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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2018
together with the Independent Auditors' Review Report

KPMG

KPMG Al Fozan & Partners
Certified Public Accountants
Zahran Business Centre, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com/sa

License No. 46/11/323 issued 11/3/1992

Independent auditors' report on review of interim financial statements

To the Shareholders of
Middle East Healthcare Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 September 2018 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 September 2018;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated statement of changes in equity for the nine-months period ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine-months period ended 30 September 2018; 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 September 2018 condensed consolidated interim financial statements of Middle East Healthcare Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Other matter

The condensed consolidated interim financial statements of the Group for the three-month and nine-month periods ended 30 September 2017, were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 23 October 2017 and the consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 26 March 2018.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Safar 28, 1440H
Corresponding to November 6, 2018

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 September 2018
(Expressed in Saudi Arabian Riyals)

	Notes	30 September 2018	31 December 2017
ASSETS			
Non-current assets			
Property and equipment	4	**1,400,923,945**	1,267,027,140
Intangible assets		**5,165,508**	5,751,955
Total non-current assets		**1,406,089,453**	1,272,779,095
Current assets			
Inventories		**99,055,232**	111,449,774
Accounts receivable	5	**1,075,417,518**	883,178,310
Prepayments and other current assets		**70,600,603**	46,205,961
Cash and bank balances		**20,608,401**	111,053,895
Total current assets		**1,265,681,754**	1,151,887,940
Total assets		**2,671,771,207**	2,424,667,035
EQUITY AND LIABILITIES			
Share capital	6	**920,400,000**	920,400,000
Statutory reserve		**154,827,612**	154,827,612
Retained earnings		**331,628,782**	374,146,669
Equity attributable to shareholders of the Company		**1,406,856,394**	1,449,374,281
Non-controlling interest		**46,280,837**	51,731,710
Total equity		**1,453,137,231**	1,501,105,991
Non-current liabilities			
Term loans, non-current portion	7	**251,927,318**	131,025,594
Other non-current financial liabilities		**30,190,713**	40,908,116
Deferred income		**22,524,999**	22,209,797
Employees' end of service benefits		**190,668,307**	183,215,920
Total non-current liabilities		**495,311,337**	377,359,427
Current liabilities			
Short-term borrowings and current portion of term loans	7	**203,126,453**	172,876,453
Current portion of other non-current financial liabilities		**20,328,665**	18,883,227
Accounts payable	8	**366,656,509**	273,885,773
Accrued expenses and other current liabilities		**128,764,143**	75,032,286
Zakat payable	9	**4,446,869**	5,523,878
Total current liabilities		**723,322,639**	546,201,617
Total liabilities		**1,218,633,976**	923,561,044
Total equity and liabilities		**2,671,771,207**	2,424,667,035

Sobhi Abduljalil Batterjee	Mohammed Mamoun Al Najjar	Alarma Varghese Thomas
Chairman	Chief Executive Officer	Chief Financial Officer

The notes on pages from 5 to 22 form an integral part of these condensed consolidated interim financial statements.

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 nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

	Notes	For the three-month period ended 30 September 2018	30 September 2017	For the nine-month period ended 30 September 2018	30 September 2017
Revenue		**338,773,991**	352,982,288	**1,080,010,281**	1,097,791,674
Cost of revenue		**(226,909,001)**	(219,680,019)	**(690,818,048)**	(645,397,125)
Gross profit		**111,864,990**	133,302,269	**389,192,233**	452,394,549
Selling and marketing expenses		**(1,957,281)**	(2,239,559)	**(7,188,439)**	(8,881,176)
General and administrative expenses		**(88,619,580)**	(75,358,361)	**(243,237,242)**	(221,807,271)
Results from operating activities		**21,288,129**	55,704,349	**138,766,552**	221,706,102
Other income		**1,801,630**	4,162,138	**7,684,343**	10,862,183
Finance cost		**(2,803,635)**	(1,447,316)	**(6,564,658)**	(9,302,102)
Net profit before Zakat		**20,286,124**	58,419,171	**139,886,237**	223,266,183
Zakat	9	**(1,524,997)**	(1,015,002)	**(4,574,997)**	(7,040,829)
Net profit for the period		**18,761,127**	57,404,169	**135,311,240**	216,225,354
Other comprehensive income:					
Items that can never be classified to profit or loss:					
Re-measurement on actuarial gain / loss		--	--	--	--
Total comprehensive income for the period		**18,761,127**	57,404,169	**135,311,240**	216,225,354
Total comprehensive income for the period attributable to:					
Shareholders' of the Company		**20,160,600**	64,884,117	**141,562,113**	236,800,533
Non-controlling interest		**(1,399,473)**	(7,479,948)	**(6,250,873)**	(20,575,179)
		18,761,127	57,404,169	**135,311,240**	216,225,354
Basic and Diluted earnings per share attributable to the shareholders of the Company	10	**0.22**	0.70	**1.54**	2.57

