

**MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS
ENDED 30 SEPTEMBER 2023**

MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE -MONTH PERIODS ENDED 30 SEPTEMBER 2023

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON
THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF MIDDLE EAST HEALTHCARE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Middle East Healthcare Company (A Saudi Joint Stock Company) ("the Company") and its subsidiary (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-months period then ended, and explanatory notes.

Board Of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with *International Accounting Standard 34, "Interim Financial Reporting"* ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily to 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 ('ISAs') 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in Kingdom of Saudi Arabia.

for Ernst & Young Professional Services


Ahmed Ibrahim Reda
Certified Public Accountant
Licence No. (356)

Jeddah: 24 Rabi Al-Thani 1445H
08 November 2023G




Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2023

		<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Revenue from contracts with customers	18	671,046,555	512,373,881	1,933,359,913	1,533,787,388
Cost of revenue	18	(404,720,779)	(360,169,293)	(1,212,907,592)	(1,057,791,213)
GROSS PROFIT		266,325,776	152,204,588	720,452,321	475,996,175
Selling and marketing expenses		(8,901,250)	(6,494,557)	(28,810,683)	(20,509,129)
General and administrative expenses		(147,573,978)	(119,454,867)	(436,296,163)	(373,105,072)
OPERATING PROFIT		109,850,548	26,255,164	255,345,475	82,381,974
Finance costs		(54,975,916)	(18,214,201)	(103,709,276)	(48,056,488)
Other income		4,079,611	3,861,607	10,594,846	13,141,115
PROFIT BEFORE ZAKAT		58,954,243	11,902,570	162,231,045	47,466,601
Zakat	4	(4,725,000)	(3,415,702)	(14,050,000)	(9,825,461)
PROFIT FOR THE PERIOD		54,229,243	8,486,868	148,181,045	37,641,140
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:					
<i>Item that will be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		822,119	180,627	1,374,153	140,161
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		55,051,362	8,667,495	149,555,198	37,781,301
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Shareholders of the Parent Company		53,303,078	11,105,760	143,674,184	42,021,412
Non-controlling interests		926,165	(2,618,892)	4,506,861	(4,380,272)
		54,229,243	8,486,868	148,181,045	37,641,140
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Shareholders of the Parent Company		54,125,197	11,286,387	145,048,337	42,161,573
Non-controlling interests		926,165	(2,618,892)	4,506,861	(4,380,272)
		55,051,362	8,667,495	149,555,198	37,781,301
Earnings per share					
Basic and diluted earnings per share from net profit for the period attributable to the shareholders of the Parent	16	0.58	0.12	1.56	0.46


Sobhi Abduljalil Batterjee
Chairman


Ahmed Mohamed Shebl
Chief Executive Officer


Madani Hozaien
Chief Financial Officer

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	2,510,205,966	2,471,495,624
Right-of-use assets	9	58,590,479	63,079,718
Intangible assets		12,323,719	7,452,840
Advance for investment		10,000,000	-
TOTAL NON-CURRENT ASSETS		2,591,120,164	2,542,028,182
CURRENT ASSETS			
Inventories	7	100,977,049	149,277,849
Trade receivables, net	6	2,084,626,793	1,634,781,967
Prepayments and other current assets	8	144,482,788	157,341,333
Bank balances and cash	10	65,213,382	15,601,613
TOTAL CURRENT ASSETS		2,395,300,012	1,957,002,762
TOTAL ASSETS		4,986,420,176	4,499,030,944
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	920,400,000	920,400,000
Statutory reserve		201,146,095	201,146,095
Foreign currency translation reserves		2,100,824	726,671
Retained earnings		386,362,230	242,688,046
Equity attributable to the shareholders of the parent		1,510,009,149	1,364,960,812
Non-controlling interests		47,705,895	43,199,034
TOTAL EQUITY		1,557,715,044	1,408,159,846
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	12	1,207,600,302	1,180,686,916
Other financial liabilities		-	7,059,370
Lease obligations	9	47,569,144	56,904,420
Deferred income		9,393,213	10,724,287
Employees' end of service benefits		208,230,272	204,936,471
TOTAL NON-CURRENT LIABILITIES		1,472,792,931	1,460,311,464
CURRENT LIABILITIES			
Short-term loans and borrowings	12	1,158,939,583	990,972,145
Other financial liabilities		6,599,010	4,755,408
Lease obligations	9	13,700,918	11,914,708
Trade payables	13	535,641,674	425,750,178
Accrued expenses and other current liabilities	15	227,033,743	187,732,004
Zakat payable	4	13,997,273	9,435,191
TOTAL CURRENT LIABILITIES		1,955,912,201	1,630,559,634
TOTAL LIABILITIES		3,428,705,132	3,090,871,098
TOTAL EQUITY AND LIABILITIES		4,986,420,176	4,499,030,944

