

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

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)**  
For the three-month and six-month periods ended 30 June 2020  
together with the Independent Auditors' Review Report

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
For the three-month and six-month periods ended 30 June 2020

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# 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 30 June 2020 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 30 June 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2020;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2020;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2020; 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 30 June 2020 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.

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

Ebrahim Oboud Baeshen  
License No. 382

Jeddah, 15 Dhul-Hijjah 1441H  
Corresponding to 5 August 2020



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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2020

(Expressed in Saudi Arabian Riyals)

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	1,951,837,398	1,909,443,240
Right-of-use assets		28,150,502	30,454,243
Intangible assets		4,331,601	4,940,977
<b>Total non-current assets</b>		<b>1,984,319,501</b>	<b>1,944,838,460</b>
<b>Current assets</b>			
Inventories		179,018,376	124,514,002
Accounts receivable	5	1,289,238,328	1,108,576,392
Prepayments and other current assets		64,153,966	73,685,359
Cash and bank balances		25,201,413	53,882,840
<b>Total current assets</b>		<b>1,557,612,083</b>	<b>1,360,658,593</b>
<b>Total assets</b>		<b>3,541,931,584</b>	<b>3,305,497,053</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	6	920,400,000	920,400,000
Statutory reserve		181,809,384	181,809,384
Retained earnings		458,043,800	420,506,362
Equity attributable to shareholders of the Company		<b>1,560,253,184</b>	<b>1,522,715,746</b>
Non-controlling interest		33,250,655	39,098,696
<b>Total equity</b>		<b>1,593,503,839</b>	<b>1,561,814,442</b>
<b>Non-current liabilities</b>			
Term loans, non-current portion	7	683,990,748	643,448,510
Lease obligations – non-current portion		24,958,148	27,132,546
Other non-current financial liabilities		21,066,865	24,618,490
Deferred income		15,350,453	15,247,580
Employees' end of service benefits		209,165,720	212,632,946
<b>Total non-current liabilities</b>		<b>954,531,934</b>	<b>923,080,072</b>
<b>Current liabilities</b>			
Short-term borrowings and current portion of term loans	7	418,011,382	356,709,826
Current portion of other non-current financial liabilities		9,625,637	11,256,031
Lease obligations – current portion		4,295,537	4,180,880
Accounts payable	8	382,942,435	337,056,142
Accrued expenses and other current liabilities		172,372,743	106,751,583
Zakat payable	9	6,648,077	4,648,077
<b>Total current liabilities</b>		<b>993,895,811</b>	<b>820,602,539</b>
<b>Total liabilities</b>		<b>1,948,427,745</b>	<b>1,743,682,611</b>
<b>Total equity and liabilities</b>		<b>3,541,931,584</b>	<b>3,305,497,053</b>

Sobhi Abduljalil Batterjee  
Chairman

Ashela  
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**  
(A Saudi Joint Stock Company)

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

For the three-month and six-month periods ended 30 June 2020  
(Expressed in Saudi Arabian Riyals)

	Notes	For the three-month period ended 30 June 2020	30 June 2019	For the six-month period ended 30 June 2020	30 June 2019
Revenue		373,261,954	353,198,421	809,567,808	703,376,638
Cost of revenue		(252,774,626)	(250,440,932)	(542,222,099)	(498,992,051)
<b>Gross profit</b>		<b>120,487,328</b>	<b>102,757,489</b>	<b>267,345,709</b>	<b>204,384,587</b>
Selling and marketing expenses		(5,406,614)	(2,706,802)	(11,012,003)	(5,640,334)
General and administrative expenses		(91,354,178)	(92,466,980)	(208,242,184)	(172,847,445)
<b>Operating profit</b>		<b>23,726,536</b>	<b>7,583,707</b>	<b>48,091,522</b>	<b>25,896,808</b>
Other income		1,689,283	7,869,571	3,880,473	9,167,191
Finance cost		(10,770,734)	(5,367,028)	(18,282,598)	(10,522,593)
<b>Profit before Zakat</b>		<b>14,645,085</b>	<b>10,086,250</b>	<b>33,689,397</b>	<b>24,541,406</b>
Zakat	9	(500,000)	(500,000)	(2,000,000)	(2,012,500)
<b>Net profit for the period</b>		<b>14,145,085</b>	<b>9,586,250</b>	<b>31,689,397</b>	<b>22,528,906</b>
<b>Other comprehensive income:</b> <i>Items that will not be classified to profit or loss:</i>					
Re-measurement on actuarial gain / loss		--	--	--	--
<b>Total comprehensive income for the period</b>		<b>14,145,085</b>	<b>9,586,250</b>	<b>31,689,397</b>	<b>22,528,906</b>
<b>Total comprehensive income for the period attributable to:</b>					
Shareholders' of the Parent Company		16,352,588	12,276,067	37,537,438	26,869,500
Non-controlling interest		(2,207,503)	(2,689,817)	(5,848,041)	(4,340,594)
<b>Net profit for the period</b>		<b>14,145,085</b>	<b>9,586,250</b>	<b>31,689,397</b>	<b>22,528,906</b>
<b>Basic and Diluted earnings per share attributable to the shareholders of the Parent Company</b>	10	<b>0.18</b>	<b>0.13</b>	<b>0.41</b>	<b>0.29</b>