Sobhi Abduljalil Batterjee	Mohammed Mamoun Al Najjar	Alarma Varghese Thomas
Chairman	Chief Executive Officer	Chief Financial Officer

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MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-month period ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

		Equity attributable to the shareholders of the Company					
	Note	Share Capital	Statutory reserve	Retained earnings	Total shareholders' equity	Non-controlling interest	Total Equity
Balance at 1 January 2017		920,400,000	124,819,329	549,173,636	1,594,392,965	59,351,808	1,653,744,773
Adjustment on adoption of IFRS-9	3	--	--	(274,268,254)	(274,268,254)	--	(274,268,254)
Balance at 1 January 2017 – adjusted		920,400,000	124,819,329	274,905,382	1,320,124,711	59,351,808	1,379,476,519
Total comprehensive income for the period		--	--	236,800,533	236,800,533	(20,575,179)	216,225,354
Dividend	6	--	--	(184,080,000)	(184,080,000)	--	(184,080,000)
Advance towards share capital		--	--	--	--	19,500,000	19,500,000
Balance at 30 September 2017		920,400,000	124,819,329	327,625,915	1,372,845,244	58,276,629	1,431,121,873
Balance at 1 January 2018		920,400,000	154,827,612	629,012,157	1,704,239,769	51,731,710	1,755,971,479
Adjustment on adoption of IFRS-9	3	--	--	(254,865,488)	(254,865,488)	--	(254,865,488)
Balance at 1 January 2018 – adjusted		920,400,000	154,827,612	374,146,669	1,449,374,281	51,731,710	1,501,105,991
Total comprehensive income for the period		--	--	141,562,113	141,562,113	(6,250,873)	135,311,240
Dividend	6	--	--	(184,080,000)	(184,080,000)	--	(184,080,000)
Advance towards share capital		--	--	--	--	800,000	800,000
Balance at 30 September 2018		**920,400,000**	**154,827,612**	**331,628,782**	**1,406,856,394**	**46,280,837**	**1,453,137,231**

Sobhi Abduljalil Batterjee
Chairman

Mohammed Mamoun Al Najjar
Chief Executive Officer

Alarma Varghese Thomas
Chief Financial Officer

The notes on pages from 5 to 22 form an integral part of these condensed consolidated interim financial statements.

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

	30 September 2018	30 September 2017
Cash flows from operating activities		
Net profit before Zakat	**139,886,237**	223,266,183
Adjustments for:		
Depreciation	**64,679,189**	56,179,106
Amortisation	**597,211**	512,598
Reversal for doubtful accounts receivable	**(7,442,371)**	(14,552,799)
Provision for slow moving and obsolete inventories	**1,533,396**	1,131,329
Amortization deferred income	**315,202**	6,504,977
Provision for employees' end of service benefits	**24,763,713**	23,352,481
	224,332,577	296,393,875
Changes in operating assets and liabilities:		
Accounts receivable	**(184,796,837)**	(45,005,668)
Inventories	**10,861,146**	(5,871,689)
Prepayments and other current assets	**(24,394,642)**	(53,413,189)
Accounts payable	**92,770,736**	(45,780,662)
Accrued expenses and other current liabilities	**53,614,626**	33,010,871
Other financial liabilities	**1,445,438**	5,006,478
Cash generated from operating activities	**173,833,044**	184,340,016
Employees' end of service paid	**(17,311,326)**	(10,118,215)
Zakat paid	**(5,534,775)**	(3,978,050)
Net cash generated from operating activities	**150,986,943**	170,243,751
Cash flows from investing activities:		
Additions to property and equipment	**(198,575,994)**	(79,237,655)
Additions to intangible assets	**(10,764)**	(526,951)
Net cash used in investing activities	**(198,586,758)**	(79,764,606)
Cash flows from financing activities:		
Dividend paid (Note 6)	**(184,080,000)**	(184,080,000)
Net movement in term loans and borrowings	**151,151,724**	(42,183,531)
Net movement in other non-current financial liabilities	**(10,717,403)**	8,335,828
Advance against proposed increase in share capital of the subsidiary from NCI shareholders	**800,000**	19,500,000
Net cash used in financing activities	**(42,845,679)**	(198,427,703)
Net change in cash and cash equivalents	**(90,445,494)**	(107,948,558)
Cash and cash equivalents at beginning of the period	**111,053,895**	155,090,776
Cash and cash equivalents at the end of the period	**20,608,401**	47,142,218

