

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 2020
together with the Independent Auditors' Review Report

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2020

CONTENTS	Pages
Independent auditor's report on review of condensed consolidated interim financial statements	1
Condensed consolidated statement of financial position	2
Condensed consolidated statement of profit or loss and other comprehensive income	3
Condensed consolidated statement of changes in equity	4
Condensed consolidated statement of cash flows	5
Notes to the condensed consolidated interim financial statements	6-21



KPMG Al Fozan & Partners
Certified Public Accountants
Zahrán 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 auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Middle East Healthcare Company

Introduction

We have reviewed the accompanying 30 September 2020 condensed consolidated interim financial statements of Middle East Healthcare Company ("MEAHCO") ("the Company") and its subsidiary ("the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2020; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2020 condensed consolidated interim financial statements of Middle East Healthcare Company and its subsidiary ("the Group") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 22 Rabi Al Awal 1442H
Corresponding to 8 November 2020



MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

(Expressed in Saudi Arabian Riyals)

	Notes	30 September 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	1,997,197,810	1,909,443,240
Right-of-use assets		26,931,184	30,454,243
Intangible assets		5,055,791	4,940,977
Total non-current assets		2,029,184,785	1,944,838,460
Current assets			
Inventories		142,913,235	124,514,002
Accounts receivable	5	1,471,132,948	1,108,576,392
Prepayments and other current assets		66,924,633	73,685,359
Cash and bank balances		34,077,754	53,882,840
Total current assets		1,715,048,570	1,360,658,593
Total assets		3,744,233,355	3,305,497,053
EQUITY AND LIABILITIES			
Share capital	6	920,400,000	920,400,000
Statutory reserve		181,809,384	181,809,384
Retained earnings		492,957,423	420,506,362
Equity attributable to shareholders of the Company		1,595,166,807	1,522,715,746
Non-controlling interest		32,308,092	39,098,696
Total equity		1,627,474,899	1,561,814,442
Non-current liabilities			
Term loans, non-current portion	7	702,893,737	643,448,510
Lease obligations – non-current portion		23,827,480	27,132,546
Other non-current financial liabilities		19,189,300	24,618,490
Deferred income		13,705,542	15,247,580
Employees' end of service benefits		207,078,673	212,632,946
Total non-current liabilities		966,694,732	923,080,072
Current liabilities			
Short-term borrowings and current portion of term loans	7	629,506,741	356,709,826
Current portion of other non-current financial liabilities		8,579,273	11,256,031
Lease obligations – current portion		4,353,182	4,180,880
Accounts payable	8	347,700,745	337,056,142
Accrued expenses and other current liabilities		155,535,525	106,751,583
Zakat payable	9	4,388,258	4,648,077
Total current liabilities		1,150,063,724	820,602,539
Total liabilities		2,116,758,456	1,743,682,611
Total equity and liabilities		3,744,233,355	3,305,497,053

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

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

MIDDLE EAST HEALTHCARE COMPANY
(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 2020
(Expressed in Saudi Arabian Riyals)

		For the three-month period ended		For the nine-month period ended	
	Notes	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Revenue		492,131,954	386,755,973	1,301,699,762	1,090,132,611
Cost of revenue		(320,226,311)	(266,795,725)	(862,448,410)	(765,787,776)
Gross profit		171,905,643	119,960,248	439,251,352	324,344,835
Other income		1,172,942	3,894,708	5,053,415	13,061,899
Selling and marketing expenses		(10,107,932)	(4,096,409)	(21,119,935)	(9,736,743)
General and administrative expenses		(119,679,156)	(82,554,443)	(327,921,340)	(255,401,888)
Operating profit		43,291,497	37,204,104	95,263,492	72,268,103
Finance cost		(7,820,437)	(6,059,142)	(26,103,035)	(16,581,735)
Profit before Zakat		35,471,060	31,144,962	69,160,457	55,686,368
Zakat	9	(1,500,000)	(1,500,000)	(3,500,000)	(3,512,500)
Net profit for the period		33,971,060	29,644,962	65,660,457	52,173,868
Other comprehensive income:					
<i>Items that will not be classified to profit or loss:</i>					
Re-measurement on actuarial gain / loss					
Total comprehensive income for the period		33,971,060	29,644,962	65,660,457	52,173,868
Total comprehensive income for the period attributable to:					
Shareholders' of the Parent Company		34,913,623	33,230,686	72,451,061	60,100,186
Non-controlling interest		(942,563)	(3,585,724)	(6,790,604)	(7,926,318)
Net profit for the period		33,971,060	29,644,962	65,660,457	52,173,868
Basic and diluted earnings per share attributable to the shareholders of the Parent Company					
	10	0.38	0.36	0.79	0.65

