

**MIDDLE EAST HEALTHCARE
COMPANY LIMITED (MEAHCO)**
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month period ended 31 March 2021
together with the Independent Auditor's Review Report

MIDDLE EAST HEALTHCARE COMPANY LIMITED (MEAHCO)
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month period ended 31 March 2021

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KPMG Professional Services

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Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جدة 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Middle East Healthcare Company

Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial statements of Middle East Healthcare Company ("MEAHCO") ("the Company") and its subsidiary ("the Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2021;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2021;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

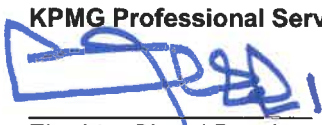
Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2021 condensed consolidated interim financial statements of Middle East Healthcare Company and its subsidiary ("the Group") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



Jeddah, 24 May 2021

Corresponding to 12 Shawwal 1442H

KPMG Professional Services a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR 15,000,000. Previously known as KPMG Al Fozan & Partners Certified Public Accountants. A member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

كي بي إم جي للاستشارات المهنية، شركة مهنية مساهمة مقفلة مسجلة في المملكة العربية السعودية وأسمائها (15000000) ريال سعودي مدفوع بالكامل. وقد تم تغيير اسم الشركة من الاسم السابق "شركة كي بي إم جي للفرزان وشركاه محاسبين وسم الجون قانونيون" إلى الاسم الحالي بتاريخ 2021/03/21م. وهي شركة عضو غير شريك في شبكة شركات كي بي إم جي المسجلة والتابعة لكي بي إم جي العالمية، شركة مسجلة في بريطانيا

Commercial Registration of the headquarter in Riyadh is 1010425494.

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

(Expressed in Saudi Arabian Riyals)

	Notes	31 March 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	2,136,368,417	2,073,638,422
Right-of-use assets	5	36,979,546	25,576,972
Intangible assets		7,844,842	6,923,277
Total non-current assets		2,181,192,805	2,106,138,671
Current assets			
Inventories		164,371,168	155,843,192
Accounts receivable	6	1,510,986,770	1,593,721,115
Prepayments and other current assets		179,586,554	84,840,856
Cash and bank balances		148,701,087	16,909,946
Total current assets		2,003,645,579	1,851,315,109
Total assets		4,184,838,384	3,957,453,780
EQUITY AND LIABILITIES			
Share capital	7	920,400,000	920,400,000
Statutory reserve		191,907,712	191,907,712
Retained earnings		489,567,803	477,466,298
Equity attributable to shareholders of the Company		1,601,875,515	1,589,774,010
Non-controlling interest		40,044,191	43,063,454
Total equity		1,641,919,706	1,632,837,464
Non-current liabilities			
Long term loans, non-current portion	8	1,029,038,675	847,400,365
Other non-current financial liabilities		16,210,189	17,788,483
Lease obligations – non-current portion		30,882,051	22,721,719
Deferred income		12,128,117	13,602,238
Employees' end of service benefits		237,059,404	235,391,073
Total non-current liabilities		1,325,318,436	1,136,903,878
Current liabilities			
Short-term borrowings and current portion of long-term loans	8	729,855,587	675,261,825
Current portion of other non-current financial liabilities		7,171,590	8,150,065
Current portion of lease obligations		7,814,994	4,410,829
Accounts payable	9	341,649,004	358,964,140
Accrued expenses and other current liabilities		123,299,404	134,615,916
Zakat payable	10	7,809,663	6,309,663
Total current liabilities		1,217,600,242	1,187,712,438
Total liabilities		2,542,918,678	2,324,616,316
Total equity and liabilities		4,184,838,384	3,957,453,780

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

The notes from 1 to 17 form an integral part of
these condensed consolidated interim financial statements (unaudited)

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2021

(Expressed in Saudi Arabian Riyals)