Sobhi Abduljalil Batterjee
Chairman

Mohammed Mamoun Al Najjar
Chief Executive Officer

Alarma Varghese Thomas
Chief Financial Officer

The notes on pages from 5 to 22 form an integral part of these condensed consolidated interim financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Middle East Healthcare Company (the "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:

Branch name	Commercial registration	Issued on	Corresponding to
Saudi German Hospital - Jeddah	4030124187	5 Safar 1419H	30 May 1998
Saudi German Hospital – Riyadh	1010162269	24 Rajab 1421H	22 October 2000
Saudi German Hospital – Aseer	5855019364	28 Dhul Hijah 1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5August 2002
Abdul Jaleel Ibrahim Baterjee Sons	4030181710	4 Shaban 1429H	6 August 2008
Saudi German Hospital – Dammam- Under development	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

The Company has also investment in the following subsidiary:

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

Though, the Company hold 32.33% (2017: 32.33%) in NHC, however based on control exercised by the Company, NHC has been consolidated as subsidiary.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standards (IAS)-34 "Interim Financial Reporting" as endorsed in Kingdom of Saud Arabia and other standards and pronouncements that are issued by Saudi Organization of Public Accountants ("SOCPA") and the requirements of the regulations for companies and the Company's by-laws in so far as they relate to the preparation and presentation of the financial statements.

The condensed consolidated interim financial statements do not include all the information required for complete set of IFRS Financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017 except for the policies mentioned in Note 2.3.

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 employee benefits, which are recognised at the present value of future obligation using the Projected Unit Credit Method. 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.

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.

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

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

2. BASIS OF PREPARATION (continued)

2.2 Basis of consolidation (continued)

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interests.

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

2.3 Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the annual consolidated financial statements as at and for the year ending 31 December 2018.

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" (see a) and IFRS 9 "Financial Instruments" (see b) from 1 January 2018 with a retrospective effect on the financial statements for the year ended 31 December 2017. The effect of initial application of these standards is mainly attributed to the following:

- presentation of revenue net off discounts and rejections (see a below)
- An increase in impairment losses recognised on financial assets (see b below)

2. BASIS OF PREPARATION (continued)

2.3 Changes in significant accounting policies (continued)

(a) Revenue from contracts with customers

IFRS 15: "Revenue from contracts with customers" supersedes IAS 11: "Construction Contracts", IAS 18: "Revenue" and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to the contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group elected the modified retrospective method and applied the Standard retrospectively to only the most current period presented in the financial statements. The Group recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at 1 January 2017 which is allowed in the Standard. Accordingly, the information presented for the previous corresponding period has not been restated.

The Group generates its revenue from sale of goods and operations. The goods and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

(i) Sale of goods

The Group's contracts with customers for the sale of medicines and drugs generally include one performance obligation. The Group has concluded that revenue from sale of medicines and drugs should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the medicines and drugs. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognised.

(ii) Operating revenues

For operating revenues, the revenue is recognized when the treatment is provided and the invoice is generated (i.e. after satisfaction of performance obligation). Some contracts include variable considerations such as discount and rejections of claims. Prior to the adoption of IFRS 15, management made its best estimate of the discount / rejections adjustment based on its knowledge and experience about past and current events. Under IFRS 15, management will estimate variable consideration using the expected value method for discounts and rejections. Management shall apply one method consistently throughout the contract when estimating the effect of an uncertainty on an amount of variable consideration to which the Company will be entitled. In addition, management shall consider all the information (historical, current and forecast) that is reasonably available to the Company and shall identify a reasonable number of possible consideration amounts.

