

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

**THE CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS'REVIEW REPORT
FOR THE PERIOD FROM
JANUARY 01, 2018 TO MARCH 31, 2018**

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction:

We have reviewed the accompanying condensed interim consolidated statement of financial position of **MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)** – (the company) as of March 31, 2018, and the related condensed interim consolidated statements of profit and loss and other comprehensive income, interim consolidated statement of changes in shareholders' equity and the interim consolidated statement of cash flows for the three months ended March 31, 2018, together with the notes from (1) to (24). These interim consolidated financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. 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 International Standards on Auditing 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 condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Report" that is endorsed in the Kingdom of Saudi Arabia.

Jeddah
May 7, 2018



Aldar Audit Bureau
Abdullah Al Basri & Co.


Waheed Salah Gazzaz
Certified Public Accountant
License No. 247

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)

(A Saudi Joint Stock Company)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

(UNAUDITED)

	NOTE	March 31, 2018 SR.	December 31, 2017 SR. Restated
ASSETS			
Non-Current assets			
Operating fixed assets		1,098,940,646	1,110,061,940
Intangible assets		5,560,173	5,751,955
Capital work in progress		177,608,756	156,965,200
Total non-current assets		1,282,109,575	1,272,779,095
Current assets			
Inventories	6	112,933,475	111,449,774
Account receivables	7	955,077,802	883,178,310
Prepayments and other current assets	8	55,156,375	46,205,961
Cash and bank balances		122,155,640	111,053,895
Total current assets		1,245,323,292	1,151,887,940
Total assets		2,527,432,867	2,424,667,035
EQUITY AND LIABILITIES			
Equity			
Share capital	16	920,400,000	920,400,000
Statutory reserve	17	154,827,612	154,827,612
Retained earnings		461,275,615	374,146,669
Equity attributable to shareholders		1,536,503,227	1,449,374,281
Non-controlling interests	18	48,885,563	51,731,710
Total equity		1,585,388,790	1,501,105,991
Non-current liabilities			
Term loans	9	144,071,525	131,025,594
Other non-current financial liabilities		41,384,419	40,908,116
Deferred income /gain	10	22,000,398	22,209,797
End of service benefits	11	186,010,290	183,215,920
Total non-current liabilities		393,466,632	377,359,427
Current liabilities			
Short term and current portion of term loans	9	146,626,453	172,876,453
Accounts payables, accrued and other liabilities	12	401,950,992	373,325,164
Total current liabilities		548,577,445	546,201,617
Total liabilities		942,044,077	923,561,044
Total equity and liabilities		2,527,432,867	2,424,667,035

Sobhi Abduljalil Batterjee
Chairman

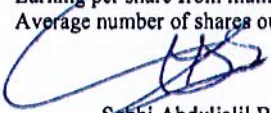
Mohammed Mamoun Al Najjar
Chief Executive Officer

Alarma Varghese Thomas
Chief Financial Officer

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

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)
(A Saudi Joint Stock Company)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE PERIOD FROM JANUARY 01, 2018 TO MARCH 31, 2018
(UNAUDITED)

	NOTE	March 31, 2018 SR	March 31, 2017 SR Restated
Revenues		395,109,183	393,530,265
Cost of revenue		(234,690,398)	(213,063,381)
Gross profit		160,418,785	180,466,884
Selling and marketing expenses		(1,641,924)	(4,240,697)
General and administrative expenses	13	(72,960,144)	(69,189,426)
Total operating expenses		(74,602,068)	73,430,123
Results from operating activities		85,816,717	107,036,761
Other income		2,508,476	3,365,328
Finance cost		(2,017,395)	(3,703,755)
Net profit before zakat		86,307,798	106,698,334
Zakat	22	(2,024,999)	(3,310,000)
Net profit for the period		84,282,799	103,388,334
Profit attributable to:			
Shareholder's of the company		87,128,946	109,967,553
Non controlling interest		(2,846,147)	(6,579,219)
Net profit for the period		84,282,799	103,388,334
Other Comprehensive Income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Results of actuarial valuation report		--	--
Total Comprehensive Income for the period		84,282,799	103,388,334
Comprehensive Income attributable to:			
Shareholders' of the Company		87,128,946	109,967,553
Non-controlling interests		(2,846,147)	(6,579,219)
Net		84,282,799	103,388,334
EARNINGS PER SHARE (Saudi Riyal)	20		
Earning per share from net profit		0.95	1.20
Earning per share from main operations		0.92	1.16
Average number of shares outstanding		92,040,000	92,040,000


