,000)	(3,424,332)
Net long term loan payable	414,191,403	407,404,748

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19. LONG TERM LOANS (Continued)

19.2 During year 2022 AMSC obtained a long term loans from commercial bank amounting to SR 50 million. As per the agreement, the loan is secured by pledge on collection against services of the Company. The outstanding balance is repayable till third quarter of 2027. During the year 2023 the company paid SR 9.7 Million.

These borrowings facility agreements are subject to certain financial and non-financial covenants. The Company is complying with all the covenants.

19.3 During year 2018, ASMSC obtained an interest free loan facility amounting to SR 56 million from the Ministry of Finance, to finance the construction, furnishing and fitting of the Hospital Project. This loan is repayable in 20 annual installments with first installment due after five years from the date of the contract, which is discounted on average market prevailing interest rates for similar nature loans, to have a present value of SR 31.69 million. During the year 2019, the Company obtained an additional interest free loan amounting to SR 15.9 million from the same facility from Ministry of Finance, with same terms of loan as for first loan, having net present value of SR 9.2 million. The difference between loan received and its present value amounting to SR 31.1 million was recorded as governmental grant as a reduction to property and equipment.

During the year 2021, the Company obtained an additional interest free loan amounting to SR 3.73 million from the same facility from Ministry of Finance, with same terms of loan as for first and second loan, having net present value of SR 2.32 million. The difference between loan received and its present value amounting to SR 1.41 million was recorded as governmental grant as a reduction to property and equipment. The loan is secured by a pledge on the land of the project, the construction and maintenance of the building for the Ministry of Finance. During the year 2022, the Company obtained an additional interest free loan amounting to SR 69.67 million from the same facility from Ministry of Finance, with same terms of loan as for first and second loan, having net present value of SR 46.77 million. The difference between loan received and its present value amounting to SR 22.9 million was recorded as governmental grant as a reduction to property and equipment. The loan is secured by a pledge on the land of the project, the construction and maintenance of the building for the Ministry of Finance (note 6). During the year 2022, the Company capitalized interest amounting to SR 2.7 million, related to this loan, in capital work in progress.

During the year 2023, the Company obtained an additional interest free loan amounting to SR 34.40 million from the same facility from Ministry of Finance, with same terms of loan as for first and second loan, having net present value of SR 23.29 million. The difference between loan received and its present value amounting to SR 11.11 million was recorded as governmental grant as a reduction to property and equipment. The loan is secured by a pledge on the land of the project, the construction and maintenance of the building for the Ministry of Finance.

The movement in the loan from Ministry of Finance is as follows:

	2023	2022
	SR	SR
Opening balance	99,624,458	49,918,190
Loan obtained	23,287,031	46,769,213
Finance cost charge for the year / capitalized during the year	4,987,480	2,748,275
Effect of re measurement for loan fair value	(1,197,871)	188,780
Repayments	(8,994,990)	-
Closing balance	117,706,108	99,624,458

Long-term loans balances are presented in the consolidated financial statements as follows:

	2023	2022
	SR	SR
Current portion	31,419,205	80,809,025
Non-current portion	536,238,166	471,282,531
	567,657,371	552,091,556

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20. SHORT TERM LOANS

	2023	2022
	SR	SR
Short term loan – AMSC (20-1)	81,868,431	50,283,253
Short term loan – AFIC (20-2)	2,016,847	2,010,222
Short term loan – ASMSC (20-3)	91,486,094	65,853,671
Balance at December 31	175,371,372	118,147,146

20-1 This loan belongs to the subsidiary (Al Ahsa medical services company)

During the year 2022 the Company obtained a short-term loan from commercial bank amounting to SR 20 million, And Also during the year 2022, the Company signed a loan agreement with another commercial bank amounting to SR 30 million to finance operations for the Company.

During the year 2023, the company obtained SR 110 Million and paid SR 80 Million.

These borrowings facility agreements are subject to certain financial and non-financial covenants. The Company is complying with all the covenants.

20-2 This loan belongs to the subsidiary (Al Ahsa food industries company) the company has obtained facility from a local bank amounting to SR 5 million, the balance of the loan amounted to SR 2 million as of December 31, 2023 (2022: SR 2 million) to finance working capital, During the year 2023 the company obtained SR 5 Million and paid SR 5 Million.

The facility comprises of forward sale financing. As per the agreements the facility is guarantee by corporate guarantee from ayyan investment company and from the guarantee program to finance small and medium enterprises. The outstanding balance is repayable in 6 months. The facility carries financing charges at market rates. As per facility agreement the company has to maintain certain non-financial covenants.