2. BASIS OF PREPARATION (continued)

2.3 Changes in significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

The impact of adoption of IFRS 15 on accounts receivable and revenue is tabulated as follows:

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

	Revenue recognized as per IAS 18	Provision for discount and rejection	Revenue recognized as per IFRS 15
Revenue for the nine month period ended 30 September 2017	1,212,204,380	(114,412,706)	1,097,791,674
Revenue for the three month period ended 30 September 2017	396,618,947	(43,636,659)	352,982,288
Revenue for the year ended 31 December 2017	1,629,429,607	(167,039,208)	1,462,390,399

b) IFRS 9 - Financial instruments

IFRS 9: "Financial Instruments" replaces IAS 39: "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

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

(i) Classification and measurement

At transition date to IFRS 9, the Group has financial assets measured at amortised cost. The classification and measurement of the Group's financial assets are as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables.

2. BASIS OF PREPARATION (continued)

2.3 Changes in significant accounting policies (continued)

b) IFRS 9 - Financial instruments (continued)

(i) Classification and measurement (continued)

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2017 relates to the new impairment requirements, as described further below:

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Accordingly, the adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. As at the reporting date, all financial liabilities of the Company are carried at amortized cost.

(ii) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit and loss (FVTPL).

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For accounts and other receivables, the Group has applied the Standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

As at 1 January 2017	Carrying amount under IAS 39	Provision for impairment	Carrying amount under IFRS 9
Accounts receivable- net after application of IFRS-15 [see note 2.3(a) above]	1,144,464,369	--	1,144 464 369
Provision for bad and doubtful debts	--	(274,268,254)	(274,268,254)
Accounts receivable - net	1,144,464,369	(274,268,254)	870,196,115

2. BASIS OF PREPARATION (continued)

2.3 Changes in significant accounting policies (continued)

b) IFRS 9 - Financial instruments (continued)

(ii) Impairment (continued)

As at 31 December 2017	Carrying amount under IAS 39	Provision for impairment	Carrying amount under IFRS 9
Accounts receivable- net after application of IFRS-15	1,138,043,798	--	1,138,043,798
Provision for bad and doubtful debts	--	(254,865,488)	(254,865,488)
Accounts receivable - net	1,138,043,798	(254,865,488)	883,178,310

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing these interim financial statements, management has made judgments and estimates that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which were described in Note 2.

4. PROPERTY AND EQUIPMENT

	30 September 2018	31 December 2017
Operating fixed assets	**1,113,965,846**	1,110,061,940
Capital work-in-progress (CWIP)	**286,958,099**	156,965,200
Total	**1,400,923,945**	1,267,027,140

4.1 CWIP mainly contains the construction of a new Hospital in Dammam, Makkah, and renovations of several hospitals buildings at different locations.

4.2 During the period finance charges amounting to SR 5.39 million (31 December 2017: SR 5.26 million) have been capitalized in CWIP.

4.3 The land and building having a net book value of SR 343.28 million (31 December 2017: SR 353.04 million) are mortgaged to secure loan from Ministry of Finance.

5. ACCOUNTS RECEIVABLE

Accounts receivable comprise of the following

	Note	30 September 2018	31 December 2017
Customers		**1,298,375,833**	1,134,212,435
Related parties	12	**1,660,237**	3,831,363
		1,300,036,070	1,138,043,798
Expected credit losses		**(224,618,552)**	(254,865,488)
		1,075,417,518	883,178,310

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.

The shareholder's approved a dividend of SR 2 per share amounting to SR 184.08 million for the year ended 31 December 2017 in the Annual General Meeting held on 24 June 2018 (SR 184.08 million for the year ended 31 December 2016 in the annual General Meeting held on 8 June 2017).