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

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

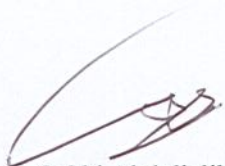
MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

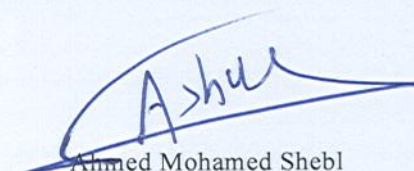
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


For the nine-month period ended 30 September 2020

(Expressed in Saudi Arabian Riyals)

	<u>Equity attributable to the shareholders of the Company</u>			<u>Total</u>	<u>Non-</u>	<u>Total</u>
	<u>Share</u>	<u>Statutory</u>	<u>Retained</u>	<u>shareholders'</u>	<u>controlling</u>	<u>equity</u>
	<u>capital</u>	<u>reserve</u>	<u>earnings</u>	<u>equity</u>	<u>interest (NCI)</u>	
Balance at 1 January 2019 (audited)	920,400,000	172,052,549	353,289,259	1,445,741,808	44,997,172	1,490,738,980
Total comprehensive income / (loss) for the period	--	--	60,100,186	60,100,186	(7,926,318)	52,173,868
Advance towards share capital	--	--	--	--	1,700,000	1,700,000
Balance at 30 September 2019 (unaudited)	920,400,000	172,052,549	413,389,445	1,505,841,994	38,770,854	1,544,612,848
Balance at 1 January 2020 (audited)	920,400,000	181,809,384	420,506,362	1,522,715,746	39,098,696	1,561,814,442
Total comprehensive income / (loss) for the period	--	--	72,451,061	72,451,061	(6,790,604)	65,660,457
Balance at 30 September 2020 (unaudited)	920,400,000	181,809,384	492,957,423	1,595,166,807	32,308,092	1,627,474,899


Sobhi Abduljalil Batterjee
Chairman


Ahmed Mohamed Shebl
Chief Executive Officer


Madani Hozaien
Chief Financial Officer

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

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

	30 September 2020	30 September 2019
Cash flows from operating activities		
Profit before Zakat	69,160,457	55,686,368
<i>Adjustments for:</i>		
Depreciation	88,697,467	69,473,554
Amortisation of intangible assets	1,029,004	573,569
Amortisation of right-of-use assets	3,523,059	3,112,842
Provision / (reversal) for allowance for expected credit losses	8,771,250	(16,106,382)
Provision for slow moving and obsolete inventories	1,654,327	1,498,941
Amortization deferred income	(1,542,038)	(3,082,554)
Unwinding impact of other financial liabilities	955,998	3,475,135
Finance charges on loans and borrowings	22,595,727	13,050,767
Loss on disposal of property and equipment	1,263,991	--
Finance charges related to lease obligation	1,294,572	1,276,620
	<u>197,403,814</u>	<u>128,958,860</u>
<i>Changes in:</i>		
Accounts receivable	(371,327,806)	(76,165,008)
Inventories	(20,053,560)	(1,264,586)
Prepayments and other current assets	6,760,726	(16,338,169)
Accounts payable	10,644,603	94,768,074
Accrued expenses and other current liabilities	48,629,628	4,732,994
Employees' end of service	(5,554,273)	12,642,179
Other financial liabilities	(9,061,946)	(15,501,257)
	<u>(142,558,814)</u>	<u>131,833,087</u>
Finance charges paid	(20,833,751)	(13,050,767)
Zakat paid	(3,759,819)	(5,310,199)
Net cash (used in) / generated from operating activities	<u>(167,152,384)</u>	<u>113,472,121</u>
Cash flows from investing activities:		
Additions to property and equipment	(177,716,028)	(325,354,982)
Additions to intangibles	(1,143,818)	(531,461)
Net cash used in investing activities	<u>(178,859,846)</u>	<u>(325,886,443)</u>
Cash flows from financing activities:		
Lease liabilities paid	(4,427,336)	(3,641,371)
Loans and borrowings, net	330,634,480	219,597,172
Advance against proposed increase in share capital of the subsidiary from NCI shareholders	--	1,700,000
Cash generated from financing activities	<u>326,207,144</u>	<u>217,655,801</u>
Net change in cash and cash equivalents	(19,805,086)	5,241,479
Cash and cash equivalents at beginning of the period	53,882,840	44,218,703
Cash and cash equivalents at the end of the period	<u>34,077,754</u>	<u>49,460,182</u>