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Madani Hozaien
Chief Financial Officer


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Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2023

	<i>Attributable to equity holders of the parent</i>						
	<i>Share capital</i>	<i>Statutory</i>	<i>Foreign</i>	<i>Retained</i>	<i>Total</i>	<i>Non-</i>	<i>Total</i>
	<i>SR</i>	<i>reserve</i>	<i>currency</i>	<i>Earnings</i>	<i>SR</i>	<i>controlling</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>translation</i>	<i>SR</i>	<i>SR</i>	<i>interests</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>reserves</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Balance as at 1 January 2022 (audited)	920,400,000	193,627,813	-	143,519,346	1,257,547,159	37,760,582	1,295,307,741
Profit / (loss) for the period	-	-	-	42,021,412	42,021,412	(4,380,272)	37,641,140
Other comprehensive income for the period	-	-	140,161	-	140,161	-	140,161
Total comprehensive income / (loss) for the period	-	-	140,161	42,021,412	42,161,573	(4,380,272)	37,781,301
Change in ownership	-	-	-	(7,079,725)	(7,079,725)	7,079,725	-
Balance as at 30 September 2022 (unaudited)	920,400,000	193,627,813	140,161	178,461,033	1,292,629,007	40,460,035	1,333,089,042
Balance as at 1 January 2023 (audited)	920,400,000	201,146,095	726,671	242,688,046	1,364,960,812	43,199,034	1,408,159,846
Profit for the period	-	-	-	143,674,184	143,674,184	4,506,861	148,181,045
Other comprehensive income for the period	-	-	1,374,153	-	1,374,153	-	1,374,153
Total comprehensive income for the period	-	-	1,374,153	143,674,184	145,048,337	4,506,861	149,555,198
Balance as at 30 September 2023 (unaudited)	920,400,000	201,146,095	2,100,824	386,362,230	1,510,009,149	47,705,895	1,557,715,044


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Middle East Healthcare Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2023