7. TERM LOANS

Term loans comprise for the following:

	30 September 2018	31 December 2017
Loan from commercial banks	**391,830,680**	240,445,869
Loan from Ministry of Finance	**84,855,682**	88,338,182
Adjustment for deferred income	**(21,632,591)**	(24,882,004)
Loan from Ministry of Finance - net	**63,223,091**	63,456,178
Total	**455,053,771**	303,902,047

7. TERM LOANS (continued)

	30 September 2018	31 December 2017
Current portion:		
Loan from commercial banks	--	78,750,000
Short-term borrowings	194,000,000	85,000,000
Loan from Ministry of Finance	9,126,453	9,126,453
Total current portion	203,126,453	172,876,453
Non-current portion:		
Loan from commercial banks	197,830,680	76,695,869
Loan from Ministry of Finance	54,096,638	54,329,725
Total non-current portion of long-term loans	251,927,318	131,025,594
	455,053,771	303,902,047

Loans from Ministry of Finance are secured by the mortgage of land and building of Saudi German Hospital - Riyadh, 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.

8. ACCOUNTS PAYABLE

Accounts payable comprise of the following:

	Note	30 September 2018	31 December 2017
Due to related parties	12	83,224,152	61,102,613
Third party suppliers		283,432,357	212,783,160
		366,656,509	273,885,773

9. ZAKAT

The Zakat returns for the years from 2005 to 2008, have been filed with the General Authority of Zakat and Tax (GAZT). The Company filed the returns without paying the Zakat due of SR 0.44 million as per these returns. Accordingly, GAZT had not issued the Zakat certificate for the year 2008.

The GAZT issued the Zakat assessment for the years ended December 31, 2005 to 2008, under which GAZT claimed an additional Zakat of SR 18.1 million. The Company objected against the said assessment, upon which the GAZT issued the revised assessment after reducing the additional claim made by SR 6.7 million. The Company again filed an objection against the revised assessment which was transferred to the Preliminary Objection Committee (POC) for review and decision. The POC has issued a decision and further reduced the additional claim by SR 1.1 million. The Company has again filed an appeal against the POC's decision with the Higher Appeal Committee (HAC) and submitted a bank guarantee of SR 10.23 million, which is still under review by HAC.

The Company filed the Zakat/tax returns for the years ended December 31, 2009 to 2017, and obtained facility letters for these years. The GAZT did not issue the final Zakat and tax assessment for these years to date.

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. NHC filed the Zakat/tax return for the year ended December 31, 2013 and obtained the unrestricted Zakat and tax certificate for the said year. The GAZT issued the Zakat and tax assessment for the said year, which showed Zakat differences of SR 0.059 million due from NHC. NHC filed an objection against the said assessment, which is still under review by the GAZT till todate.

The Subsidiary Company filed the Zakat/tax returns for the years ended December 31, 2014 to 2017, and obtained the unrestricted Zakat\ tax certificate for the year 2017. The GAZT did not issue the final Zakat and tax assessment for the said years till to date.

10. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended have been computed by dividing the net profit from operations for such period by the weighted average number of shares outstanding at the end of the period.

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:

Variable rate instruments	30 September 2018	31 December 2017
Financial liabilities	**391,830,680**	240,445,869

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:

Variable rate instruments	30 September 2018	31 December 2017
Interest rate - increase by 100 basis points	**2,938,730**	2,404,459
Interest rate - decrease by 100 basis points	**(2,938,730)**	(2,404,459)

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:

	30 September 2018	31 December 2017
Financial assets		
Accounts receivable	**1,075,417,518**	883,178,310
Staff advances	**1,952,123**	1,932,027
Bank balance	**18,646,168**	108,602,645
Total	**1,096,015,809**	993,712,982

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 85% (31 December 2017: 84%) of total receivables. However, the Company assessed the concentration of risk with respect to accounts receivable and concluded it to be low.

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 interest payments and exclude the impact of netting agreements.

		Contractual cash flows				
30 September 2018	**Carrying Amount**	**Less than 6 months**	**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	476,686,362	200,250,000	9,732,500	51,100,803	63,488,048	152,115,011
Accounts payable	366,656,509	366,656,509	--	--	--	--
Other financial liabilities	50,519,378	10,668,521	9,660,144	17,996,085	10,025,007	2,169,621
Accrued and other liabilities	128,764,143	128,764,143	--	--	--	--
	1,022,626,392	**706,339,173**	**19,392,644**	**69,096,888**	**73,513,055**	**154,284,632**

11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Liquidity risk (continued)

			Contractual cash flows			
31 December 2017	**Carrying Amount**	**Less than 6 months**	**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	328,784,051	137,500,000	34,732,500	28,546,552	31,941,291	96,063,708
Accounts payable	273,885,773	273,885,773	--	--	--	--
Other financial liabilities	59,791,343	10,598,940	8,284,287	25,850,833	12,767,029	2,290,254
Accrued and other liabilities	75,032,286	75,032,286	--	--	--	--
	737,493,453	**497,016,999**	**43,016,787**	**54,397,385**	**44,708,320**	**98,353,962**

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 and their relatives up to the fourth generation, associates, entities with significant influence over the Group, directors and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group'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.