Sobhi Abduljalil Batterjee
Chairman

Ahmed Mohamed Shebl
Chief Executive Officer

Madani Hozaien
Chief Financial Officer

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

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

The main activities of the 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 28 Dhul Hijah	22 October 2000
Saudi German Hospital – Aseer	5855019364	1420H	3 April 2000
Saudi German Hospital – Madinah	4650032396	18 Safar 1423H	5 August 2002
Abdul Jaleel Ibrahim Baterjee Sons	4030181710	4 Shaban 1429H	6 August 2008
Saudi German Hospital – Dammam	2050105713	18 Rajab 1436H	7 May 2015 15 November 2017
Beverly Clinics – Jeddah	4030297688	26 Safar 1439H	2017
Saudi German Hospital – Makkah - Under development	4031215509	19 Shawwal 1439H	3 July 2018

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

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

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

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

The Company has also investment in the following subsidiary:

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

During the period, the Company has increased its shareholding in NHC from 32.33% to 47%. Though, the Company holds 47% (31 December 2019: 32.33%) in NHC, however, as the control is exercised by the Company, NHC has been consolidated in these condensed consolidated interim financial statements as a subsidiary.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The condensed consolidated interim financial statements do not include all the information required for complete set of IFRS Financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019 (last annual financial statements). Accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since last annual financial statements. In addition, results for the interim period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

i) Basis of measurement

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

ii) Functional and presentation currency

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

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION (continued)

2.2 Basis of consolidation

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

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

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

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

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

2.3 Significant accounting policies

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

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

Description	Effective from
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Interest Rate Benchmark Reforms (amendments to IFRS 9, IAS 39, and IFRS 7)	1 January 2020

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Consolidated Financial Statements. However, as explained in note 16, the management has reviewed the key sources of estimation uncertainties disclosed in the annual consolidated financial statements against the back drop of COVID-19 pandemic and believes that other than the expected credit losses arising on the financial assets, all other sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements. The Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

4. PROPERTY AND EQUIPMENT

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Operating assets	1,514,732,679	1,168,104,458
Capital work-in-progress (CWIP)	482,465,131	741,338,782
	<u>1,997,197,810</u>	<u>1,909,443,240</u>

- 4.1 CWIP mainly contains the construction of a new Hospital in Makkah, and renovations of several hospitals buildings at different locations.
- 4.2 During the period, Dammam hospital of the company was completed and its cost amounting to SR 383.52 million was capitalized in operating assets from CWIP.
- 4.3 During the period finance charges amounting to SR 7.10 million (31 December 2019: SR 22.63 million) have been capitalized in CWIP.
- 4.4 The land and buildings having a net book value of SR 115 million (31 December 2019: SR 210 million) are mortgaged to secure loan from Ministry of Finance.