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Chief Financial Officer

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the six-month period ended 30 June 2020

(Expressed in Saudi Arabian Riyals)

	30 June 2020	30 June 2019
<b>Cash flows from operating activities</b>	<b>33,689,397</b>	<b>24,541,406</b>
Profit before Zakat		
<i>Adjustments for:</i>		
Depreciation	56,225,046	45,595,701
Amortisation of intangible assets	784,420	366,320
Amortisation of right-of-use assets	2,303,741	2,203,772
Provision / (reversal) for allowance for expected credit losses	6,602,247	(4,585,215)
Provision for slow moving and obsolete inventories	1,190,426	843,627
Amortization deferred income	102,873	(75,915)
Unwinding impact of other financial liabilities	627,342	2,340,376
Loss on disposal of property and equipment	387,277	--
Finance charges related to lease obligation	891,818	900,570
Provision for employees' end of service benefits	16,430,035	17,472,273
	<b>119,234,622</b>	<b>89,602,915</b>
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(187,264,183)	(61,221,584)
Inventories	(55,694,800)	(830,424)
Prepayments and other current assets	9,531,393	(11,981,122)
Accounts payable	45,886,293	78,600,536
Accrued expenses and other current liabilities	65,621,160	25,657,484
Other financial liabilities	(5,809,361)	(11,451,923)
	<b>(8,494,876)</b>	<b>108,375,882</b>
Employees' end of service paid	(19,897,261)	(10,237,780)
Zakat paid	--	(5,310,199)
<b>Net cash (used in) / generated from operating activities</b>	<b>(28,392,137)</b>	<b>92,827,903</b>
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(99,006,481)	(245,803,067)
Additions to intangibles	(175,044)	(522,800)
<b>Net cash used in investing activities</b>	<b>(99,181,525)</b>	<b>(246,325,867)</b>
<b>Cash flows from financing activities:</b>		
Term loans and borrowings, net	101,843,794	150,778,972
Lease liabilities paid	(2,951,559)	(2,597,511)
Advance against proposed increase in share capital of the subsidiary from NCI shareholders	--	800,000
<b>Cash generated from financing activities</b>	<b>98,892,235</b>	<b>148,981,461</b>
Net change in cash and cash equivalents	<b>(28,681,427)</b>	<b>(4,516,503)</b>
Cash and cash equivalents at beginning of the period	<b>53,882,840</b>	<b>44,218,703</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>25,201,413</b>	<b>39,702,200</b>

Sobhi Abduljalil Batterjee  
Chairman

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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**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

For the six-month period ended 30 June 2020  
(Expressed in Saudi Arabian Riyals)

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

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

<b>Branch name</b>	<b>Commercial registration</b>	<b>Issued on</b>	<b>Corresponding to</b>
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 Batejee Sons	4030181710	4 Shaban 1429H	6 August 2008
Saudi German Hospital – Dammam	2050105713	18 Rajab 1436H	7 May 2015
Beverly Clinics – Jeddah	4030297688	26 Safar 1439H	15 November 2017
Saudi German Hospital – Makkah - Under development	4031215509	19 Shawwal 1439H	3 July 2018

During the period, the management has formally inaugurated and commenced commercial operations of the Saudi German Hospital – Dammam on 2 Jumada Al Thani 1441H, corresponding to 26 February 2020.



