

**MIDDLE EAST HEALTHCARE COMPANY  
MEAHCO  
(A Saudi Joint Stock Company)  
JEDDAH - KINGDOM OF SAUDI ARABIA**

**THE INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
FOR THE PERIOD FROM  
JANUARY 01, 2016 TO SEPTEMBER 30, 2016**



## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders of  
Middle East Healthcare Company  
MEAHCO  
Saudi Joint Stock Company  
Jeddah – Kingdom of Saudi Arabia

We have reviewed the accompanying interim consolidated balance sheet of **MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)** – (the company) as of September 30, 2016, and the related interim consolidated statements of income for three and nine months periods, interim consolidated statement of changes in shareholders' equity and the interim consolidated statement of cash flows for the nine months ended September 30, 2016, including the related notes. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards established by the Saudi Organization for Certified Public Accountants. A limited review of interim consolidated financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible in the Company for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with generally accepted accounting principles.


### Emphasis of Matter

As explained in Note (1) and (5) on March 29, 2016, the Company shares were listed in the Saudi Stock Exchange (Tadawul) after obtaining the approval from Capital Market Authority to convert the Company from Closed Joint Stock Company to a Public Joint Stock Company.

Jeddah  
October 18, 2016



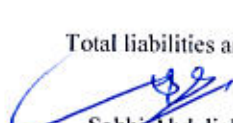
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**Abdullah Al Basri & Co.**

  
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**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2016**  
**(UNAUDITED)**

	NOTE	September 30, 2016 Unaudited SR.	September 30, 2015 Unaudited SR.
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and deposits		33,360,289	65,265,499
Accounts receivable		1,255,226,160	742,672,079
Medical supplies		76,365,490	83,973,451
Prepayments and other receivables		36,122,777	32,373,047
Due from related parties		2,019,527	22,258,634
Total current assets		1,403,094,243	946,542,710
<b>Non-current assets</b>			
Constructions in progress		227,583,918	170,787,838
Property, plant and equipment - Net		838,728,960	815,701,586
Total non-current assets		1,066,312,878	986,489,424
Total assets		2,469,407,121	1,933,032,134
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable		243,195,586	174,820,347
Accrued expenses and other payables		61,745,580	83,686,630
Current portion of long term accounts payable		10,594,268	11,740,224
Short term and current portion of long term loan	4	207,083,333	85,130,629
Total current liabilities		522,618,767	355,377,830
<b>Non-current liabilities</b>			
Long term – Accounts payable		22,828,772	30,357,987
End of service benefits		175,439,061	148,273,116
Long term loans	4	176,355,960	80,793,182
Due to related parties		54,347,498	675,576
Total non-current liabilities		428,971,291	260,099,861
Total liabilities		951,590,058	615,477,691
<b>SHAREHOLDERS' EQUITY</b>			
Capital	5	920,400,000	920,400,000
Statutory reserve	6	88,633,324	49,608,394
Retained earnings		447,329,515	284,954,056
Total equity		1,456,362,839	1,254,962,450
Non-controlling interests	7	61,454,224	62,591,993
Total liabilities and shareholders' equity		2,469,407,121	1,933,032,134

  
Sobhi Abduljalil Batterjee  
Chairman

  
Mohammed Mamoun Al Najjar  
Chief Executive Officer

  
Alarma Varghese Thomas  
Chief Financial Officer

*The attached notes are an integral part of these consolidated financial statement*



**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE PERIOD FROM JANUARY 1, 2016 TO SEPTEMBER 30, 2016**  
**(UNAUDITED)**