Sobhi Abduljalil Batterjee
Chairman


Mohamed Mamoun Al Najjar
Chief Executive Officer


Alarma Varghese Thomas
Chief Financial Officer

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MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)
(A Saudi Joint Stock Company)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM JANUARY 01, 2018 TO MARCH 31, 2018
(UNAUDITED)

<u>Note</u>	<u>Capital</u>	<u>Statutory Reserve</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>	<u>Non-Controlling Interest</u>	<u>Total Equity</u>
	SR.	SR.	SR.	SR.	SR.	SR.
Balance at 01/01/2017	920,400,000	124,819,329	549,173,636	1,594,392,965	59,351,808	1,653,744,773
Adjustment on adoption of IFRS 9	3	—	(274,268,254)	(274,268,254)	—	(274,268,254)
Comprehensive income for the period	—	—	109,967,553	109,967,553	(6,579,219)	103,388,334
Advance towards share capital	—	—	—	—	6,500,000	6,500,000
Balance as at 31/03/2017	920,400,000	124,819,329	384,872,935	1,430,092,264	59,272,589	1,489,364,853
Balance at 01/01/2018	920,400,000	154,827,612	374,146,669	1,449,374,281	51,731,710	1,501,105,991
Comprehensive income for the period	—	—	87,128,946	87,128,946	(2,846,147)	84,282,799
Balance as at 31/03/2018	920,400,000	154,827,612	461,275,615	1,536,503,227	48,885,563	1,585,388,790


Sobhi Abduljalil Batterjee
Chairman

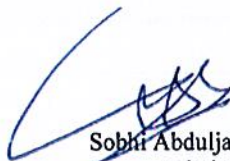

Mohammed Mamoun Al Najjar
Chief Executive Officer


Alarna Varghese Thomas
Chief Financial Officer


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

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)
(A Saudi Joint Stock Company)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 01, 2018 TO MARCH 31, 2018
(UNAUDITED)

	March 31, 2018 SR	March 31, 2017 SR Restated
FROM OPERATING ACTIVITIES		
Net profit for the period	84,282,799	103,388,334
Adjustment to reconcile net income to net cash (used in) provided by:		
Depreciation & Amortization	21,021,166	17,472,447
Provision for impairment of receivables	(5,476,747)	(4,850,692)
End of service benefits	2,794,370	4,744,387
Zakat	2,024,999	3,310,000
Net adjusted profit	<u>104,646,587</u>	<u>124,064,476</u>
Changes in operating assets and liabilities:		
Accounts receivable	(66,422,745)	197,146,514
Inventories	(1,483,701)	(11,949,945)
Advances deposits, prepayments & other current assets	(8,950,414)	(30,608,099)
Accounts payables, accrued and other liabilities	26,600,829	(12,777,062)
Net cash provided by operating activities	<u>54,390,556</u>	<u>265,875,884</u>
FROM INVESTING ACTIVITIES		
Operating fixed assets	(6,929,432)	(114,804,185)
Capital work in progress	(23,422,214)	80,163,973
Net cash (used in) investing activities	<u>(30,351,646)</u>	<u>(34,640,212)</u>
FROM FINANCING ACTIVITIES		
Term loans	(13,204,069)	(27,747,331)
Other non-current financial liabilities	476,303	(1,288,648)
Deferred revenue	(209,399)	7,700,576
Non-controlling interests	--	6,500,000
Net cash (used in) financing activities	<u>(12,937,165)</u>	<u>(14,835,403)</u>
NET CHANGE IN CASH AND BANK	<u>11,101,745</u>	<u>216,400,269</u>
CASH AT BEGINNING OF THE PERIOD	<u>111,053,895</u>	<u>155,090,776</u>
CASH AT END OF THE PERIOD	<u><u>122,155,640</u></u>	<u><u>371,491,045</u></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 condensed interim consolidated financial statements

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 01, 2018 to March 31, 2018

(UNAUDITED)

1. GENERAL INFORMATION

Middle East Healthcare Company (the "Company") and its subsidiaries (collectively the "Group") consist of the Company and its various branches and a subsidiary in Saudi Arabia. The Company was a closed joint stock company operating under commercial registration number 4030149460 dated Rabie Al-Thani 06, 1425 (H) corresponding to May 25, 2004 (G).