20-3 During the year 2022, the company (ASMSC) obtained loan amounting SR 65 million from local bank is a short-term facility. During the year 2023, the company obtained additional short-term loan SR 200 Million and paid SR 175 Million.

21. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

Changes in the present value of the defined benefit obligation are as follows:

	2023	2022
	SR	SR
Balance at January 1	38,958,097	37,598,597
Charge for the year	12,256,232	7,161,130
Actuarial (gain) loss on the obligation	(838,987)	1,659,483
Paid during the year	(7,445,153)	(7,461,113)
Balance at December 31	42,930,189	38,958,097

Expenses recognized during the year in consolidated statement of profit or loss and other comprehensive income are as follows:

	2023	2022
	SR	SR
Current service cost	10,253,124	6,293,621
Interest cost	2,003,108	867,509
	12,256,232	7,161,130

The principal assumptions used in determining obligations for the Company's plans are shown below:

	2023	2022
Discount rate	4.60% - 4.65%	4.65% - 4.80%
Long term salary increase rate	4.60% - 4.65%	4.65% - 4.80%
Rates of employee turnover	Moderate - Heavy	Heavy

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21. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS (Continued)

Sensitivity Analysis

	2023	2022
	SR	SR
Discount rate +0.5%	43,402,694	38,032,325
Discount rate -0.5%	46,048,692	40,289,197
Long term salary increases +0.5%	45,932,384	40,287,887
Long term salary increases -0.5%	43,500,785	38,023,178

Maturity Profile

	2023	2022
	SR	SR
Year 1	5,358,436	5,689,875
Year 2	10,130,054	9,783,718
Year 3	9,167,154	6,007,431
Year 4	7,008,132	9,178,442
Year 5	8,191,364	6,682,966
Year 6 - 10	48,120,684	41,441,562

22. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER LIABILITIES

	2023	2022
	SR	SR
Due to a related parties (Note 24)	163,062,060	18,675,614
Trade payables	86,560,676	63,105,773
Accrued employees benefits	32,726,607	3,553,724
VAT accrual	2,037,250	2,451,172
Advance revenue	678,939	733,583
Others	11,313,359	6,689,258
	296,378,891	95,209,124

23. ZAKAT

	December 31, 2023	December 31, 2022
	SR	SR
Balance at January 1	5,882,484	5,524,782
Expense for the year	4,000,000	5,916,865
Paid during the year	(4,326,440)	(5,559,163)
Balance at December 31	5,556,044	5,882,484

Status of zakat assessments

The Group files its consolidated zakat return for Ayyan Investment Company & Al Ahssa Food Industries Company and Al Salam medical services company. The Group has filed its zakat return up to the year 2022 and obtained related receipts and certificates valid till April 30, 2024. The Group has received the final zakat assessments up to the year 2020 from Zakat, Tax and Customs Authority (ZATCA) and Zakat assessments for year 2020 and 2021 still under study from zakat and tax and customs authority, except for Al Salam medical Services Company, which acquires within 2020, has its final zakat assessment till 2018.

Al-Ahssa Medical Services Company (AMSC)

The company submitted its zakat returns for the years until December 31, 2022 and obtained a valid zakat certificate until April 30, 2024. The Company received the zakat assessments up to the year 2018 from the Zakat, Tax and Customs Authority. Assessment for the years 2019 & 2022 is still under study by the Zakat, Tax and Customs Authority.

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24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The significant transactions with related parties represents mainly transactions with associate and Board of Directors and their related entities. All transactions are carried out based on agreed provisions and are approved by the board of directors.

Name of related party	Relationship
Al Othman Holding Group Companies	Affiliate - Shareholder
Properties security for security company	Affiliate
Systems of strategic business solutions	Affiliate
Takween Developed industrial company	Affiliate
Al Othman agricultural company	Affiliate

Transactions with related parties comprise of the following:

Nature of transaction	December 31, 2023	December 31, 2022
	SR	SR
BOD remunerations expenses	1,711,731	1,785,000
Key management personnel salaries and benefits	2,065,661	1,439,444
Services and Purchases	19,586,794	5,283,468
Revenue earned from related parties	100,693	355,374
Purchase of IT software and equipment	2,464,221	6,901,666
Fund received obtained from related parties	153,100,000	12,700,000
Expenses charged by affiliates	-	6,389,925

Balance due from related parties as at December 31 is as follows;

	2023	2022
	SR	SR
Al Othman agricultural company	119,826	-
Takween Developed industrial company	31,682	-
	151,508	-

Balance due to related parties as at December 31 is as follows;