	NOTE	For the three month from 1/7 to 30/9		For the nine month from 1/1 to 30/9	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		SR.	SR.	SR.	SR.
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total operating revenue		379,088,130	352,195,839	1,210,679,530	1,115,841,505
Cost of operating revenue		( 179,878,385)	( 168,966,548)	( 582,840,118)	( 519,745,438)
Gross profit		<u>199,209,745</u>	<u>183,229,291</u>	<u>627,839,412</u>	<u>596,096,067</u>
Selling and marketing expenses		( 34,681,982)	( 27,325,929)	( 139,999,766)	( 114,046,198)
General and administrative expenses		( 72,204,226)	( 65,649,874)	( 213,340,814)	( 195,800,572)
Total operating expenses		<u>( 106,886,208)</u>	<u>( 92,975,803)</u>	<u>( 353,340,580)</u>	<u>( 309,846,770)</u>
Net operating profit		92,323,537	90,253,488	274,498,832	286,249,297
Other income		6,221,469	3,489,161	13,131,153	11,023,011
Depreciation		( 2,332,588)	( 2,044,153)	( 6,843,019)	( 5,905,642)
Net profit before financial charges		<u>96,212,418</u>	<u>91,698,496</u>	<u>280,786,966</u>	<u>291,366,666</u>
Financial charges		( 4,717,044)	( 1,009,980)	( 7,596,802)	( 3,629,868)
Net profit before non-controlling interest		<u>91,495,374</u>	<u>90,688,516</u>	<u>273,190,164</u>	<u>287,736,798</u>
Non-controlling interests	7	530,272	65,064	1,051,045	197,031
Net profit for the period		<u><u>92,025,646</u></u>	<u><u>90,753,580</u></u>	<u><u>274,241,209</u></u>	<u><u>287,933,829</u></u>

**EARNINGS PER SHARE (Saudi Riyal) 9**

Earnings per share from main operation	0.93	0.95	2.84	3.01
Earnings per share from net profit for the period	1.00	0.99	2.98	3.13



Sobhi Abduljalil Batterjee  
Chairman



Mohammed Mamoun Al Najjar  
Chief Executive Officer



Alarma Varghese Thomas  
Chief Financial Officer

*The attached notes are an integral part of these consolidated financial statements*

**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD FROM JANUARY 1, 2016 TO SEPTEMBER 30, 2016  
(UNAUDITED)**

	Capital	Statutory Reserve	Retained earnings	Total
	SR.	SR.	SR.	SR.
Balance as at 31/12/2014	767,000,000	49,608,394	323,144,448	1,139,752,842
Dividend distribution	--	--	( 165,672,000)	( 165,672,000)
Retained earnings capitalized	--	--	( 153,400,000)	( 153,400,000)
Capital increased	153,400,000	--	--	153,400,000
Net profit for the period	--	--	287,933,829	287,933,829
Prior year adjustments	--	--	( 919,895)	( 919,895)
Zakat and income tax for the period	--	--	( 6,132,326)	( 6,132,326)
Balance as at 30/09/2015	<u>920,400,000</u>	<u>49,608,394</u>	<u>284,954,056</u>	<u>1,254,962,450</u>
Balance as at 31/12/2015	920,400,000	88,633,324	343,615,858	1,352,649,182
Dividend distribution	--	--	( 184,080,000)	( 184,080,000)
Income tax reimbursed from				
Zakat & Tax Authority	--	--	13,552,448	13,552,448
Net Profit for the period	--	--	274,241,209	274,241,209
Zakat and income tax for the period	--	--	--	--
Balance as at 30/09/2016	<u>920,400,000</u>	<u>88,633,324</u>	<u>447,329,515</u>	<u>1,456,362,839</u>


Sobhi Abduljalil Batterjee  
Chairman

Mohammed Mamoun Al Najjar  
Chief Executive Officer

Alarma Varghese Thomas  
Chief Financial Officer*The attached notes are an integral part of these consolidated financial statements*