On Rabi Al-Awal 19, 1437 (H) corresponding to December 30, 2015 (G) the Company obtained approval from Capital Management 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 Jumada Al-Thani 20, 1437 (H) corresponding to March 29, 2016 (G). Accordingly the Company was converted to a Public Joint Stock Company.

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

The Company has investments in the following branches and subsidiaries (collectively referred to as the "Group") at the reporting periods:

(a) Direct and indirect subsidiaries of the Company**(i) Operating entities/ subsidiary**

Entry/Subsidiary name	Commercial Registration No.	Issued on	Corresponding To	Ownership interest (%) at March 31	
				2018	2017
Saudi German Hospital – Jeddah	4030124187	Safar 05, 1419	May 30, 1998	100%	100%
Saudi German Hospital – Riyadh	1010162269	Rajab 24, 1421	October 22, 2000	100%	100%
Saudi German Hospital – Aseer	5855019364	Dhul Hijah 28, 1420	April 03, 2000	100%	100%
Saudi German Hospital – Madinah	4650032396	Safar 18, 1423	August 05, 2002	100%	100%
Abdul Jaleel Ibrahim Batterjee Sons Development	4030181710	Shaban 04, 1429	August 06, 2008	100%	100%
Saudi German Hospital – Damman	2050105713	Rajab 18, 1436	May 07, 2015	100%	100%
National Hail Company for Healthcare (NHC) A Closed Jointly Stock Co.	3350019733	Rajab 02, 1428	July 16, 2007	32.33%	32.33%
Beverly Clinics - Jeddah	4030297688	Safar 26, 1439	November 15, 2017	100%	–

The Company hold 32.33% in NHC, however based on control exercised by the Group, NHC has been consolidated as subsidiary refer note 2.2. The 67.67% shares in NHC are disclosed as Non-Controlling interest.

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 01, 2018 to March 31, 2018

(UNAUDITED)

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and Statement of Compliance

The condensed consolidated interim financial statements of the Middle East Healthcare Company (the "Group") are prepared in accordance with IAS 34 interim financial reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Public Accountants ("SOCPA") and the requirements of the regulations for companies and the company's by-Laws in so far as they relate to the preparation and presentation of the financial statements.

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 2017.

This is the first set of condensed consolidated interim financial statements where IFRS 9 and IFRS 15 have been applied. Changes to significant accounting policies are described in Note 3.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Saudi Riyal.

2.2 Basis of consolidation

The consolidated financial statements comprise of the condensed consolidated interim financial statements of the Group and its subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the period from January 01, 2018 to March 31, 2018
(UNAUDITED)

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Changes in significant accounting policies

Except as described below, the accounting policies applied in these Condensed Consolidated Interim Financial Statements are the same as those applied in the last annual Financial Statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the last annual Financial Statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see a) and IFRS 9 Financial Instruments (see b) from 1 January 2017. The effect of initially applying these standards is mainly attributed to the following:

- Presentation of Revenue net off discounts, rejections (see a below); and
- an increase in impairment losses recognised on financial assets (see b below)

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting 'IFRS 15 Revenue from Contracts with Customers' on the recognition of Revenue of the Group.

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 01, 2018 to March 31, 2018

(UNAUDITED)

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a accounts 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.

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 01, 2018 to March 31, 2018

(UNAUDITED)

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to accounts receivables are presented separately in the Condensed Interim Consolidated Statement of Profit or Loss and OCI. As a result, the Group reclassified impairment losses amounting to SAR 5.1 million, recognised under IAS 39, from 'Selling and Distribution Expense' to 'impairment loss on accounts receivables' in the Condensed Interim Consolidated Statement of Profit or Loss for the three months ended 31 March 2017.

3. ADOPTION OF NEW STANDARDS

The Company has adopted the following new accounting standards, and also reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

3.1 IFRS 9 - Financial instruments

Management classified all its financial assets on the date of adoption of IFRS 9 -- Financial Instruments, based on the Company's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset. Financial assets were classified into one of the following three categories, which determine how it is measured subsequent to initial recognition: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss. The Company has defined its significant business models and has assessed the cash flow characteristics for all financial assets under the scope of IFRS 9.