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

5. ACCOUNTS RECEIVABLE

Accounts receivable comprise of the following

	<u>Note</u>	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Third party customers		1,620,725,422	1,255,829,839
Related parties	12	24,314,549	17,882,326
		1,645,039,971	1,273,712,165
Expected credit losses		(173,907,023)	(165,135,773)
		1,471,132,948	1,108,576,392

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

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Opening Balance	165,135,773	189,670,489
Charge for the period	8,771,250	--
Written off during the year	--	(15,828,769)
Reversal during the year	--	(8,705,947)
Closing Balance	173,907,023	165,135,773

6. SHARE CAPITAL

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

7. TERM LOANS

Term loans comprise for the following:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Loan from commercial banks	1,285,588,124	948,346,144
Loan from Ministry of Finance	62,265,682	68,873,182
Adjustment for deferred income	(15,453,328)	(17,060,990)
Loan from Ministry of Finance – net	46,812,354	51,812,192
	1,332,400,478	1,000,158,336

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

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

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

7. TERM LOANS (continued)

	30 September <u>2020</u> (Unaudited)	31 December <u>2019</u> (Audited)
Current portion:		
Loan from commercial banks	102,215,320	90,301,326
Short-term borrowings	522,431,709	259,801,000
Loan from Ministry of Finance	4,859,712	6,607,500
Total current portion	629,506,741	356,709,826
Non-current portion:		
Loan from commercial banks	660,941,095	598,243,818
Loan from Ministry of Finance	41,952,642	45,204,692
Total non-current portion of long-term loans	702,893,737	643,448,510
	1,332,400,478	1,000,158,336

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

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

8. ACCOUNTS PAYABLE

Accounts payable comprise of the following:

	30 September <u>2020</u> (Unaudited)	31 December <u>2019</u> (Audited)
	Note	
Third party suppliers	171,330,417	184,715,432
Due to related parties	12 176,370,328	152,340,710
	347,700,745	337,056,142

9. ZAKAT

Zakat status of Middle East Health Care Company Limited

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

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

9. ZAKAT (continued)

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

The Company filed the Zakat/tax returns for the years ended December 31, 2015 to 2019 and obtained the unrestricted Zakat/tax certificate for the year 2019. The GAZT did not issue the final Zakat/tax assessments for the said years till 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. The GAZT issued the Zakat and tax assessment for 2013, which showed Zakat differences of SR 58,916 due from NHC. NHC filed an objection against the said assessment, which is still under review by the GAZT till to date.

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

10. BASIC AND DILUTED EARNINGS PER SHARE

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

	30 September 2020 <u>(Unaudited)</u>	30 September 2019 <u>(Unaudited)</u>
Net profit for the nine-month period attributable to shareholders of the Company	72,451,061	60,100,186
Weighted average number of ordinary shares	92,040,000	92,040,000
Earnings per share (Saudi Riyals)	0.79	0.65
	30 September 2020 <u>(Unaudited)</u>	30 September 2019 <u>(Unaudited)</u>
Net profit for the three- month period attributable to shareholders of the Company	34,913,623	33,230,686
Weighted average number of ordinary shares	92,040,000	92,040,000
Earnings per share (Saudi Riyals)	0.38	0.36

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

11. FINANCIAL RISK

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

Risk management framework

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

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

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

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

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

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

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:

<u>Variable rate instruments</u>	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Financial liabilities	<u>1,285,588,124</u>	<u>948,346,144</u>

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

11. FINANCIAL RISK (continued)

Interest rate risk (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:

<u>Variable rate instruments</u>	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Interest rate - increase by 100 basis points	<u>(9,641,911)</u>	<u>(5,883,164)</u>
Interest rate - decrease by 100 basis points	<u>9,641,911</u>	<u>5,883,164</u>

Currency risk

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

Price risk

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

Credit risk

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

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

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Financial assets		
Accounts receivable	1,645,039,971	1,273,712,165
Bank balance	30,887,687	51,891,818
Deposits	788,346	942,983
Staff advances	<u>2,346,487</u>	<u>2,480,487</u>
	<u>1,679,062,491</u>	<u>1,329,027,453</u>

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

11. FINANCIAL RISK (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 84% (31 December 2019: 84%) of total receivables. However, the Company assessed the concentration of risk with respect to accounts receivable and concluded it to be low. As at 30 September 2020, out of the total accounts receivables, SR 890.1 million (31 December 2019: 686.03 million) relates to Government and Quasi Government institutions.