	Notes	31 March 2021	31 March 2020
Revenue		418,369,216	436,305,854
Cost of revenue		(295,212,563)	(289,447,473)
Gross profit		123,156,653	146,858,381
Selling and marketing expenses		(6,466,689)	(5,605,389)
General and administrative expenses		(99,197,659)	(116,888,006)
Income from operating activities		17,492,305	24,364,986
Other income		3,601,871	2,191,190
Finance cost		(10,511,934)	(7,511,864)
Profit before Zakat		10,582,242	19,044,312
Zakat	10	(1,500,000)	(1,500,000)
Profit for the period		9,082,242	17,544,312
Other comprehensive income:			
<i>Items that will not be classified to profit or loss:</i>			
Re-measurement on actuarial gain / loss		--	--
Total comprehensive income for the period		9,082,242	17,544,312
Total comprehensive income for the period attributable to:			
Shareholders' of the Company		12,101,505	21,184,850
Non-controlling interest		(3,019,263)	(3,640,538)
		9,082,242	17,544,312
Basic and diluted earnings per share attributable to the shareholders of the Company	11	0.13	0.23



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Chief Executive Officer



Madani Hozaien
Chief Financial Officer

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MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2021
(Expressed in Saudi Arabian Riyals)

	Equity attributable to the shareholders of the Company					
	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity	Non-controlling interest (NCI)	Total equity
Balance at 1 January 2020 (audited)	920,400,000	181,809,384	420,506,362	1,522,715,746	39,098,696	1,561,814,442
Total comprehensive income / (loss) for the period (unaudited)	--	--	21,184,850	21,184,850	(3,640,538)	17,544,312
Balance at 31 March 2020 (unaudited)	920,400,000	181,809,384	441,691,212	1,543,900,596	35,458,158	1,579,358,754
Balance at 1 January 2021 (audited)	920,400,000	191,907,712	477,466,298	1,589,774,010	43,063,454	1,632,837,464
Total comprehensive income / (loss) for the period (unaudited)	--	--	12,101,505	12,101,505	(3,019,263)	9,082,242
Balance at 31 March 2021 (unaudited)	920,400,000	191,907,712	489,567,803	1,601,875,515	40,044,191	1,641,919,706



Sobhi Abduljalil Batterjee
Chairman



Ahmed Mohamed Shebl
Chief Executive Officer



Madani Hozaen
Chief Financial Officer

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MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2021

(Expressed in Saudi Arabian Riyals)

	31 March <u>2021</u>	31 March <u>2020</u>
Cash flows from operating activities		
Profit before Zakat	10,582,242	19,044,312
<i>Adjustments for:</i>		
Depreciation	32,713,025	24,433,786
Amortization of intangible assets	327,591	554,810
Amortization of right-of-use assets	5 2,176,266	1,219,318
Charge / (reversal) for allowance for expected credit losses	6 (17,531,490)	6,504,588
Provision for slow moving and obsolete inventories	--	739,167
Amortization of deferred income	(1,474,121)	(1,542,037)
Unwinding impact of other financial liabilities	258,319	343,534
Finance charges related to lease obligations	494,939	468,677
Loss on disposal of property and equipment	266,894	276,395
Provision for employees' end of service benefits	11,099,128	9,583,493
	<u>38,912,793</u>	<u>61,626,043</u>
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	100,265,835	(167,063,833)
Inventories	(8,527,976)	(13,594,060)
Prepayments and other current assets	(94,745,698)	3,999,110
Accounts payable	(17,315,136)	25,148,567
Accrued expenses and other current liabilities	(11,316,512)	25,617,386
Other financial liabilities	(2,815,088)	(3,475,249)
Cash generated from / (used in) operating activities	<u>4,458,218</u>	<u>(67,742,036)</u>
Employees' end of service paid	(9,430,797)	(9,512,276)
Net cash used in operating activities	<u>(4,972,579)</u>	<u>(77,254,312)</u>
Cash flows from investing activities:		
Additions to property and equipment	(95,709,913)	(56,574,381)
Additions to intangibles	(1,249,156)	(93,084)
Net cash used in investing activities	<u>(96,959,069)</u>	<u>(56,667,465)</u>
Cash flows from financing activities:		
Term loans and borrowings, net	236,232,072	112,960,800
Lease obligations paid	5 (2,509,283)	(1,841,022)
Cash generated from financing activities	<u>233,722,789</u>	<u>111,119,778</u>
Net change in cash and cash equivalents	<u>131,791,141</u>	<u>(22,801,997)</u>
Cash and cash equivalents at beginning of the period	16,909,946	53,882,840
Cash and cash equivalents at the end of the period	<u>148,701,087</u>	<u>31,080,843</u>