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**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 32.33% (2019: 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 Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Public 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 2019 (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 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

**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 measured 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**  
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

For the six-month period ended 30 June 2020  
(Expressed in Saudi Arabian Riyals)

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**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 statement 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.

<b>Description</b>	<b>Effective from</b>
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020



**MIDDLE EAST HEALTHCARE COMPANY**  
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

For the six-month period ended 30 June 2020  
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**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 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**

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Operating assets	<b>1,526,694,986</b>	1,168,104,907
Capital work-in-progress (CWIP)	<b>425,142,412</b>	741,338,333
	<b><u>1,951,837,398</u></b>	<b><u>1,909,443,240</u></b>

- 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 2019: SR 22.63 million) have been capitalized in CWIP.
- 4.3 The land and buildings having a net book value of SR 115 million (31 December 2019: SR 210 million) are mortgaged to secure loan from Ministry of Finance.

**5. ACCOUNTS RECEIVABLE**

Accounts receivable comprise of the following

	<u>Note</u>	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Third party customers		<b>1,439,179,021</b>	1,255,829,839
Related parties	12	<b>21,797,328</b>	17,882,326
		<b>1,460,976,349</b>	1,273,712,165
Expected credit losses		<b>(171,738,021)</b>	(165,135,773)
		<b><u>1,289,238,328</u></b>	<b><u>1,108,576,392</u></b>

**MIDDLE EAST HEALTHCARE COMPANY**  
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

For the six-month period ended 30 June 2020  
(Expressed in Saudi Arabian Riyals)

**6. 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.

**7. TERM LOANS**

Term loans comprise for the following:

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Loan from commercial banks	1,052,064,781	948,346,144
Loan from Ministry of Finance	65,390,682	68,873,182
Adjustment for deferred income	(15,453,333)	(17,060,990)
Loan from Ministry of Finance – net	49,937,349	51,812,192
	<b>1,102,002,130</b>	<b>1,000,158,336</b>
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
<b>Current portion:</b>		
Loan from commercial banks	99,931,876	90,301,326
Short-term borrowings	313,219,796	259,801,000
Loan from Ministry of Finance	4,859,710	6,607,500
Total current portion	<b>418,011,382</b>	<b>356,709,826</b>
<b>Non-current portion:</b>		
Loan from commercial banks	638,913,109	598,243,818
Loan from Ministry of Finance	45,077,639	45,204,692
Total non-current portion of long-term loans	<b>683,990,748</b>	<b>643,448,510</b>
	<b>1,102,002,130</b>	<b>1,000,158,336</b>

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.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

For the six-month period ended 30 June 2020  
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**8. ACCOUNTS PAYABLE**

Accounts payable comprise of the following:

	<u>Note</u>	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Third party suppliers		<b>223,089,531</b>	184,715,432
Due to related parties	12	<b>159,852,904</b>	152,340,710
		<b>382,942,435</b>	337,056,142

**9. ZAKAT**

*Zakat status of Middle East Health Care Company Limited*

The Company filed the Zakat/tax returns for the years ended December 31, 2009 to 2018 and obtained the unrestricted Zakat and tax certificate for the year 2021. The GAZT did not issue the final Zakat and tax assessment for the said years till to date.

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 rejected the Company's objection and the Company requested the GAZT to transfer its objection for the said year to the Committee for Resolution of Tax Violations and Disputes (CRTVD), which is still under review by CRTVD.

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

The Subsidiary Company (NHC) has finalized its Zakat/tax assessment up to the year ended December 31, 2012. The GAZT issued the Zakat and tax assessment for 2013, 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 till to date.

The Subsidiary Company filed the Zakat/tax returns for the years ended December 31, 2014 to 2018 and obtained the unrestricted Zakat / tax certificate for the year 2019. The GAZT did not issue the final Zakat and tax assessment for the said years to date.

**10. 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.

	<b>30 June 2020 (Unaudited)</b>	<b>30 June 2019 (Unaudited)</b>
Net profit for the period attributable to shareholders of the Company	<b>37,537,438</b>	22,528,906
Weighted average number of ordinary shares	<b>92,040,000</b>	92,040,000
Earnings per share (Saudi Riyals)	<b>0.41</b>	0.29

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

For the six-month period ended 30 June 2020  
(Expressed in Saudi Arabian Riyals)

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**11. FINANCIAL RISK AND CAPITAL 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 and accrued expenses 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.