**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM JANUARY 1, 2016 TO SEPTEMBER 30, 2016**  
**(UNAUDITED)**

	<u>Nine month period ended September 30, 2016</u>	<u>Nine month period ended September 30, 2015</u>
	<u>Unaudited</u> SR.	<u>Unaudited</u> SR.
<b>FROM OPERATING ACTIVITIES</b>		
Net profit for the period	274,241,209	287,933,829
Adjustment to reconcile net income to net cash (used in) provided by :		
Depreciation	43,438,362	38,692,166
End of service benefits	21,583,722	12,072,804
Net adjusted profit	<u>339,263,293</u>	<u>338,698,799</u>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	( 380,792,125)	( 142,258,222)
Medical supplies	638,950	( 8,095,618)
Prepayments and other receivables	448,435	( 9,473,669)
Accounts payable	56,626,248	17,348,896
Related parties - Net	70,782,131	( 10,735,595)
Accrued expenses and other payables	( 34,393,199)	( 10,182,143)
Net cash provided by operating activities	<u>52,573,733</u>	<u>175,302,448</u>
<b>FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	( 43,234,982)	( 46,075,885)
Constructions in progress	( 71,704,431)	( 46,996,551)
Net cash (used in) investing activities	<u>( 114,939,413)</u>	<u>( 93,072,436)</u>
<b>FROM FINANCING ACTIVITIES</b>		
Long term accounts payable	( 4,159,201)	1,618,477
Short and long term loan	214,196,111	2,478,333
Income tax reimbursed from Zakat & Tax Authority	13,552,448	--
Prior year adjustment	--	( 919,895)
Zakat and income tax	--	( 6,132,326)
Dividend paid	( 184,080,000)	( 165,672,000)
Non-controlling interests	416,235	15,436,511
Net cash (used in) financing activities	<u>39,925,593</u>	<u>( 153,190,900)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>( 22,440,087)</u>	<u>( 70,960,888)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>55,800,376</u>	<u>136,226,387</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u><u>33,360,289</u></u>	<u><u>65,265,499</u></u>

  
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Mohammed Mamoun Al Najjar  
Chief Executive Officer

  
Alarma Varghese Thomas  
Chief Financial Officer

*The attached notes are an integral part of these consolidated financial statements*



**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the period from January 01, 2016 to September 30, 2016

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**1. INTRODUCTION**

Middle East Healthcare Company (MEAHCO) (the "Company") is a Joint Stock Company operating under Commercial Registration No. 4030149460 dated Rabie Al-Thani 06, 1425 corresponding to May 25, 2004.

On Rabia Awal 19, 1437(H) (corresponding to December 30, 2015 (G)) the Company obtained approval from Capital Market Authority ("CMA") to issue 27,612,000 shares in an Initial Public Offering and the company shares are listed in the Saudi Stock Exchange (Tadawul) on Jumada Al-Thani 20, 1437(H) (corresponding to March 29, 2016(G) see note (5). Accordingly, the Company was converted to a Public Joint Stock Company.

The main objective of the Company is managing, operating, maintaining hospitals Medical Centers, Educational Centers, Rehabilitation Centers, Physiotherapy Laboratories and X-Rays Centers, Pharmacies, construction and to buy land for the purpose of constructing medical projects.

The consolidated financial statements consists of Middle East Healthcare Company (MEAHCO) and its below entities /branches:

- Saudi German Hospital – Jeddah operating under Commercial Registration No. 4030124187 issued on dated Safar 5, 1419(H) corresponding to May 30, 1998(G).
- Saudi German Hospital – Riyadh is operating under Commercial Registration No. 1010162269 dated Rajab 24, 1421(H) corresponding to October 22, 2000(G).
- Saudi German Hospital - Aseer operating under Commercial Registration No. 5855019364 dated Dhul Hijah 28, 1420(H) corresponding to April 3, 2000(G).
- Saudi German Hospital – Madinah operating in C.R. No. 4650032396 dated Safar 18, 1423(H) corresponding to May 1, 2002(G).
- Abdul Jaleel Ibrahim Batterjee Sons Development is branch operating in the Kingdom of Saudi Arabia under Commercial Registration No. 4030181710 dated Shaban 4, 1429H corresponding to August 5, 2008.
- National Hail Company for Healthcare Co. (NHC) is a closed Joint Stock Company registered in the Kingdom of Saudi Arabia operating under Commercial Registration No. 3350019735 issued in Hail on 2/7/1428H corresponding to 16/7/2007(G). The registered office of the Company is located in Hail, Kingdom of Saudi Arabia.