Sobhi Abduljalil Batterjee
Chairman


Ahmed Mohamed Shebl
Chief Executive Officer


Madani Hozaien
Chief Financial Officer

The notes from 1 to 17 form an integral part of
these condensed consolidated interim financial statements (unaudited)

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

(Expressed in Saudi Arabian Riyals)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

Branch name	Commercial registration	Issued on	Corresponding to
Saudi German Hospital – Jeddah	4030124187	5 Safar 1419H	30 May 1998
Saudi German Hospital – Riyadh	1010162269	24 Rajab 1421H 28 Dhul Hijah	22 October 2000
Saudi German Hospital – Aseer	5855019364	1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5 August 2002
Abdul Jaleel Ibrahim Baterjee Sons	4030181710	4 Shaban 1429H	6 August 2008
Saudi German Hospital – Dammam	2050105713	18 Rajab 1436H	7 May 2015 15 November 2017
Beverly Clinics – Jeddah	4030297688	26 Safar 1439H	2017
Saudi German Hospital – Makkah - Under construction	4031215509	19 Shawwal 1439H	3 July 2018

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

(Expressed in Saudi Arabian Riyals)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

The Company has also investment in the following subsidiary:

<u>Subsidiary name</u>	<u>Commercial registration</u>	<u>Issued on</u>	<u>Corresponding to</u>
National Hail Company for Healthcare (NHC), a closed joint stock company	3350019735	2 Rajab 1428H	16 July 2007

Though, the Company holds 47% (31 December 2020: 32.33%) in NHC, however, as the control is exercised by the Company, NHC has been consolidated in these condensed consolidated interim financial statements as a subsidiary.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standards (IAS)-34 "Interim Financial Reporting" as endorsed in Kingdom of Saud Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The condensed consolidated interim financial statements do not include all the information required for complete set of IFRS Financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020 (last annual financial statements). Accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since last annual financial statements. In addition, results for the interim period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

i) Basis of measurement

These condensed consolidated interim financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for defined benefit liability, which is measure at the present value of the defined benefit obligation. Certain comparative amounts have been reclassified to conform to the current period's presentation.

ii) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Saudi Arabian Riyal which is the Group's functional currency.

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021
(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION (continued)

2.2 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, as explained in note 1.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are consolidated in the financial statements from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-Group balances, transactions, income and expenses resulting from intra-Group transactions are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests (NCI) and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Changes in a Group's ownership interest in a subsidiary that does not result in a change in control, is accounted as equity transaction and the carrying amounts of the non-controlling interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under "Effect of transactions with non- controlling interests without change in control".

2.3 Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements.

The following amendments to existing standards and framework have been applied by the Group in preparation of these interim condensed consolidated financial statements. The adoption of the below did not result in changes to previously reported net profit or equity of the Group.

Description	Effective from
Interest Rate Benchmark Reforms Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

(Expressed in Saudi Arabian Riyals)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Consolidated Financial Statements. However, as explained in note 15.4, the management has reviewed the key sources of estimation uncertainties disclosed in the annual consolidated financial statements against the back drop of COVID-19 pandemic and believes that other than the expected credit losses arising on the financial assets, all other sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements. The Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

4. PROPERTY AND EQUIPMENT

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Operating assets	1,487,631,558	1,502,406,978
Capital work-in-progress (CWIP)	648,736,859	571,231,444
	<u>2,136,368,417</u>	<u>2,073,638,422</u>

- 4.1 CWIP mainly contains the construction of a new Hospital in Makkah, and renovations of several hospitals buildings at different locations.
- 4.2 During the period finance charges amounting to SR 7.10 million (31 December 2020: SR 17.54 million) have been capitalized in CWIP.
- 4.3 The land and buildings having a net book value of SR 378 million (31 December 2020: SR 381.73 million) are mortgaged to secure loan from Ministry of Finance.