		<i>For the Nine -month period ended 30 September 2023 (Unaudited) SR</i>	<i>For the Nine -month period ended 30 September 2022 (Unaudited) SR</i>
OPERATING ACTIVITIES			
Profit for the period before zakat		162,231,045	47,466,601
Non-cash adjustments to reconcile profit before zakat to net cash flow:			
Depreciation of property and equipment	5	128,856,909	95,607,444
Depreciation of right-of-use assets	9	9,728,851	8,020,240
Amortisation of intangible assets		1,622,494	1,119,366
Allowance for expected credit losses	6	2,812,705	1,239,508
Provision for slow moving and obsolete inventories	7	2,014,507	2,858,293
Loss on disposal of property and equipment		694,060	1,699,538
Amortization deferred income		(1,403,829)	(1,403,829)
Provision for employee benefits		31,019,802	34,028,913
Unwinding impact of other financial liabilities		272,629	476,969
Financial charges related to borrowings		102,180,537	-
Finance charges related to lease obligation	9	2,659,937	1,324,925
		442,689,647	192,437,968
Changes in operating assets and liabilities			
Inventories		46,286,293	(540,957)
Trade receivable		(452,657,531)	(323,653,205)
Prepayments and other current assets		12,858,545	(59,677,151)
Trade payable		109,891,497	130,899,388
Accrued expenses and other current liabilities		47,525,090	57,740,704
Other financial liabilities		(5,488,395)	(5,011,426)
Cash generated from / (used in) operations		201,105,146	(7,804,679)
Employees' benefits paid		(27,725,999)	(23,859,936)
Zakat paid	4	(9,487,918)	(10,447,241)
Net cash generated from / (used in) operating activities		163,891,229	(42,111,856)
INVESTING ACTIVITIES			
Purchase of property and equipment, right of use assets and intangible assets		(175,434,960)	(165,782,915)
Proceeds from disposal of property and equipment		293,537	117,878
Advance for investment		(10,000,000)	-
Net cash used in investing activities		(185,141,423)	(165,665,037)
FINANCING ACTIVITIES			
Lease obligations, net	9	(15,448,963)	(9,359,644)
Financial charges paid		(110,331,143)	(53,179,618)
Proceeds of loans and borrowings		1,166,903,201	1,074,038,974
Repayment of loans and borrowings		(970,261,132)	(818,194,301)
Net cash generated from financing activities		70,861,963	193,305,411
INCREASE / (DECREASE) IN BANK BALANCES AND CASH		49,611,769	(14,471,482)
Bank balances and cash at the beginning of the period		15,601,613	28,129,407
BANK BALANCES AND CASH AT THE END OF THE PERIOD		65,213,382	13,657,925
MAJOR NON-CASH TRANSACTIONS			
Additions to right-of-use assets and lease liabilities	9	5,239,960	9,688,253
Borrowing costs capitalised during the year	5	5,907,660	8,184,403

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The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023

1 CORPORATE INFORMATION

Middle East Healthcare Company (the “Company” or “the Parent Company”) and its subsidiary (collectively referred to as “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 centres, educational centres, rehabilitation centres, physiotherapy, laboratories and radiology centres, 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:

<i>Branch name</i>	<i>Commercial registration</i>	<i>Issued on</i>	<i>Corresponding to</i>
Saudi German Hospital – Jeddah	4030124187	5 Safar 1419H	30 May 1998
Hai Jama (operating under SGH- Jeddah)	4030124187	5 Safar 1419H	30 May 1998
Saudi German Hospital – Riyadh	1010162269	24 Rajab 1421H	22 October 2000
Saudi German Hospital – Aseer	5855019364	28 Dhul Hijah 1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5 August 2002
Abdul Jaleel Ibrahim Baterjee Sons	4030181710	4 Shaban 1429H	6 August 2008
Saudi German Hospital – Dammam	2050105713	18 Rajab 1436H	7 May 2015
Beverly Clinics – Jeddah	4030297688	26 Safar 1439H	15 November 2017
Abha Clinics	58501024337	24 Ramadan 1443H	25 April 2022
Saudi German Hospital – Makkah	4031215509	19 Shawwal 1439H	3 July 2018
MEAHCO – Dubai	Foreign branch	18 Muharram 1442H	6 September 2020
MEAHCO – Cairo	Foreign branch	15 Muharram 1442H	3 September 2020

The Company also has investment in the following subsidiary:

<i>Subsidiary name</i>	<i>Principal activities</i>	<i>Effective holding</i> 30 September 2023	<i>Effective holding</i> 31 December 2022
National Hail Company for Healthcare (NHC)	Healthcare	53.9%	53.9%

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements for the three months and Nine months period ended 30 September 2023 prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed consolidated financial statements do not include all the information and disclosures required in full set of annual consolidated financial statements and should therefore be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022. In addition, results for the interim period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023 (see also note 2.5)

2 BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting and the going concern assumption.

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of the Group.

2.4 Basis of consolidation

These interim condensed consolidated financial statements comprising the financial statements of the Company and its subsidiary as set out in note 1. The financial statements of the subsidiary are prepared for the same reporting period as that of the Parent Company.