The Company assesses the impairment of all monetary financial assets which are not classified as FVTPL as per an impairment model based on expected credit losses. The Company had no financial assets subject to impairment assessment except trade and other receivables which have a contractual collection period of less than one year and accordingly the Company has decided to use the provision matrix as a practical expedient.

On adoption of IFRS 9, the Company has restated comparative period financial information and has recognized any measurement difference between the previous carrying amount and the new carrying amount, through an adjustment to opening retained earnings as of January 1, 2017.

The impact of adopting lifetime expected credit loss on accounts and other receivables under IFRS 9 are as follows:

As at January 1, 2017	Carrying amount under IAS 39	Provision for Impairment	Carrying amount under IFRS 9
Accounts receivables	1,144,464,369		1,144,464,369
Provision for bad and doubtful debts		(274,268,254)	(274,268,254)
Accounts receivables - Net	1,144,464,369	(274,268,254)	870,196,115

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the period from January 01, 2017 to March 31, 2017
(UNAUDITED)

3.2 Revenue from contracts with customers

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company adopted IFRS 15 on the required effective date using the retrospective method. In preparing to adopt IFRS 15, the Company considered the following:

For contracts with customers in which the sale of equipment is generally expected to be the only performance obligation, adoption of IFRS 15 did not have any significant impact on the Company's revenue and profit or loss. The Company's revenue recognition will occur at a point in time when control of the asset is transferred to the customer.

The Company generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, all existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as per its current practice.

Under IFRS 15, earned consideration that is conditional is recognised as current inpatient and or un-invoiced receivable asset rather than invoiced receivable, however, there was no impact on adoption of IFRS 15 on the Company's balance sheet at January 1, 2017.

Some contracts with customers provide volume discount, prompt payment discounts, trade discounts, or rejections. Currently, the Company recognizes gross revenue from the patients or customers measured at the fair value of the consideration received or receivable, while IFRS 15 requires the revenue to be recorded net of volume discount, prompt payment discounts, trade discounts, or rejections.

The Company has elected to make use of the following practical expedients:

- The Company did not disclose information about remaining performance obligations that have original expected durations of one year or less.
- For contracts that were modified before the beginning of the earliest period presented, the Company did not retrospectively restate the contract for those contract modifications.

The impact of adoption IFRS 15 is tabulated as follows:

As at January 1, 2017	Carrying amount under IAS 18	Provision for discount and rejection	Carrying amount under IFRS 15
Accounts receivables - Gross	1,422,766,455	(278,302,086)	1,144,464,369
Provision for rejection and discounts	(278,302,086)	278,302,086	--
Accounts receivables – Net	1,144,464,369	--	1,144,464,369

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the period from January 01, 2018 to March 31, 2018
(UNAUDITED)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

4.1 IFRS 16 "Leases"

IFRS 16 "Leases" was issued in January 2016 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively or on a modified retrospective basis. It is intended to replace IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer ("lessee") and the supplier ("lessor"). The standard brings most leases on-balance sheet for lessees under a single model, eliminating the previous classifications of operating and finance leases. The only exemption to this treatment is for lease contracts with duration of less than one year. The on-balance sheet treatment will result in the grossing up of the balance sheet due to a right-of-use asset being recognized with an offsetting liability. Lesser accounting under the standard remains largely unchanged with previous classifications of operating and finance leases being maintained. The Company is assessing the impact of this standard.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the condensed interim consolidated financial statements:

Estimates and assumptions

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

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Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. There is no impairment as of December 31, 2017.

Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Defined benefit

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the defined benefit plan with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit plan. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Refer Note 11.

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Provision for doubtful debts

A provision for impairment of account receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are over-due, are assessed collectively and a provision is recognized considering the length of time considering the past recovery rates.

Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

Useful lives of operating fixed assets

The management determines the estimated useful lives of operating fixed assets for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

6. INVENTORIES

This item consists of the following:

	March 31, 2018 SR.	December 31, 2017 SR.
Gross inventory	124,064,996	122,177,172
Provision for slow moving and Obsolescence	(11,131,521)	(10,727,398)
Net	<u>112,933,475</u>	<u>111,449,774</u>

Movement of provision for slow moving and obsolescence:

	March 31, 2018 SR.	December 31, 2017 SR.
Opening balance	10,727,398	8,054,849
Add: Provision during the period	404,123	2,763,024
Less: Adjustment during the period	--	(90,475)
Closing balance	<u>11,131,521</u>	<u>10,727,398</u>

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7. ACCOUNT RECEIVABLES

This item consists of the following:

	March 31, 2018 SR.	December 31, 2017 SR. Restated
Customers	1,200,809,740	1,134,212,435
Provision for impairment for customers	(250,755,028)	(254,865,488)
Net	<u>950,054,712</u>	<u>879,346,947</u>
Related parties	21.2 5,023,090	3,831,363
Net	<u>955,077,802</u>	<u>883,178,310</u>

8. PREPAYMENTS AND OTHER CURRENT ASSETS

This item consists of the following:

	March 31, 2018 SR.	December 31, 2017 SR.
Advances to staff	2,185,320	1,932,027
Advances to suppliers	23,476,880	16,232,243
Deposits	714,133	677,369
Prepayments	6,819,672	10,233,049
Others current assets	21,960,370	17,131,273
Total	<u>55,156,375</u>	<u>46,205,961</u>

9. TERM LOANS

This item consists of the following:

	March 31, 2018 SR.	December 31, 2017 SR.
Islamic banking facilities	227,241,800	240,445,869
Ministry of Finance	88,338,182	88,338,182
Transferred to deferred income	(24,882,004)	(24,882,004)
Net – Ministry of Finance	63,456,178	63,456,178
Total	<u>290,697,978</u>	<u>303,902,047</u>
Current portion:		
Islamic banking facilities	52,500,000	78,750,000
Islamic banking short term loans	85,000,000	85,000,000
Ministry of Finance	9,126,453	9,126,453
Total current portion	<u>146,626,453</u>	<u>172,876,453</u>

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Long term:		
Islamic banking facilities	89,741,800	76,695,869
Ministry of Finance	54,329,725	54,329,725
	<u>144,071,525</u>	<u>131,025,594</u>
Total long term loans		
	<u>144,071,525</u>	<u>131,025,594</u>
Total loans	<u>290,697,978</u>	<u>303,902,047</u>

The loan from the banks are secured through issue of promissory notes from the company. The Ministry of Finance, interest free loan is secured by the mortgage of land and building of Saudi German Hospital – Riyadh, Madinah and Hail. The bank loans are priced at SIBOR plus an agreed mark up.

10. DEFERRED INCOME /GAIN

The movement in government grants are as follows:

	March 31, <u>2018</u> SR.	December 31, <u>2017</u> SR.
Opening balance	22,209,797	16,302,619
Accrued during the period	—	8,284,146
Transferred to the income statement (209,399)	(2,376,968)
	<u>22,000,398</u>	<u>22,209,797</u>
Closing balance		
	<u>22,000,398</u>	<u>22,209,797</u>

Government grants have been received for the purchase of certain items of operating fixed assets. There are no unfulfilled conditions or contingencies attached to these grants.

11. EMPLOYEES END OF SERVICE BENEFITS

This item consists of the following:

	March 31, <u>2018</u> SR.	December 31, <u>2017</u> SR.
Opening balance	183,215,920	161,759,716
Current service cost	8,127,560	30,983,132
Benefit paid	(5,333,190)	(16,336,971)
Actuarial gain recognized in other		
Comprehensive income (OCI)	--	6,156,024
Other obligations	--	654,019
	<u>186,010,290</u>	<u>183,215,920</u>
Closing balance		
	<u>186,010,290</u>	<u>183,215,920</u>

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The principal assumptions used for the purposes of the actuarial valuation were as follows:

	March 31, <u>2018</u> SR.	December 31, <u>2017</u> SR.
Attribution rates	0.25% - 5%	0.25% - 5%
Salary increases	3.00%	3.00%
Discount rate	3.85%	3.89%

All movements in the end of service benefits liability are recognized in profit or loss except for the actuarial gain which is recognized in other comprehensive income.