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

(Expressed in Saudi Arabian Riyals)

5. RIGHT OF USE AND LEASE LIABILITIES

The movement in right-of-use assets and lease liability for the year is as follows:

	31 March 2021 (Unaudited)	31 December_ 2020 (Audited)
<u>Right-of-use assets</u>		
Opening Balance	25,576,972	30,454,243
Addition during the period / year	13,578,840	--
Depreciation for the period / year	(2,176,266)	(4,877,271)
	<u>36,979,546</u>	<u>25,576,972</u>
Closing Balance		

	31 March 2021 (Unaudited)	31 December_ 2020 (Audited)
<u>Lease Liabilities</u>		
Opening Balance	27,132,548	31,313,426
Interest expense for the period / year	494,939	1,722,241
Addition for the period / year	13,578,840	--
Payments made during the period / year	(2,509,282)	(5,903,119)
	<u>38,697,045</u>	<u>27,132,548</u>
Closing Balance		

The maturity analysis of the lease liabilities is as follows:

	31 March 2021 (Unaudited)	31 December_ 2020 (Audited)
Current portion	7,814,994	4,410,829
Non-current portion	30,882,051	22,721,719
Total	<u>38,697,045</u>	<u>27,132,548</u>

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

(Expressed in Saudi Arabian Riyals)

6. ACCOUNTS RECEIVABLE

Accounts receivable comprise of the following

	<u>Note</u>	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Third party customers		1,638,456,486	1,739,179,442
Related parties	13	25,384,527	24,934,283
		1,663,841,013	1,764,113,725
Expected credit losses		(152,854,243)	(170,392,610)
		1,510,986,770	1,593,721,115

The movement in expected credit losses for the period us shown below:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Opening Balance	170,392,610	165,135,773
Charge for the period / year	--	9,970,468
Written off during the period / year	(6,877)	(4,713,631)
Reversal during the period / year	(17,531,490)	--
Closing Balance	152,854,243	170,392,610

7. SHARE CAPITAL

The authorized, issued and paid-up capital of the Company is SR 920,400,000 divided into 92,040,000 equal shares at SR 10 each.

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

(Expressed in Saudi Arabian Riyals)

8. TERM LOANS

Term loans comprise for the following:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Loan from commercial banks	1,584,768,836	1,379,319,897
Loan from Ministry of Finance	187,830,968	158,589,873
Adjustment for deferred income	(13,705,542)	(15,247,580)
Loan from Ministry of Finance – net	174,125,426	143,342,293
	1,758,894,262	1,522,662,190
	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Current portion:		
Loan from commercial banks	95,870,084	107,142,856
Short-term borrowings	629,017,247	563,218,626
Loan from Ministry of Finance	4,968,256	4,900,343
Total current portion	729,855,587	675,261,825
Non-current portion:		
Loan from commercial banks	859,881,505	708,958,415
Loan from Ministry of Finance	169,157,170	138,441,950
Total non-current portion of long-term loans	1,029,038,675	847,400,365
	1,758,894,262	1,522,662,190

Loans from Ministry of Finance are secured by the mortgage of land and building of Saudi German Hospital - Madinah and Hail (Note 4.3). These loans are interest free.

The loans from commercial banks are borrowed at SIBOR plus an agreed mark up. These loans are secured through promissory notes issued by the Company. These loans agreements with the banks contain covenants, which, among other things, require the Group to maintain a minimum current ratio and debt service coverage ratio.

MIDDLE EAST HEALTHCARE COMPANY LIMITED
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

(Expressed in Saudi Arabian Riyals)

9. ACCOUNTS PAYABLE

Accounts payable comprise of the following:

	<u>Note</u>	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Third party suppliers		206,404,954	205,856,132
Due to related parties	13	135,244,050	153,108,008
		<u>341,649,004</u>	<u>358,964,140</u>

10. ZAKAT

Middle East Health Care Company:

The Company finalized its Zakat status up to the year 2008.

The Company filed the Zakat/tax returns for the years ended 31 December 2009 to 2013. The GAZT did not issue the final Zakat/tax assessments for the said years till to date. The status of the Company for the said years is considered finalized.