Liquidity risk

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

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

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

30 September 2020 (unaudited)	<u>Contractual cash flows</u>						<u>Total</u>
	<u>Carrying Amount</u>	<u>Less than 6 months</u>	<u>6 months to 1 year</u>	<u>1 year to 3 years</u>	<u>3 years to 5 years</u>	<u>More than 5 years</u>	
<i>Non derivative financial liabilities</i>							
Loans and borrowings	1,332,400,478	538,739,047	116,721,732	228,020,370	260,867,386	293,733,517	1,438,082,052
Accounts payable	347,700,745	347,700,745	--	--	--	--	347,700,745
Lease liabilities	28,180,662	2,951,560	2,951,560	8,427,560	5,425,840	23,038,110	42,794,630
Other financial liabilities	27,768,573	4,899,116	3,658,930	14,635,721	6,720,515	--	29,914,282
Accrued and other liabilities	155,535,525	155,535,525	--	--	--	--	155,535,525
	1,891,585,983	1,049,825,993	123,332,222	251,083,651	273,013,741	316,771,627	2,014,027,234

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

11. FINANCIAL RISK (continued)

Liquidity risk (continued)

31 December	<u>Contractual cash flows</u>						<u>Total</u>
	<u>Carrying</u>	<u>Less than</u>	<u>6 months</u>	<u>1 year to</u>	<u>3 years to</u>	<u>More than</u>	
<u>2019</u>	<u>Amount</u>	<u>6 months</u>	<u>to 1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>5 years</u>	
<u>(audited)</u>							
<i>Non derivative financial liabilities</i>							
Loans and borrowings	1,000,158,336	332,156,255	24,553,572	300,438,778	373,375,596	246,496,126	1,277,020,327
Accounts payable	337,056,142	337,056,142	--	--	--	--	337,056,142
Lease liabilities	31,313,426	2,951,560	2,951,560	10,406,238	5,741,840	21,882,680	43,933,878
Other financial liabilities	35,874,521	5,591,328	5,415,778	15,509,241	12,208,910	--	38,725,257
Accrued and other liabilities	106,751,579	106,751,579	--	--	--	--	106,751,579
	<u>1,511,154,004</u>	<u>784,506,864</u>	<u>32,920,910</u>	<u>326,354,257</u>	<u>391,326,346</u>	<u>268,378,806</u>	<u>1,803,487,183</u>

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

12. RELATED PARTY TRANSACTIONS

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

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

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

12. RELATED PARTY TRANSACTIONS (continued)

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 2020 (Unaudited)	30 September 2019 (Unaudited)	30 September 2020 (Unaudited)	31 December 2019 (Audited)
<u>Due from related parties</u>						
-Bait Al Batterjee Company for Education & Training	Affiliate	Staff training	124,225	686,520	644,308	607,076
-Emirates Healthcare Development Company	Affiliate	Management fee	5,954,285	7,754,140	9,511,101	2,643,212
-Egypt Healthcare Company	Affiliate	Management fee	117,058	1,472,480	850,207	1,379,981
-Bait Al Batterjee Medical College	Affiliate	Training Fee	213,018	4,089,001	4,317,905	3,971,995
-Al Bait International Company	Affiliate	Medical services	628,139	4,243,188	3,439,476	3,225,295
Saudi German Hospital Sharjah	Affiliate	Medical Services	--	--	897,965	897,965
Saudi German Hospital Sana'a	Affiliate	Medical Services	--	--	895,675	895,675
Saudi German Hospital Ajman	Affiliate	Medical Services	--	--	3,298,326	3,808,776
-Bait Al Batterjee Fitness Company	Affiliate	Medical services	29,892	102,949	459,586	452,351
					24,314,549	17,882,326
<u>Due to related parties</u>						
-Bait Al Batterjee Pharmaceutical Company	Affiliate	Supplies of certain pharmaceutical	11,252,891	13,721,899	4,367,590	4,566,292
-Abdul Jalil Khalid Batterjee Medical Instrumentation Maintenance Company	Affiliate	Repair of medical instruments	1,541,565	4,436,938	998,449	1,022,195
-International Hospital Construction Company	Affiliate	Construction and renovation	124,174,471	105,890,380	168,978,865	143,456,971
-Bait Al Batterjee Medical Company	Share holder	Advisory fee	4,961,955	4,961,952	2,025,424	3,295,252
Gulf Youth Company for Investment and Real Estate Development (JAN-PRO)	Affiliate	Janitorial services	7,225,151	17,464,329	--	--
					176,370,328	152,340,710