12. ACCOUNTS PAYABLES, ACCRUED & OTHER LIABILITIES

This item consists of the following:

	March 31, <u>2018</u> SR	December 31, <u>2017</u> SR
Accounts payables	238,485,934	212,783,160
Accrued & other liabilities	103,511,826	99,439,391
Due to related parties 21.3	59,953,232	61,102,613
 Closing balance	 <u>401,950,992</u>	 <u>373,325,164</u>

13. GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:

	March 31, <u>2018</u> SR	March 31, <u>2017</u> SR
Salaries, benefits and allowances	44,315,267	40,125,527
Staff accommodation and related expenses	4,005,153	4,462,308
Staff health insurance expenses	3,836,526	4,469,640
Travelling expenses	7,233,153	5,775,312
Repair and maintenance	2,350,577	1,397,322
Postage, telephone and internet	1,530,779	1,748,556
Insurance	261,905	441,032
Audit and consultancy fees	3,232,835	4,091,666
Supplies	1,797,338	2,311,413
Director's remuneration	523,750	758,600
Bank charges	292,411	278,580
Depreciation & amortization	2,992,996	2,394,665
Other expenses	587,454	934,805
 Total	 <u>72,960,144</u>	 <u>69,189,426</u>

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14. FINANCIAL RISK AND CAPITAL MANAGEMENT

All the Group's financial assets and liabilities are carried at amortized cost. Loans and receivables are non-derivatives financial assets carried at amortized cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

The Group has exposure to the following financial risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing financial risk and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk Management framework and policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations with regards to financial risk management.

The Audit Committee oversees how management monitors compliance 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. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group manages credit risk in trade debts by limiting significant exposure to the customers not having good credit history. Furthermore, the Group has credit policy in place to ensure that services are rendered to customers with an appropriate credit history.

The Group is also exposed to credit risk from its operating and short term investing activities. The Company's credit risk exposures are categorized under the following headings:

Counterparties

The Group conducts transactions with the following major types of counterparties:

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Account receivables

Trade debts are essentially due from Ministry of Health, other government companies / institutions, insurance companies, private companies, charitable institutions and individuals to whom the Group is providing medical services. The services are rendered to the customers as per agreements with respective customers. The credit terms are extended to customer where the Group does not expect any inability to meet their obligations. Trade debt credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive internal credit rating and individual credit terms are defined in accordance with this assessment.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Cash and investments

The Group limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a good credit rating.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	March 31, 2018 SR	December 31, 2017 SR
Receivables – considered goods	955,077,802	883,178,310
Staff advances	2,185,321	1,932,027
Bank balances	119,804,338	108,602,645
Total	<u>1,077,067,461</u>	<u>993,712,982</u>

The allowance account in respect of accounts receivables is used to record impairment losses where the Group is satisfied that recovery of the due amount is doubtful, and when the amount considered irrecoverable it is written off against the financial asset.

MIDDLE EAST HEALTHCARE COMPANY (MEAHCO)**(A Saudi Joint Stock Company)****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****For the period from January 01, 2018 to March 31, 2018****(UNAUDITED)****Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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. The liquidity position of the Group is monitored by the Board through budgets, cash flow projections and comparison with actual results. For this purpose, the Group has working capital facilities as mentioned below:

	March 31, 2018 SR.	December 31, 2017 SR
Total working capital facilities	195,000,000	195,000,000
Utilized	85,000,000	85,000,000

These are the total facilities from different bankers of the Group. The Group can avail different facilities like letter of credit, letter of guarantees, revolving facility at SIBOR + an agreed mark up. These facilities are secured by promissory notes from the company and is subject to certain financial covenants.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, markup rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group is exposed mark-up rate risk. There is no currency risk as Group is dealing only in USD which is pegged to SR and there is no exchange rate variations.

Foreign currency risk**Exposure to foreign currency risk**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and cash in foreign currency bank account.

Saudi Riyal is pegged to USD @ 3.75 therefore the Company's exposure to foreign currency risk is very minimal. The Company manages its Euro balances with regular monitoring. The euro balances are minimal with no significant impact of a change in the conversion rate on the net profit of the Group.

Market rate risk

The market rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the market markup rates and foreign currency risk. Sensitivity to markup rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Group's exposure to the risk of changes in market markup rates relates primarily to Group's long term debt obligations with floating markup rates.

The Group analyses its markup rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined markup rate shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions.