	2023	2022
	SR	SR
Al Othman holding group of Companies	161,697,847	15,263,013
Systems of strategic business solutions	1,364,213	-
Properties security for security company	-	3,412,601
	163,062,060	18,675,614

25. LOSS PER SHARE

Loss per share for the year is calculated by dividing the net loss for the year by the weighted average number of shares outstanding during the year. The share of loss is as follows:

	2023	2022
	SR	SR
Net loss for the year attributable to the shareholders of the Group	(216,250,945)	(44,767,736)
Weighted average number of shares	80,636,328	80,636,328
Loss per share of net loss for the year	(2.68)	(0.56)
	2023	2022
	SR	SR
Total comprehensive loss attributable to the shareholders of the Group	(236,939,980)	(72,922,687)
Weighted average number of shares	80,636,328	80,636,328
Loss per share of total comprehensive loss for the year	(2.94)	(0.90)

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26. SEGMENTAL REPORTING

The main activities of the Group are categorized into three main business sectors, the manufacturing sector represented by Al-Ahsa Food Industries Company specializing in the production and packaging of dates; the medical services sector represented by Al-Ahsa Medical Services Company and Al Salam Medical Services Company and Investment sector represented by AYYAN Investment Company. The financial information as at December 31, 2023 and December 31, 2022 and for the years then ended are summarized in accordance with the main activities as follows:

	Manufacturing Sector	Medical Services Sector	Investment Sector	Total
<u>December 31, 2023</u>	SR	SR	SR	SR
Property, Plant & Equipment	4,743,205	1,058,574,983	485,631	1,063,803,819
Total Assets	18,692,399	1,486,531,409	159,737,825	1,664,961,633
Total Liabilities	6,019,783	1,143,848,123	6,472,516	1,156,340,422
Revenues, net	20,085,153	313,192,839	-	333,277,992
Net loss	1,413,328	(213,600,147)	(3,878,775)	(216,065,594)
<u>December 31, 2022</u>				
Property, Plant & Equipment	5,076,290	1,056,069,876	543,387	1,061,689,553
Total Assets	17,388,358	1,372,893,976	245,960,522	1,636,242,856
Total Liabilities	6,386,374	879,826,014	5,937,094	892,149,482
Revenues, net	19,255,760	246,971,020	-	266,226,780
Net loss	2,421,773	(49,461,765)	2,408,913	(44,631,079)

Revenues recognized for Al-Ahsa Medical Services Company from two main customers amounted to SR 133.32 million, representing 50% of revenues from the company revenue (2022: SR 127.67 million representing 50%). The total outstanding balance of those customers as at December 31, 2023 amounted to SR 56.9 million (SR 58.8 million as at December 31, 2022).

All Group activities and operations inside kingdom of Saudi Arabia.

27. COST OF REVENUE

	2023	2022
	SR	SR
Employees cost	222,194,315	146,413,245
Consumables	93,251,417	69,767,669
Depreciation expense (Note 6)	18,678,181	13,665,106
Maintenance and utilities	15,331,634	7,888,177
Depreciation expense on right of use asset (Note 11)	10,953,237	2,610,772
Outside medical services	10,562,166	6,216,143
Depreciation of investment properties (Note 10)	212,835	183,675
Others	1,669,189	2,648,836
	372,852,974	249,393,623

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28. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	SR	SR
Employees cost	94,372,502	51,708,659
Depreciation expense (Note 6)	7,416,968	3,805,759
Legal and professional expenses	3,110,987	1,485,865
Board expenses and fees	1,904,162	1,952,129
Depreciation expense on right of use asset (Note 11)	968,350	803,484
Amortization expense on intangible assets (Note 7.1)	827,208	457,371
Others	8,897,065	12,611,972
	117,497,242	72,825,239

29. SELLING AND MARKETING EXPENSES

	2023	2022
	SR	SR
Marketing and Advertising expenses	2,170,979	48,105
Freight expenses	561,520	465,060
Employees cost	492,094	493,367
Depreciation expense (Note 6)	101,685	41,505
Others	98,014	96,685
	3,424,292	1,144,722

30. FINANCE COST

	2023	2022
	SR	SR
Finance cost – term loans	53,126,968	728,881
Finance cost – impact of modification (note 19-1)*	12,974,832	-
Finance cost on lease liability	2,509,652	2,658,241
	68,611,452	3,387,122

* Modification includes impact of advance service charges of previous loans amounting to SR 3.42 million.