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

Transaction with	**Relationship**	**Nature of transaction**	**Transaction during the period**		**Closing balance**	
			30 September 2018	31 December 2017	**30 September 2018**	31 December 2017
Due from related parties						
Bait Al Batterjee Company for Education and Training	Affiliate	Staff training	**226,866**	183,250	**451,578**	493,899
Emirates Healthcare Development Company	Affiliate	Management fee	**(6,321,414)**	(12,507,946)	**1,208,659**	3,337,464
					1,660,237	3,831,363

12. RELATED PARTY TRANSACTIONS (continued)

Transaction with	Relationship	Nature of transaction	Transaction during the period		Closing balance	
			30 September 2018	31 December 2017	**30 September 2018**	31 December 2017
Due to related parties						
Bait Al Batterjee Pharmaceutical Company	Affiliate	Supplies of certain pharmaceutical	**15,681,982**	19,697,880	**9,190,197**	4,119,040
Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Affiliate	Repair of medical instrument	**2,529,659**	4,733,433	**1,343,597**	1,543,271
International Hospital Construction Company	Affiliate	Construction and renovation	**137,322,430**	145,674,208	**69,836,931**	54,511,946
Bait Al Batterjee Medical Company	Shareholder.	Advisory fee	**4,500,639**	5,238,842	**2,202,167**	--
Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)	Affiliate	Janitorial services	**9,451,001**	11,018,336	**651,260**	928,356
					83,224,152	61,102,613

Compensation of key management personnel
The remuneration of the key management during the year was as follows:

	30 September 2018	30 September 2017
Short-term benefits	**2,555,420**	2,631,526
Post employment benefits	**156,122**	139,247

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

	30 September 2018				
	In patient services	**Outpatient services**	**Pharmacy sales**	**Others**	**Total**
Revenue	587,089,472	287,658,856	198,233,313	7,028,640	**1,080,010,281**
Cost of revenue	(335,146,199)	(185,107,773)	(170,252,801	(311,275)	**(690,818,048)**
Gross profit	251,943,273	102,551,083	27,980,512	6,717,365	**389,192,233**
Operating expenses					**(250,425,681)**
Operating profit					**138,766,552**
Other income					**7,684,343**
Finance charges					**(6,564,658)**
Zakat					**(4,574,997)**
Net profit					**135,311,240**

	30 September 2017				
	In patient services	Outpatient services	Pharmacy sales	Others	Total
Revenue	600,672,538	283,174,359	202,865,607	11,079,170	1,097,791,674
Cost of revenue	(322,451,764)	(150,203,574)	(172,741,787)	--	(645,397,125)
Gross profit	278,220,774	132,970,785	30,123,820	11,079,170	452,394,549
Operating expenses					(230,688,447)
Operating profit					221,706,102
Other income					10,862,183
Finance charges					(9,302,102)
Zakat					(7,040,829)
Net profit					216,225,354

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. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

(a) IFRS 16 "Leases"

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including 'IAS 17 - Leases', 'IFRIC 4 - Determining whether an Arrangement contains a Lease', 'SIC-15 - Operating Leases - Incentives' and 'SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:
- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Group can either apply the standard using a:
- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply. As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

(b) Annual Improvements to IFRSs 2015–2017 Cycle

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

14. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

- IAS 12 Income Taxes – clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity.

- IAS 23 Borrowing Costs – clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

(c) Other Amendments

The following new or amended standards which are not yet effective and neither expected to have a significant impact on the Group's condensed consolidated interim financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments – clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities.

- Prepayment Features with Negative Compensation (Amendments to IFRS 9).

- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).

- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19).

15. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on Safar 27, 1440H, corresponding to November 5, 2018.