2.4.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all of the following three criteria must be met:

- i) the Group has power over an entity;
- ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
- iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

2.4.2 Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from the Group's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.4.3 Transactions eliminated on consolidation

Balances between the Group entities, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed 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. The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2022.

The significant judgments, estimates and assumptions made by the management in applying the Group's accounting policies are same as those used described in the annual consolidated financial statements for the year ended 31 December 2022.

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

At 30 September 2023

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted and methods of commutation used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Standard, interpretation, amendments	Description	Effective date
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 01, 2023.
Definition of Accounting Estimates - Amendments to IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures	Annual periods beginning on or after January 01, 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 01, 2023.

New standards not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing change to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 21 Lack of exchangeability	The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.	1 January 2025
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

At 30 September 2023

4 ZAKAT

The movement in the zakat provision during the period/year is as follows:

	<i>For the Nine-month period ended 30 September 2023 (Unaudited) SR</i>	<i>For the year ended 31 December 2022 (Audited) SR</i>
At the beginning of the period/year	9,435,191	10,236,426
Provided during the period/year	14,050,000	9,616,006
Paid during the period/year	(9,487,918)	(10,417,241)
At the end of the period/year	<u>13,997,273</u>	<u>9,435,191</u>

The Group's latest zakat assessment status is as follows:

Zakat status of Middle East Health Care Company

The Company finalized its Zakat status up to the year 2014.

ZATCA issued the Zakat and withholding tax (WHT) assessment for the years 2015 to 2018 with total amount of SR 150 million. The Company submitted an appeal against ZATCA's assessment with the Tax violation and Dispute Resolution Committee (TVDRC). The TVDRC decision partially accepted the Company's appeal related to Zakat differences and rejected the Company's objection in relation to WHT and delay penalty. Based on the ZATCA amnesty the Company settled the WHT due of SR 56.8 million to wave the delay penalty of SR 14 million as advance tax and continue its objection on the same. Accordingly, The Zakat liability based on the TVDRC decision was reduced to SR 122 million (SR 83 million related to Zakat differences and SR 39 million related to WHT). The Company escalated the appeal to the Tax Violation and Dispute Appellate Committee (TVDAC). The management believes that it has a strong chance to win the case regarding the said objection.

ZATCA issued the Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The Company submitted an appeal against ZATCA's assessment with the TVDRC. The TVDRC decision rejected the Company's appeal. The company is in the process to file an appeal against TVDRC decision with TVDAC. The management believes that it has a strong chance to win the case regarding the said objection.

The Company filed the Zakat/tax return for the years ended 31 December 2021 and 31 December 2022 and obtained the Zakat/tax certificate for the said year. The ZATCA did not issue the Zakat/tax assessment for the said years till date.

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

The subsidiary has finalized its Zakat assessment up to the year ended 31 December 2012. The subsidiary filed the Zakat return for the year ended 31 December 2013 and obtained the unrestricted Zakat and tax certificate for the said year. The ZATCA issued the Zakat assessment for the said year, which showed Zakat differences of SR 0.059 million due from the subsidiary. The subsidiary filed an objection against the said assessment, which is still under review by ZATCA. The Subsidiary filed the Zakat/tax returns for the years ended 31 December 2014 to 2022 and obtained the Zakat/tax certificate for the said years.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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At 30 September 2023

5 PROPERTY AND EQUIPMENT

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Operating assets	2,281,580,103	1,873,686,270
Capital work-in-progress (CWIP)	228,625,863	597,809,354
	<u>2,510,205,966</u>	<u>2,471,495,624</u>

- 5.1 CWIP mainly contains the progress payments for expansion of hospital in Riyadh, and renovations of several hospitals' buildings and digitalization projects at different locations.
- 5.2 During the period finance charges amounting to SR 5.9 million (31 December 2022: SR 10.8 million) have been capitalized in CWIP.
- 5.3 The land and buildings with a net book value of SR 678 million (31 December 2022: SR 257 million) are mortgaged to secure loan from Ministry of Finance (note 12).