**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:

<b>Variable rate instruments</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Financial liabilities	<u>1,052,064,781</u>	<u>948,346,144</u>



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**11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)**

**Interest rate sensitivity analysis**

Profit or loss and equity is sensitive to higher / lower interest expense from borrowings as a result of changes in interest rates. The Company's profit before tax and zakat is affected as follows:

<b>Variable rate instruments</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
Interest rate - increase by 100 basis points	<u>(5,260,324)</u>	<u>(3,556,672)</u>
Interest rate - decrease by 100 basis points	<u>5,260,324</u>	<u>3,556,672</u>

**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.

**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:

<b>Financial assets</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Accounts receivable	1,460,976,349	1,273,712,165
Bank balance	19,367,487	51,891,818
Deposits	942,983	942,983
Staff advances	<u>2,683,835</u>	<u>2,480,487</u>
	<u>1,483,970,654</u>	<u>1,329,027,453</u>

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**11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)**

**Credit risk (continued)**

Trade and other receivables are carried net of provision for expected credit losses. At the reporting date, four major customers constitute 80% (31 December 2019: 84%) of total receivables. However, the Company assessed the concentration of risk with respect to accounts receivable and concluded it to be low. As at 30 June 2020, out of the total accounts receivables, SR 776.1 million (31 December 2019: 686.03 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.

30 June 2020	Carrying Amount	Less than 6 months	Contractual cash flows				More than 5 years	Total
			6 months to 1 year	1 year to 3 years	3 years to 5 years			
<i>Non derivative financial liabilities</i>								
Loans and borrowings	1,102,002,130	323,794,495	110,986,813	353,033,091	242,845,295	166,261,864		1,196,921,558
Accounts payable	382,942,435	382,942,435	--	--	--	--		382,942,435
Lease liabilities	29,253,685	2,953,063	3,192,150	9,106,287	5,657,606	23,763,264		44,672,370
Other financial liabilities	30,692,502	5,415,778	8,041,381	14,785,721	4,891,050	--		33,133,930
Accrued and other liabilities	172,372,743	172,372,743	--	--	--	--		172,372,743
	<u>1,717,263,495</u>	<u>887,478,514</u>	<u>122,220,344</u>	<u>376,925,099</u>	<u>253,393,951</u>	<u>190,025,128</u>		<u>1,830,043,036</u>



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**11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)**

**Liquidity risk (continued)**

31 December_2019	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	1,000,158,336	332,156,255	24,553,572	300,438,778	373,375,596	246,496,126	1,277,020,327
Accounts payable	337,056,142	337,056,142	--	--	--	--	337,056,142
Lease liabilities	31,313,426	2,951,560	2,951,560	10,406,238	5,741,840	21,882,680	43,933,878
Other financial liabilities	35,874,521	5,591,328	5,415,778	15,509,241	12,208,910	--	38,725,257
Accrued and other liabilities	106,751,579	106,751,579	--	--	--	--	106,751,579
	1,511,154,004	784,506,864	32,920,910	326,354,257	391,326,346	268,378,806	1,803,487,183

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

**12. 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 an arm's length basis and are to be settled in cash.

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**12. RELATED PARTY TRANSACTIONS (continued)**

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>30 June 2020</u>	<u>30 June 2019</u>	<u>30 June 2020</u>	<u>31 December 2019</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	124,225	731,301	644,308	607,076
-Emirates Healthcare Development Company	Affiliate	Management fee	3,479,762	(4,350,436)	6,264,894	2,643,212
-Egypt Healthcare Company	Affiliate	Management fee	117,058	--	785,876	1,379,981
-Bait Al Batterjee Medical College	Affiliate	Training Fee	213,018	(4,044,583)	4,185,013	3,971,995
-Al Bait International Company	Affiliate	Medical services	628,139	816,232	3,853,434	3,225,295
Saudi German Hospital Sharjah	Affiliate	Medical Services	--	--	897,965	897,965
Saudi German Hospital Sana'a	Affiliate	Medical Services	--	--	895,675	895,675
Saudi German Hospital Ajman	Affiliate	Medical Services	--	--	3,808,776	3,808,776
-Bait Al Batterjee Fitness Company	Affiliate	Medical services	9,036	8,968	461,387	452,351
					<u>21,797,328</u>	<u>17,882,326</u>
<u>Due to related parties</u>						
-Bait Al Batterjee Pharmaceutical Company	Affiliate	Supplies of certain pharmaceutical	8,673,111	11,372,343	3,688,576	4,566,292
-Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Affiliate	Repair of medical instruments	1,252,560	1,819,082	948,317	1,022,195
-International Hospital Construction Company	Affiliate	Construction and renovation	64,101,338	209,733,000	153,320,599	143,456,971
-Bait Al Batterjee Medical Company	Share holder	Advisory fee	3,307,970	3,307,970	1,895,412	3,295,252
Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)	Affiliate	Janitorial services	4,706,195	5,861,943	--	--
					<u>159,852,904</u>	<u>152,340,710</u>