The GAZT issued the preliminary assessment for the year 2014, which has shown Zakat differences of SR 4,617,370 due from the Company. The said differences resulted from rejecting the application of Fatwa No. 23408 by the GAZT. The said Fatwa stated that Zakat is to be calculated on the Zakat base even if it is less than the net result of the year. The Company submitted a bank guarantee against the said Zakat differences and objected against such treatment. The GAZT refused the Company's objection for the year 2014. The Company transferred the objection to the Committee for Resolution of Tax Violations and Disputes (CRTVD), which is still under study by the CRTVD till to date.

The Company filed its Zakat/ tax returns for the years ended 31 December 2015 to 2018. The GAZT issued the Zakat and withholding tax (WHT) assessment for the said years. The Company objected against the said assessment and GAZT issued a revised assessment. The Company transferred the objection to the Committee for Resolution of Tax Violations and Disputes (CRTVD), which is still under study by the CRTVD till to date. The management believes that it has a strong chance to win the case.

The Company filed the Zakat/tax return for the year ended 31 December 2020 and obtained the unrestricted Zakat/tax certificate for the said year. The GAZT did not issue the Zakat/tax assessment for the said year till to date.

Zakat status of the Subsidiary Company ("National Hail Company for Health Care" or "NHC", the subsidiary)

NHC has finalized its Zakat assessment up to the year ended 31 December 2012. NHC filed the Zakat return for the year ended 31 December 2013 and obtained the unrestricted Zakat and tax certificate for the said year. The GAZT issued the Zakat assessment for the said year, which showed Zakat differences of SR 0.059 million due from NHC. NHC filed an objection against the said assessment, which is still under review by the GAZT. The Subsidiary Company filed the Zakat/tax returns for the years ended 31 December 2014 to 2018 and obtained the unrestricted Zakat\ tax certificate for the year 2019. The GAZT did not issue the Zakat and tax assessment for the said years.

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11. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period have been computed by dividing the net profit attributable to shareholders of the Parent Company for the period by the weighted average number of shares outstanding during the period.

	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Net profit for the three-month period attributable to shareholders of the Company (Saudi Arabian Riyals)	12,101,505	21,184,850
Weighted average number of ordinary shares	92,040,000	92,040,000
Earnings per share (Saudi Arabian Riyals)	0.13	0.23

12. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies and evaluates the financial risks in close co-operation with the Group's operating units. The most important types of risk are market risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the Audit Committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees compliance by management with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the condensed interim consolidated statement of financial position include cash and cash equivalents, accounts receivable, borrowings, account payable, accrued expenses, employees' end of service benefits, lease obligations and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

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12. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk

The Group's interest rate risks arise mainly from its borrowings, which are at floating rate of interest and are subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	31 March <u>2021</u>	31 December <u>2020</u>
Fixed rate instruments		
<u>Financial liabilities</u>		
Borrowings	<u>187,830,968</u>	<u>158,589,873</u>
Variable rate instruments		
<u>Financial liabilities</u>		
Borrowings	<u>1,584,768,836</u>	<u>1,379,321,897</u>

Interest rate sensitivity analysis

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before Zakat for the period by SR 3.9 million (31 December 2020: SR 13.8 million).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's management monitors such fluctuations and manages its effect on the condensed consolidated interim financial statements accordingly. The Group does not have significant exposure to currency risk since majority of its transactions are carried out in Saudi Riyals and US Dollars. The Saudi Riyal is pegged to US Dollars.

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not exposed to any price risk.

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12. FINANCIAL RISK (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored.

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

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Financial assets		
Accounts receivable	1,663,841,013	1,764,113,725
Bank balance	146,900,238	15,463,809
Deposits	1,336,218	1,336,218
Staff advances	2,961,181	2,580,956
	<u>1,815,038,650</u>	<u>1,783,494,708</u>

Trade and other receivables are carried net of provision for expected credit losses. At the reporting date, four major customers constitute 84% (31 December 2020: 85%) of total receivables. However, the Company assessed the concentration of risk with respect to accounts receivable and concluded it to be low. As at 31 March 2021, out of the total accounts receivables, SR 916.29 million (31 December 2020: 984.56 million) relates to Government and Quasi Government institutions.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, the Group has maintained credit lines with various commercial banks in order to meet its liquidity requirements.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual principal payments.