The movement in property and equipment for the period/year is shown below:

	For the Nine-month period ended 30 September 2023 (Unaudited) SR	For the year ended 31 December 2022 (Audited) SR
Cost:		
At the beginning of the period/year	3,769,328,194	3,580,641,884
Additions during the period/year	173,916,586	249,524,078
Disposals during the period/year	(19,824,737)	(57,717,070)
Transfers to intangible assets	(4,973,374)	(1,589,578)
Translation differences	(597,037)	(1,531,120)
At the end of the period/year	<u>3,917,849,632</u>	<u>3,769,328,194</u>
Depreciation:		
At the beginning of the period/year	1,297,832,570	1,224,104,271
Charge for the period/year	128,856,909	129,563,410
Relating to disposals	(18,839,904)	(55,607,566)
Translation differences	(205,909)	(227,545)
At the end of the period/year	<u>1,407,643,666</u>	<u>1,297,832,570</u>
Net book value:		
At the end of the period/year	<u>2,510,205,966</u>	<u>2,471,495,624</u>

6 TRADE RECEIVABLES

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Third party customers	2,144,295,184	1,694,968,577
Related parties (note 14)	9,603,887	6,272,963
	<u>2,153,899,071</u>	<u>1,701,241,540</u>
Less: expected credit losses	(69,272,278)	(66,459,573)
	<u>2,084,626,793</u>	<u>1,634,781,967</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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At 30 September 2023

6 TRADE RECEIVABLES (continued)

Terms and conditions of the above financial assets:

Trade receivables are non-interest bearing and are generally on terms of 90 days. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

As at 30 September 2023, approximately 96.67% of the group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2022: 97%)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	<i>At 30 September 2023</i>					
	<i>Current</i>	<i><90 days</i>	<i>90–180 days</i>	<i>181–365 days</i>	<i>>1 year</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Total exposure at default (net)	693,604,677	536,191,627	441,299,724	433,840,645	39,358,511	2,144,295,184
Expected loss rate	2.40%	2.52%	2.91%	4.43%	17.82%	3.23%
Expected credit loss	(16,671,403)	(13,500,539)	(12,855,143)	(19,232,662)	(7,012,531)	(69,272,278)
	<u>676,933,274</u>	<u>522,691,088</u>	<u>428,444,581</u>	<u>414,607,983</u>	<u>32,345,980</u>	<u>2,075,022,906</u>

	<i>At 31 December 2022</i>					
	<i>Current</i>	<i><90 days</i>	<i>90–180 days</i>	<i>181–365 days</i>	<i>>1 year</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Total exposure at default (net)	558,916,749	383,715,659	351,615,219	386,055,713	14,665,237	1,694,968,577
Expected loss rate	2.92%	3.19%	3.48%	5.17%	38.76%	3.92%
Expected credit loss	(16,323,047)	(12,256,046)	(12,224,798)	(19,971,615)	(5,684,067)	(66,459,573)
	<u>542,593,702</u>	<u>371,459,613</u>	<u>339,390,421</u>	<u>366,084,098</u>	<u>8,981,170</u>	<u>1,628,509,004</u>

The movement in expected credit losses for the period/year is shown below:

	<i>For the Nine-month period ended 30 September 2023 (Unaudited) SR</i>	<i>For the year ended 31 December 2022 (Audited) SR</i>
At the beginning of the period/year	66,459,573	64,890,065
Charge during the period/year	2,812,705	1,569,508
At the end of the period/year	<u>69,272,278</u>	<u>66,459,573</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

At 30 September 2023

7 INVENTORIES

	<i>30 September 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Spare parts and consumables	77,037,015	98,215,956
Pharmacy items	43,682,604	68,593,584
Kitchen items	774,661	971,033
	121,494,280	167,780,573
Less: provision for slow moving and obsolete inventories	(20,517,231)	(18,502,724)
	100,977,049	149,277,849