**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the period from January 01, 2016 to September 30, 2016

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**2. BASIS OF PREPARATION**

**Statement of compliance**

The accompanying consolidated financial statements have been prepared in accordance with the Accounting Objectives and Concepts and the Standards of General Presentation and Disclosure and are in compliance with the accounting Standards issued by the Saudi Organization of Certified Public Accountants.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Currently MEAHCO owns 32.33% in NHC. As per the Hospital Management Agreement signed with NHC, NHC has been consolidated into MEAHCO.

All significant inter-company transactions and balances between group companies have been eliminated on consolidation.

**Basis of measurement**

The consolidated financial statements are prepared under the historical cost basis using the accrual basis of accounting and the going concern concept.

**Functional and Presentation currency**

The consolidated financial statements of the company are presented in Saudi Riyals, which is the functional currency of the company.

**Accounting records**

The company maintains its accounting records by computer.

**Uses of estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the applications of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.



**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the period from January 01, 2016 to September 30, 2016

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand, balance with banks with original maturities of less than three months.

**Account receivables**

Accounts receivable are stated at original invoice and less allowance for uncollectible. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**Impairment and uncollectibility of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the income statement;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

**Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the supplier or not.

**Revenue recognition**

Income is recognized upon the delivery of services and customer acceptance, if any, or the performance of services, net of income discounts.

**Expenses**

General and administrative expenses include direct and indirect costs not especially part of direct operating expenses as required under generally accepted accounting principles. Allocations between direct operating expenses and general and administrative expenses, when required, are made on a consistent basis.

**Medical supplies**

Medical supplies are stated at the lower of cost or net realizable value. Cost is determined on weighted average basis. Provision is made for obsolete and slow-moving inventory items.

**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the period from January 01, 2016 to September 30, 2016

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**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated rates of depreciation of the principal classes of assets are 3% to 12.5% per year.

**Deferred charges**

These represent pre-operating expenses which comprise costs incurred prior to commencing commercial activity are amortized using the straight line method, over a period of ten years.

**Foreign currencies**

Transactions in foreign currencies during the year were converted to Saudi Riyals at rates prevailing at the date of the transaction. Assets and liabilities in foreign currencies were converted to Saudi Riyals at the rate of exchange prevailing at the balance sheet date. Differences in exchange are taken into profit and loss account.

**End of service benefits**

Provision for end of service benefits required by Saudi Arabian labor law, is provided in the financial statements based on the employees' length of service.

**Zakat and Income Tax**

The Company is subject to the regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia. Zakat and Income Tax is provided on an accrual basis. Zakat is computed on Zakat base, and Income Tax is computed on amended net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

**Leases**

Rentals in respect of operating leases are charged to the statement of income over the terms of the operating lease. Leases are classified as capital leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the Company, being the lessee. Assets held under capital leases are recognized as assets of the Company at the lower of the present value of the assets as of the date of inception of the lease.

Finance costs, which represent the difference between the total lease obligations and the lower of the present value of the future minimum lease payments are charged, to the statement of income over the terms of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.



**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the period from January 01, 2016 to September 30, 2016

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**4. LOANS**

The outstanding balances of the said loans at the balance sheet date are SR. 383,439,293 (SR. 165,923,811 for 2015) classified in the balance sheet as follows:

	<u>2016</u> SR.	<u>2015</u> SR.
Loan from Ministry of Finance	74,828,182	80,090,477
Loans from Commercial Banks	308,611,111	85,833,334
Total	<u>383,439,293</u>	<u>165,923,811</u>
Short term and current portion of long term loan ( 207,083,333)	<u>( 207,083,333)</u>	<u>( 85,130,629)</u>
Long term loan	<u>176,355,960</u>	<u>80,793,182</u>

**5. CAPITAL**

The authorized, issued and paid-up capital of the Company was SR. 767,000,000 divided into 76,700,000 equal shares at SR. (10) each out of which 4,204,000 shares issued in cash and 72,496,000 shares in kind. On May 17, 2015, the Shareholders in their extraordinary General meeting approved the increase of Capital and obtained the approval of the Ministry of Commerce to be 92,040,000 shares of SR 10 each amounting to SR 920,400,000 by issuance of 1 bonus share for every 5 shares held.