31. DIVIDEND INCOME

	2023	2022
	SR	SR
Industrialization and Energy Services Co. TAQA	2,050,009	-
Taleem Investment Co. Ltd	941,006	1,901,885
Arab Paper Manufacturing Co. (Warq)	-	2,134,350
	2,991,015	4,036,235

32. OTHER INCOME

	2023	2022
	SR	SR
Rental income	3,056,067	2,589,917
Murabaha deposits income	3,054,596	-
Conferences and seminars	1,873,326	2,741,714
Kitchen income	820,097	894,197
Gain from disposal of property, plant and equipment	52,247	-
Others	4,305,468	4,374,749
	13,161,801	10,600,577

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33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise trade and other payables and loans. The Group's principal financial assets comprise cash and cash equivalents, investments in equity instruments designated at fair value through other comprehensive income, investments in equity instruments at fair value through profit or loss and trade and other receivables.

Classification of financial instruments

	December 31, 2023 SR	December 31, 2022 SR
Financial assets at fair value		
Equity instruments designated by fair value through other comprehensive income	82,496,266	121,942,163
	82,496,266	121,942,163
Financial assets at amortized cost		
Trade receivables and other assets	166,891,732	112,951,176
Cash and cash equivalents	61,769,574	77,049,943
	228,661,306	190,001,119
Total financial assets	311,157,572	311,943,282
Financial liabilities at amortized cost		
Trade payables, accrued expenses and other liabilities	293,290,688	95,209,124
Lease liability	68,446,555	81,861,075
Loans	743,028,743	670,238,702
	1,104,765,986	847,308,901

Risk management of financial instruments

The Group's activities are exposed to various financial risks such as fair value measurement, credit risk, liquidity risk, foreign currency risk and capital management risk. Management reviews and approves policies to manage each of these risks, which are summarized as follows:

Fair value measurement of financial instruments

Fair value is the amount at which an asset is sold or a liability settled between willing parties in the arm's length transactions there is a presumption that the Company is a going concern entity where there is no intention or requirement to materially reduce the volume of its operations or to conduct a transaction on adverse terms. A financial instrument is considered to be listed in the active market if the quoted prices are readily and regularly available from an intermediary, industry group, pricing services or regulatory body, and these prices represent market transactions that have occurred on an active and regular basis on a commercial basis.

When measuring fair value, the Group uses observable market information whenever possible to the inputs used in valuation methods as follows:

Level 1: quoted prices (unadjusted) in active markets for similar assets or liabilities that can be obtained on the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities directly (e.g. prices) or indirectly (derived from prices).

Level 3: inputs for assets or liabilities not based on observable market information (non-observable inputs).

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33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The following schedule presents an analysis of financial instruments carried at fair value according to the fair value hierarchy:

	December 31, 2023			
	Level 1 (SR)	Level 2 (SR)	Level 3 (SR)	Total (SR)
Equity instruments designated by fair value through other comprehensive income	-	-	82,496,266	82,496,266
	-	-	82,496,266	82,496,266

	December 31, 2022			
	Level 1 (SR)	Level 2 (SR)	Level 3 (SR)	Total (SR)
Equity instruments designated by fair value through other comprehensive income	-	-	121,942,163	121,942,163
	-	-	121,942,163	121,942,163

The valuation methods used and the key inputs to revalue investments in equity instruments through other comprehensive income are described below:

Valuation method

Market method	-	The value of equity to the profits multiplier before commission, income tax, depreciation and amortization
	-	Average net asset value and price to book value multiplier
Net assets method	-	Cash and cash equivalents available for distribution and net assets
Expected returns method	-	The value of the equity to the revenue multiplier

Credit risk

Credit risk is the risk that one party may fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk which represents trade receivables and other assets and cash balances. Cash and cash equivalents are placed with banks and institutions with sound credit ratings. Trade and other receivables are mainly due from customers in the local market and related parties and are shown at their estimated recoverable amount as follows:

	2023	2022
	SR	SR
Trade receivables and other assets	166,891,732	112,951,176
Cash and cash equivalents	61,769,574	77,049,943
	228,661,306	190,001,119

The carrying amount of financial assets represents the maximum exposure to credit risk.

Credit risk on accounts receivable and bank balances is limited to:

- Cash balances held with banks with a high credit rating.
- Trade receivables and other assets, net of provision for doubtful receivables.

The Group manages credit risk relating to amounts due from customers through the ongoing monitoring in accordance with the specific policies and procedures. The Group minimizes its credit risk relating to customers by setting credit limits for each customer and monitoring existing receivables on an ongoing basis.