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12. FINANCIAL RISK (continued)

Liquidity risk (continued)

31 March 2021 (unaudited)	Carrying Amount	Less than 6 months	Contractual cash flows				Total
			6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	
Non derivative financial liabilities							
Loans and borrowings	1,758,894,262	52,368,487	99,916,527	476,761,595	568,129,811	1,275,035,411	2,472,211,831
Accounts payable	341,649,004	341,649,004	--	--	--	--	341,649,004
Lease liabilities	38,697,045	5,018,560	5,018,560	16,454,503	4,811,340	19,365,040	50,668,002
Other financial liabilities	23,381,779	3,658,930	3,845,537	14,449,114	3,061,584	--	25,015,166
Accrued and other liabilities	123,299,404	123,299,404	--	--	--	--	123,299,404
	<u>2,285,921,494</u>	<u>525,994,385</u>	<u>108,780,624</u>	<u>507,665,212</u>	<u>576,002,735</u>	<u>1,294,400,451</u>	<u>3,012,843,407</u>
31 December, 2020	Carrying Amount	Less than 6 months	Contractual cash flows				Total
			6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	
Non derivative financial liabilities							
Loans and borrowings	1,522,662,190	489,884,145	205,832,739	408,190,253	459,595,470	825,733,076	2,389,235,683
Accounts payable	358,964,140	358,964,140	--	--	--	--	358,964,140
Lease liabilities	27,132,548	2,951,560	2,951,560	7,777,840	5,228,840	22,418,880	41,328,680
Other financial liabilities	25,938,548	4,649,116	7,167,861	14,785,697	1,232,143	--	27,834,817
Accrued and other liabilities	134,615,916	134,615,916	--	--	--	--	134,615,916
	<u>2,069,313,342</u>	<u>991,064,877</u>	<u>215,952,160</u>	<u>430,753,790</u>	<u>466,056,453</u>	<u>848,151,956</u>	<u>2,951,979,236</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

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13. RELATED PARTY TRANSACTIONS

Related parties include the Group's shareholders, associates and affiliated companies, other entities related to certain consolidated subsidiaries and key management personnel of the Group. Terms and conditions of these transactions are approved by the Company's Board of Directors.

All outstanding balances with these related parties are priced on mutually agreed terms and are to be settled in cash.

Significant related party transactions for the period and balance arising there from are described as under:

<u>Transaction with</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Transaction during the period</u>		<u>Closing balance</u>	
			<u>31 March 2021</u>	<u>31 March 2020</u>	<u>31 March 2021</u>	<u>31 December 2020</u>
			<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
<u>Due from related parties</u>						
-Bait Al Batterjee Company for Education & Training	Affiliate	Staff training		78,143	764,940	764,940
-Emirates Healthcare Development Company	Affiliate	Management fee	3,522,372	2,482,625	9,730,171	10,557,883
-Egypt Healthcare Company	Affiliate	Management fee	800,000	117,058	2,081,738	985,645
-Bait Al Batterjee Medical College	Affiliate	Training Fee	277,718	207,651	5,144,462	5,095,235
-Al Bait International Company	Affiliate	Medical services	228,599	84,480	3,357,853	3,203,073
Saudi German Hospital Sana'a	Affiliate	Medical Services	--	--	895,675	895,675
Saudi German Hospital Ajman	Affiliate	Medical Services	--	--	3,298,326	3,298,326
-Bait Al Batterjee Fitness Company	Affiliate	Medical services	--	882	111,362	133,506
					25,384,527	24,934,283
<u>Prepayments and Other receivables</u>						
-Bait Al Batterjee Pharmaceutical Company	Affiliate	Supplies of certain pharmaceutical Advance against outsourced IT services	5,701,764	4,985,731	2,617,621	3,057,528
Megamind	Affiliate		44,968,467		43,635,297	--
					46,252,918	3,057,528

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13. RELATED PARTY TRANSACTIONS (continued)