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Profile

The Group's banking facilities are priced at SIBOR plus mark up applicable at the time of granting the facility and depends on the tenure, prevailing market condition and relevant credit risk

Fair value of financial instruments

Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The fair value hierarchy has not been presented in these financial statements, as the Group does not hold any such financial instrument in its portfolio.

Capital management

Capital includes equity attributable to the equity holders of the parent. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes to the Group's approach to capital management during the period.

15. SEGMENT INFORMATION

The Group's operations consists of one main segment which is healthcare services, and it is not necessary to show separate segmental information. The Group's major operations are conducted in the Kingdom of Saudi Arabia

16. 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.

On December 30, 2015 the company obtained approval from Capital Market Authority ("CMA") to offer 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.

17. 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.

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18. 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.

19. DIVIDEND DISTRIBUTION

The Board of Directors have proposed for shareholder's approval of the General Assembly meeting, a dividend of SR 2 per share amounting to SR 184.08 million for the year ended 31 December 2017.

20. EARNINGS PER SHARE

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

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

21. RELATED PARTY TRANSACTIONS

21.1 During the period, the Group transacted with following related parties:

<u>Name</u>	<u>Relationship</u>
Bait Al Batterjee Medical College for Sciences and Technology	Affiliate
International Hospital Construction Company	Affiliate
Bait Al Batterjee Company for Education and Training	Affiliate
Bait Al Batterjee Pharmaceutical Company	Affiliate
Abdul Jalil Khalid Batterjee Medical Instrumentation	Affiliate
Maintenance Company	Affiliate
Gulf Youth Company for Investment and Real Estate	Affiliate
Development (JAN-PRO)	Affiliate
Emirate Healthcare Development Company	Affiliate

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21.2 Amount due from related parties represent services rendered in the normal course of business approved by the management, outstanding amount at the period end comprised of the followings:

	<u>Nature</u>	<u>March 31,</u> <u>2018</u> <u>SR</u>	<u>December 31,</u> <u>2017</u> <u>SR</u>
Bait Al Batterjee Company for Education and Training	Staff training	520,182	493,899
Bait Al Batterjee Medical College for Sciences and Technology	Student training	677	--
Emirate Healthcare Development Company	Management fee	4,502,231	3,337,464
		<u>5,023,090</u>	<u>3,831,363</u>

21.3 Amount due to related parties represent services rendered in the normal course of business approved by the management, outstanding amount at the period end, comprised of the followings:

	<u>Nature</u>	<u>March 31,</u> <u>2018</u> <u>SR</u>	<u>December 31,</u> <u>2017</u> <u>SR</u>
Bait Al Batterjee Pharmaceutical Company	Supplies of certain pharmaceutical	7,254,840	4,119,040
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Co. International Hospital Construction Company	Repair of medical instrument Construction and renovation	1,195,304	1,543,271
Gulf Youth Company For Investment & Real Estate Dev (JAN PRO)	Janitorial services	51,142,763	54,511,946
		360,325	928,356
		<u>59,953,232</u>	<u>61,102,613</u>

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22. ZAKAT

General Authority for Zakat & Tax (GAZT) vide approval letter dated 6/11/1437H corresponding to 9/8/2016G has granted exemption from paying income tax on the share of profits of International Finance Corporation (IFC) the foreign shareholder in MEAHCO. Accordingly, the company is not required to pay income tax from the year 2016 onwards on the share of IFC profit. An amount of SAR 13,552,448 income tax paid earlier has been credited to equity account and considered as advance paid to GAZIT which will be adjusted from future zakat & tax liability of the company.

- a) Zakat provided for the company for the period ended March 31, 2018 is SR 2,000,000 and (Zakat SR. 3,300,000 for the period ended March 31, 2017).
- b) Zakat for subsidiary for the period 2018 is SR. 24,999 (SR. 10,000 for the ended March 31, 2017).
- c) Zakat assessment for the years 2005 to 2016 are under process and company obtained temporary facility letter for the year 2016.
- d) Zakat return for the year 2017 is submitted with GAZT and facility letter for the year 2018 is under process.

23. COMPARATIVE FIGURES

Certain amounts of prior year/ period have been reclassified to conform to the current year presentation as per International Financial Reporting Standards.

24. FINANCIAL STATEMENTS APPROVAL

These consolidated financial statements were approved by the Company's Board of Directors on Shabaan 21, 1439(H) corresponding to May 7, 2018(G).