The movement in provision for slow moving and obsolete inventories for the period/year is shown below:

	<i>For the Nine-month period ended 30 September 2023 (Unaudited) SR</i>	<i>For the year ended 31 December 2022 (Audited) SR</i>
At the beginning of the period/year	18,502,724	17,734,908
Charge during the period/year	2,014,507	767,816
At the end of the period/year	20,517,231	18,502,724

8 PREPAYMENTS AND OTHER CURRENT ASSETS

	<i>30 September 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Advances to suppliers	44,261,065	38,624,459
Prepayments	24,295,823	27,677,906
Receivable from ZATCA against ongoing appeals (refer note 4)	56,803,597	38,944,499
Advances to staff	1,955,719	1,645,055
Margins against letter of guarantees and deposits (refer note 17)	13,765,998	14,523,049
Advances to a related party supplier (refer note 14)	273,347	33,691,866
Others	3,127,239	2,234,499
	144,482,788	157,341,333

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

At 30 September 2023

9 RIGHT OF USE AND LEASE LIABILITIES

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

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Right of use assets		
At the beginning of the period/year	63,079,718	32,596,931
Addition during the period/year	5,239,960	45,376,319
Foreign currency translation difference	(348)	-
Depreciation for the period / year	(9,728,851)	(14,893,532)
At the end of the period/year	58,590,479	63,079,718
	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Lease liabilities		
At the beginning of the period/year	68,819,128	34,806,910
Interest expense for the period/year	2,659,937	3,022,853
Addition for the period/year	5,239,960	45,376,319
Payments made during the period / year	(15,448,963)	(14,386,954)
At the end of the period/year	61,270,062	68,819,128

Out of the total lease liability, SR 13.7 million (31 December 2022: SR 11.9 million) represents current portion of lease liability.

10 BANK BALANCES AND CASH

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Cash in hand	2,265,848	1,509,521
Cash at bank – current accounts	62,947,534	14,092,092
	65,213,382	15,601,613

At 30 September 2023, the Group had available SR 145 million (31 December 2022: SR 234 million) of undrawn committed borrowing facilities.

11 SHARE CAPITAL

As at 30 September 2023, the Parent Company's authorized, issued and fully paid share capital is SR 920.4 million (31 December 2022: SR 920.4 million) which is divided into 92.04 million (31 December 2022: 92.04 million) shares of SR 10 par value each (31 December 2022: SR 10 par value each).

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

At 30 September 2023

12 LOANS AND BORROWINGS

Term loans comprise of the following:

	<i>30 September 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Loan from commercial banks	2,045,636,293	1,983,539,494
Loan from Ministry of Finance	331,627,880	200,247,683
Less: Unamortised portion of transaction cost	(10,724,288)	(12,128,116)
Loan from Ministry of Finance, net	320,903,592	188,119,567
	2,366,539,885	2,171,659,061
	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Current portion:		
Long term loans	180,674,684	180,674,684
Short-term borrowings	971,113,474	803,218,790
Loan from Ministry of Finance	7,151,425	7,078,671
	1,158,939,583	990,972,145
Non-current portion:		
Long term loans	893,848,135	999,646,021
Loan from Ministry of Finance	313,752,167	181,040,895
	1,207,600,302	1,180,686,916
	2,366,539,885	2,171,659,061

Loan from Ministry of Finance are secured by the mortgage of land and building of Saudi German Hospital – Hail, Dammam and Makkah (Note 5.3). Loans from Ministry of Finance related to SGH Hail is interest free and unamortised interest is calculated and being amortised over the period of the loan term. As at 30 September 2023 the transaction costs amounting SR 10.7 million is netted of against loan balance. However, loans related to SGH Dammam and SGH Makkah are borrowed at SIBOR plus an agreed mark-up. Loans from commercial banks are borrowed at SIBOR plus an agreed mark up. These loans are secured through promissory notes issued by the Group. Other information relating to the loans, including covenants, repayment terms, collaterals etc. are primarily consistent with the information disclosed in the consolidated financial statements for the year ended 31 December 2022