<u>Transaction with</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Transaction during the period</u>		<u>Closing balance</u>	
			<u>31 March 2021</u>	31 March 2020	<u>31 March 2021</u>	31 December 2020
<u>Due to related parties</u>			<u>(Unaudited)</u>	(Unaudited)	<u>(Unaudited)</u>	(Audited)
-Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Affiliate	Repair of medical instruments	500,323	505,015	1,116,684	997,902
-International Hospital Construction Company	Affiliate	Construction and renovation	72,842,648	35,162,737	130,574,022	149,575,235
-Bait Al Batterjee Medical Company	Share holder	Advisory fee	1,575,224	1,653,985	3,553,344	2,534,871
Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)	Affiliate	Janitorial services	5,402,978	--	--	--
					135,244,050	153,108,008

Compensation of key management personnel

The remuneration of the Directors and key management during the period was as follows:

	<u>31 March 2021</u>	<u>31 March 2020</u>
	(Unaudited)	(Unaudited)
Short-term benefits	<u>1,268,693</u>	<u>1,036,500</u>
Post-employment benefits	<u>1,631,777</u>	<u>2,746,535</u>

Short-term benefits include the monthly gross salary paid to the key management personnel which include basic salary and the allowances. Key management employees are assigned by shareholders, therefore post-employment and other long-term benefits are paid by the shareholders.

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14. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments. Information regarding the Company's reportable segments is presented below:

Based on nature of services

	<u>31 March 2021 (unaudited)</u>				
	<u>In patient services</u>	<u>Outpatient services</u>	<u>Pharmacy sales</u>	<u>Others</u>	<u>Total</u>
Revenue	236,944,707	115,003,426	61,884,120	4,536,963	418,369,216
Cost of revenue	(167,604,570)	(83,541,544)	(43,988,226)	(78,223)	(295,212,563)
Gross profit	69,340,137	31,461,882	17,895,894	4,458,740	123,156,653
Operating expenses					(105,664,348)
Operating profit					17,492,305
Other income					3,601,871
Finance charges					(10,511,934)
Zakat					(1,500,000)
Net profit					9,082,242

	<u>31 March 2020 (unaudited)</u>				
	<u>In patient services</u>	<u>Outpatient services</u>	<u>Pharmacy sales</u>	<u>Others</u>	<u>Total</u>
Revenue	264,267,834	98,093,665	71,342,415	2,601,939	436,305,854
Cost of revenue	(164,113,855)	(69,332,860)	(55,898,326)	(102,431)	(289,447,473)
Gross profit	100,153,979	28,760,805	15,444,089	2,499,508	146,858,381
Operating expenses					(122,493,395)
Operating profit					24,364,986
Other income					2,191,190
Finance charges					(7,511,864)
Zakat					(1,500,000)
Net profit					17,544,312

Management monitors the operating results of its operating segments separately for the purpose of performance assessment.

Geographical Segment:

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

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15. CONTINGENCIES AND COMMITMENTS

The Group has following contingencies and commitments as of 31 March 2021.

- 15.1 Various employees have filed cases against for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to SR 1.7 million (31 December 2020: SR 5.5 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard
- 15.2 The Company and its Subsidiary is also contesting various cases on account of alleged noncompliance of regulations. The total amount under consideration is SR 0.2 million (31 December 2020: SR 1.7 million). Most of the cases are under hearing. The management is confident that the outcome will be in favour of the Group and no provision is required in this regard.
- 15.3 Capital commitments as of 31 March 2021 amounted to SR 223 million (2020: SR 297.9 million)
- 15.4 Since early 2020, the Novel Coronavirus Pandemic (COVID-19) has spread globally across various geographies including the Kingdom of Saudi Arabia, causing disruption to businesses and slowdown of economic activities in general as a result of travel restrictions and social distancing requirements.

Whilst it is challenging to predict the full extent and duration of business and economic impacts, the Group's management has considered the potential impacts of COVID-19 on the operations and concluded that as of the issuance date of these condensed interim financial statements, no significant changes are required to the judgements and key estimates. The Group is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods.

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16. STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after 1 January 2021, and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed interim financial statements.

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date</u></i>
IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	1 January 2022
	Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41	
IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
IFRS 3	Reference to the conceptual framework – Amendment	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2023
IAS 8	Definition of Accounting Estimate - Amendment	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The Group is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Group's financial statements on adoption.

17. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on 19 May 2021, corresponding to 7 Shawwal 1442H.