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**12. RELATED PARTY TRANSACTIONS (continued)**

**Compensation of key management personnel**

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

	<b>30 June 2020 (Unaudited)</b>	<b>30 June 2019 (Unaudited)</b>
Short-term benefits	<u>2,271,299</u>	<u>1,120,300</u>
Post-employment benefits	<u>2,486,843</u>	<u>1,916,097</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.

**13. 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**

	<b>30 June 2020 (unaudited)</b>				
	<b><u>In patient services</u></b>	<b><u>Outpatient services</u></b>	<b><u>Pharmacy sales</u></b>	<b><u>Others</u></b>	<b><u>Total</u></b>
Revenue	502,423,973	168,679,855	133,056,377	5,407,603	809,567,808
Cost of revenue	(325,498,880)	(114,076,888)	(102,579,420)	(66,911)	(542,222,099)
Gross profit	176,925,093	54,602,967	30,476,957	5,340,692	267,345,709
Operating expenses					(219,254,187)
Operating profit					48,091,522
Other income					3,880,473
Finance charges					(18,282,598)
Zakat					(2,000,000)
Net profit					<u>31,689,397</u>

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**13. SEGMENT INFORMATION (continued)**

	<u>30 June 2019 (unaudited)</u>				
	<u>In patient services</u>	<u>Outpatient services</u>	<u>Pharmacy sales</u>	<u>Others</u>	<u>Total</u>
Revenue	366,730,381	192,410,308	136,251,572	7,984,377	703,376,638
Cost of revenue	(246,982,072)	(141,163,230)	(111,202,798)	356,049	(498,992,051)
Gross profit	119,748,309	51,247,078	25,048,774	8,340,426	204,384,587
Operating expenses					(178,487,779)
Operating profit					25,896,808
Other income					9,167,191
Finance charges					(10,552,593)
Zakat					(2,012,500)
Net profit					<u>22,528,906</u>

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.

**14. CONTINGENCIES**

The Group has following contingencies and commitments as of 30 June 2020.

- 14.1 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 2.3 million (31 December 2019: SR 3.06 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard
- 14.2 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 2019: SR 0.6 million). Most of the cases are under hearing. The management is confident that the outcome will be in favour of the Group and no provision is required in this regard.



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**15. STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE**

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the condensed interim financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 17	Insurance contracts	1 January 2021
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2022
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 Company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements on adoption.

**16. IMPACT OF COVID-19**

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus (COVID-19) outbreak as a pandemic in recognition of its rapid spread across the globe causing disruptions to businesses and economic activities. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews. The healthcare sector has been classified as an essential service by the Government and consequently, no restrictions have been placed on the Group's operations or its supply chain.

The Group's management and those charged with governance have already mobilized a task force to assess the possible impact on its business. The management has also taken a series of preventive measures to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its operations.

The Group has witnessed a drop in outpatient visits when the partial curfew was introduced, however, other activities remain largely unaffected. The segment reporting note 13 sets out the breakdown of the revenue from various segments. The management believes that the above-mentioned drop is due to planned delays in elective procedures by its customers. However, during June 2020, the Government has lifted the curfew.

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**16. IMPACT OF COVID-19 (continued)**

Since the extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, the management and those charged with governance will continue to monitor the situation with focus on sustainability of supply chain, availability of sufficient cash balances to fund working capital requirements, availability of required pharmaceuticals and consumables, etc. and accordingly update stakeholders for material deviations, as per local regulatory requirements.

**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 6 Dhul-Hijjah 1441H corresponding to 27 July 2020.