13 TRADE PAYABLES

Trade payables comprise of the following:

	<i>30 September 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Third party suppliers	432,861,006	350,834,401
Due to related parties (note 14)	102,780,668	74,915,777
	535,641,674	425,750,178

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

14 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group:

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>	<i>Transactions for the Nine-months period ended</i>		<i>Balance as at</i>	
			<i>30 September 2023</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>31 December 2022</i>
			<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
a) Amounts due from related parties						
Emirates Healthcare Development Company	Related party, shareholder / Board member	Management fee	3,909,245	3,525,174	8,631,738	4,811,594
Egypt Healthcare Company	Related party, shareholder / Board member	Management fee	927,969	2,372,128	760,192	1,017,479
Bait Al Batterjee Medical College	Related party, shareholder / Board member	Training fee	100,300	-	77,718	321,218
Bait Al Batterjee Fitness Company	Related party, shareholder / Board member	Medical services	11,567	-	134,239	122,672
					9,603,887	6,272,963
b) Prepayments and other current assets						
Megamind IT Solution Company	Related party, shareholder / Board member	outsourced IT services	84,223,812	94,070,421	273,347	33,691,866

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The above balances are unsecured, interest free and have no fixed repayment. The management estimate the allowance on due from related party balance at the reporting date at an amount equal to lifetime expected credit losses. No receivable balance from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate, the management considers that related party balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for balances due from related parties. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 September 2023 and year ended 31 December 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

Related party	Nature of relationship	Nature of transactions	Transactions for the Nine-months period ended		Balance as at	
			30 September 2023 SR	30 September 2022 SR	30 September 2023 SR	31 December 2022 SR
c) Amounts due to related parties						
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Related party, shareholder / Board member	Repair of medical instruments	571,602	995,699	208,426	244,381
International Hospital Construction Company	Related party, shareholder / Board member	Construction and renovation	60,790,657	91,919,189	76,126,249	59,141,629
Bait Al Batterjee Medical Company	Related party, shareholder / Board member	Advisory fee	4,729,683	4,725,671	611,912	1,868,495
Sawaed Al Halool Maintenance & Cleaning Company (JAN-PRO)	Related party, shareholder / Board member	Janitorial services	11,495,052	14,777,062	786,574	449,169
Bait Al Batterjee Pharmaceutical Company	Related party, shareholder / Board member	Supplies of certain pharmaceutical products	32,836,612	29,916,493	25,047,507	13,212,103
					102,780,668	74,915,777

Amount due from / to related parties are shown in notes 6,8 and 13, respectively.

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

At 30 September 2023

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Compensation of key management personnel of the Group:

Key management personnel of the Group comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Group. The compensation to key management is shown below:

	<i>For the Nine-month period ended 30 September 2023 (Unaudited) SR</i>	<i>For the Nine-month period ended 30 September 2022 (Unaudited) SR</i>
Salaries and other benefits	7,213,957	7,119,715
Post-employment benefits	310,804	390,893
	7,524,761	7,510,608

The amounts disclosed in the table are the amounts recognised as an expense during the period related to key management personnel.

15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprise of the following:

	<i>30 September 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Payroll related accrued expenses	135,194,299	124,374,350
Cost related accrued expenses and other liabilities	71,894,975	40,689,984
Value added tax (VAT) payable	19,944,469	22,667,670
	227,033,743	187,732,004

16 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.