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33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value measurement of financial instruments (continued)

Liquidity risk

Liquidity risk is the difficulty that an entity encounters in raising funds to meet the obligations in connection with the financial instruments. Liquidity risk can result from the inability to sell financial assets quickly and at its approximate fair value. The contractual maturities of financial liabilities at the end of the financial year are as follows, the amounts are presented in total and are not discounted and include estimated interest payments.

December 31, 2023					
Total undiscounted amounts					
	Contractual	Payable on			
Book value	cash flow	request or	From 2 to 5 years	More than	
	SR	within 1 year	SR	5 years	
		SR	SR	SR	SR
Financial liabilities at amortized cost					
Trade payables, accrued expenses and other liabilities	293,290,688	293,290,688	293,290,688	-	-
Lease liability	68,446,555	74,602,027	15,342,568	59,259,459	-
Loans	743,028,743	1,024,156,887	250,525,775	262,075,916	511,555,196
	1,104,765,986	1,392,049,602	559,159,031	321,335,375	511,555,196
December 31, 2022					
Total undiscounted amounts					
	Contractual	Payable on re-			
Book value	cash flow	quest or within	From 2 to 5 years	More than 5	
	SR	1 year	SR	years	
		SR	SR	SR	SR
Financial liabilities at amortized cost					
Trade payables, accrued expenses and other liabilities	95,209,124	95,209,124	95,209,124	-	-
Lease liability	81,861,075	90,262,763	15,332,801	60,129,717	14,800,245
Loans	670,238,702	929,752,877	235,154,395	373,948,519	320,649,963
	847,308,901	1,115,224,764	345,696,320	434,078,236	335,450,208

The Group monitor its liquidity risk on an ongoing basis to ensure that funds and bank facilities are available to meet the future liabilities.

Market risk

Market risk is the risk that a financial instrument will fluctuate due to changes in prevailing market prices such as foreign exchange rates, interest rates and stocks prices affecting the Group's income or the value of its financial instruments. Market risk management aims to manage and control market risk exposure within acceptable limits while maximizing returns.

Foreign currency risk management

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future business transactions and recognized assets and liabilities are denominated in currencies different from the Group's currency. The Group's exposure to foreign exchange risk is primarily limited to transactions in US Dollars and UAE Dirhams. Management believes that its exposure to foreign exchange risk is limited as the Group's currency and UAE Dirhams are pegged to the US Dollar.

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33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Interest rate

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest bearing loans at December 31, 2023 and 2022. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's loans and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Capital management

The Board of Directors' policy is to maintain an adequate capital base in order to maintain investor, creditor and market confidence and to maintain the future development of its business. The Board of Directors monitors the return on the capital used and the level of dividends distributed to ordinary shareholders.

In managing capital, the Group aims to:

- To protect the entity's ability to continue as a going concern so that it can continue to provide returns to shareholders and interest to other stakeholders.
- Provide sufficient returns for shareholders

34. CONTINGENCIES AND COMMITMENTS

The Group has a capital commitment related to construction of a 490 bed hospital of Hospital for Al Salam Medical Services Company amounting to SR 6,422,669 (2022:SR 15,068,160).

35. NON-CASH TRANSACTIONS

	2023	2022
	SR	SR
Transferred to intangible assets from property and equipment	9,445,538	-
Change in fair value reserve	20,245,556	26,518,227
Advance service charges related to Trade payables and other liabilities	1,000,000	-
Effect of re measurement for loan fair value with PPE	1,197,871	188,780
Re- measurement for employees benefits obligations	838,987	1,659,483
Transfer to right of use assets from property and equipment	-	64,580,987
Transferred to investment properties from property and equipment	-	2,696,175
Borrowing cost capitalized	-	2,748,275
Effect of revision in lease liability	-	4,223,072
Amortization of commitment fee on loans capitalized to CWIP	-	409,222

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current year.

37. SUBSEQUENT EVENTS

-Dallah Healthcare Company announces the signing of a non-binding Memorandum of Understanding with Ayyan Investment Company in connection with the purchase of its shares in Al Salam Medical Services Company and Al Ahsa medical services company on February, 25, 2024.

- During the year 2024 The Group acquired additional 1.03% of the subsidiary's equity shares from the non-controlling interest, this resulted in an increase of the group's ownership in the subsidiary from 96.3% to 97.4%.

In the opinion of management, there have been no other significant subsequent events since the year-end that would have a material impact on the financial position of the Company as reflected in these consolidated financial statements.

38. GENERAL

The figures in these consolidated financial statements are rounded to the nearest Saudi Riyals.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on April 18, 2024 corresponding to Shawal 9, 1445H.