The Article of Association of the Company was amended and duly authorized to reflect the change in capital.

On December 30, 2015 the company obtained approval from Capital Market Authority ("CMA") to issue 27,612,000 shares representing 30% of the company's share capital in an Initial Public Offering and these shares were offered to the public. Accordingly the shareholders diluted their shareholding to the extent of 30%. The company shares are listed in the Saudi Stock Exchange (Tadawul) on March 29, 2016.

**6. STATUTORY RESERVE**

In accordance with the Regulations for Companies in Saudi Arabia, the Company establishes a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

**7. NON-CONTROLLING INTERESTS**

This item represents 67.67% shareholding by other shareholders in National Hail Company for Healthcare Co. and the Company holds 32.33% shares.



**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the period from January 01, 2016 to September 30, 2016

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**8. BUSINESS SEGMENTS**

As per the Company's internal policy the main business is segmented into following categories:

	<u>2016</u> SR.	<u>2015</u> SR.
In-Patient revenue	695,531,953	636,779,120
Out-Patient revenue	289,932,829	264,120,508
Pharmaceuticals revenue	208,128,052	204,078,829
Ancillary & Trading revenue - Net	17,086,696	10,863,048
<b>Total</b>	<u>1,210,679,530</u>	<u>1,115,841,505</u>

**9. EARNINGS PER SHARE**

Earnings per share are computed by dividing the net profit for the period by the weighted average number of shares outstanding during the period.

Earnings per share from the continuing main operations are computed by dividing net profit excluding other income for the period by the weighted average number of shares outstanding during the period.

**10. DIVIDEND DISTRIBUTION**

The board of directors at their meeting held on 19/04/2016(G) corresponding to 12/07/1437(H) proposed a cash dividend of SR 2 per share amounting to SR 184.08 million for the year ended 31 December 2015 which was subsequently approved by the shareholder in the General Assembly Meeting held on 29/06/2016(G) corresponding to 24/09/1437(H).

**11. ZAKAT AND INCOME TAX**

General Authority for Zakat & Tax (GAZT) vide approval letter dated 6/11/1437H corresponding to 9/8/2016 G. has granted exemption from paying income tax on the share of profits of International Finance Corporation (IFC). Accordingly, the company is not required to pay income tax from the year 2016 onwards on the share of IFC profit. An amount of SR. 13,552,448.23 paid earlier has been credited to equity account and considered as an advance paid to (GAZT) which will be adjusted from future zakat liability of the company.

**12. RISK MANAGEMENT**

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is subject to fluctuations in foreign exchange rates in the normal course of its business. The company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year.

**Liquidity risk**

Liquidity risk also to as funding risk is the risk that an enterprises will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and the management ensures that sufficient funds are available to meet any future commitments.

**13. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The company's financial assets consist of cash and bank balances and receivables, its financial liabilities consist of payables, accrued expenses and short and long term loans.

The fair values of financial instruments are not materially different from their carrying values.

**14. IMPAIRMENT AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

**Accounts receivable**

The allowance in respect of trade receivables is used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly. For individually significant amounts estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery basis.

**MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the period from January 01, 2016 to September 30, 2016

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**Inventories**

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical cost.

**Property and equipment**

The carrying value of the company's property and equipment are reviewed at each balance sheet date, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss, being the excess of the carrying amount over the recoverable amount, is recognized. Impairment losses are recognized in the statement of income.

**15. GENERAL**

Comparative figures were presented to confirm to current period presentation.