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

12. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Short-term benefits	<u>4,968,472</u>	<u>3,252,078</u>
Post-employment benefits	<u>555,725</u>	<u>628,724</u>

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

13. SEGMENT INFORMATION

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

Based on nature of services

	<u>30 September 2020 (unaudited)</u>				
	<u>In patient services</u>	<u>Outpatient services</u>	<u>Pharmacy sales</u>	<u>Others</u>	<u>Total</u>
Revenue	804,151,699	279,883,358	209,407,160	8,257,545	1,301,699,762
Cost of revenue	(518,933,302)	(188,562,791)	(154,675,921)	(276,396)	(862,448,410)
Gross profit	285,218,397	91,320,567	54,731,239	7,981,149	439,251,352
Operating expenses					(349,041,275)
Operating profit					90,210,077
Other income					5,053,415
Finance charges					(26,103,035)
Zakat					(3,500,000)
Net profit					<u>65,660,457</u>

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

13. SEGMENT INFORMATION (continued)

	<u>30 September 2019 (unaudited)</u>				
	<u>In patient services</u>	<u>Outpatient services</u>	<u>Pharmacy sales</u>	<u>Others</u>	<u>Total</u>
Revenue	590,243,261	288,328,732	201,061,886	10,498,732	1,090,132,611
Cost of revenue	<u>(389,403,580)</u>	<u>(208,781,737)</u>	<u>(167,602,459)</u>	-	<u>(765,787,776)</u>
Gross profit	200,839,681	79,546,995	33,459,427	10,498,732	324,344,835
Operating expenses					<u>(265,138,631)</u>
Operating profit					59,206,204
Other income					13,061,899
Finance charges					(16,581,735)
Zakat					<u>(3,512,500)</u>
Net profit					<u>52,173,868</u>

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

Geographical Segment:

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

14. CONTINGENCIES AND COMMITMENTS

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

- 14.1 Various employees have filed cases against for various claims. These claims include unlawful dismissal, dismissal without notice and other compensation as per the contractual arrangements. The total claims amount to SR 2.3 million (31 December 2019: SR 3.06 million). Most of the cases are under hearing in various labour courts. The management is confident that the outcome will be in the favour of the Group and no provision is required in this regard
- 14.2 The Company and its Subsidiary is also contesting various cases on account of alleged noncompliance of regulations. The total amount under consideration is SR 0.2 million (31 December 2019: SR 0.6 million). Most of the cases are under hearing. The management is confident that the outcome will be in favour of the Group and no provision is required in this regard.
- 14.3 Capital commitments as of 30 September 2020 amounted to SR 387 million (2019: SR 784 million)

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

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

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

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 17	Insurance contracts	1 January 2021
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2022
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

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

16. IMPACT OF COVID-19

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

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

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

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

MIDDLE EAST HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

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

For the nine-month period ended 30 September 2020
(Expressed in Saudi Arabian Riyals)

17. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on 19 Rabi Al Awal 1442H, corresponding to 5 November 2020.