	<i>For the three- month period ended 30 September 2023 Unaudited SR</i>	<i>For the three- month period ended 30 September 2022 Unaudited SR</i>	<i>For the Nine- month period ended 30 September 2023 Unaudited SR</i>	<i>For the Nine - month period ended 30 September 2022 Unaudited SR</i>
Profit for the period attributable to ordinary shareholders of the Parent	53,303,078	11,105,759	143,674,184	42,021,412
Weighted average number of ordinary shares in issue	92,040,000	92,040,000	92,040,000	92,040,000
Basic and diluted earnings per share	0.58	0.12	1.56	0.46

Middle East Healthcare Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

At 30 September 2023

17 COMMITMENTS AND CONTINGENCIES

- 17.1 Various employees have filed cases against the Group 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 21.6 million (31 December 2022: SR 3.5 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard.
- 17.2 The Company and its Subsidiary is also contesting various cases on account of alleged non-compliance of regulations. The total amount under consideration is SR 48 thousand (31 December 2022: SR nil 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.
- 17.3 At 30 September 2023, the Group had commitments with related parties amounting to SR 9.5 million (31 December 2022: SR 207.1 million) relating to capital expenditures.
- 17.4 At 30 September 2023, the Group had outstanding open Zakat and withholding tax (WHT) assessment with ZATCA for the years 2015 to 2018 amounting to SR 122 (SR 83 million related to Zakat differences and SR 39 million related to WHT). The Company escalated the appeal to the Tax Violation and Dispute Appellate Committee (TVDAC). The management believes that it has a strong chance to win the case regarding the said objection. Also, the group had outstanding Zakat assessment for the years 2019 to 2020 with total amount of SR 68 million. The company is in the process to file an appeal against TVDRC decision with TVDAC. The management believes that it has a strong chance to win the case regarding the said objection (refer to note 4).
- 17.5 At 30 September 2023, the Group had outstanding letters of guarantee amounting to SR 56.8 million to the favour of ZATCA against the assessment of zakat and tax for the years ended 31 December 2014, 31 December 2019 and 31 December 2020 with cover of 14.5 million (refer to note 8).

18 SEGMENTAL INFORMATION

As the operations of the Group are conducted in the Kingdom of Saudi Arabia and other countries. Business in other countries represent management fees on Dubai and Cairo Hospitals which represent 0.41% of total revenue. The Board of Directors is the Chief Operating Decision Maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment, segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the interim condensed consolidated financial statements. However, the Group's financing (including finance costs, finance income and other income) and zakat are managed on a Group basis and are not allocated to operating segments. Accordingly, for chief operating decision maker purposes, the Group is organized into business units based on its products and services and has mainly three reportable segments. Information regarding the Group's reportable segments is presented below:

Based on nature of services

30 September 2023 (unaudited)					
	<i>In patient services</i>	<i>Outpatient services</i>	<i>Pharmacy sales</i>	<i>Others</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Revenue	1,140,091,104	529,643,726	257,171,483	6,453,600	1,933,359,913
Cost of revenue	(668,956,295)	(336,688,164)	(207,129,661)	(133,472)	(1,212,907,592)
Gross profit	471,134,809	192,955,562	50,041,822	6,320,128	720,452,321
Operating expenses					(463,408,857)
Operating profit					257,043,464
Finance charges					(103,709,275)
Other income					10,594,846
Zakat					(14,050,000)
Net profit					149,879,035

30 September 2022 (unaudited)					
	<i>In patient services</i>	<i>Outpatient services</i>	<i>Pharmacy sales</i>	<i>Others</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Revenue	878,259,826	424,531,392	223,947,715	7,048,455	1,533,787,388
Cost of revenue	(573,474,331)	(295,604,517)	(188,321,521)	(390,844)	(1,057,791,213)
Gross profit	304,785,495	128,926,875	35,626,194	6,657,611	475,996,175
Operating expenses					(392,014,711)
Operating profit					83,981,464
Finance charges					(48,056,488)
Other income					11,541,625
Zakat					(9,825,461)
Net profit					37,641,140

19 FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the period ended 30 September 2023, there were no movements between the levels.

As at 30 September 2023 and 31 December 2022, the fair values of the Group's financial instruments are estimated to approximate their carrying values.

20 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of the Group for the three-month period ended 30 September 2023G have been approved by the Board of Directors on 18 Rabi Al-Thani 1445H, corresponding to 02 November 2023.