

**MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019**

**MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders
Mouwasat Medical Services Company
(a Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mouwasat Medical Services Company, a Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as of 30 June 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months period then ended and consolidated statement of changes in equity and consolidated statement of cash flows for the six months period then ended, and notes comprising a summary of significant accounting policy and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Deloitte and Touche & Co.
Chartered Accountants



Abdul Rahman S. Al-Suwayegh
License No. 461
22 Dhul Qadah, 1440
July 25, 2019



MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	From 1 April to 30 June		From 1 January to 30 June	
	2019	2018	2019	2018
Notes	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES				
Operating revenues, net	385,573,431	337,591,986	782,324,868	698,371,101
Sales	60,685,188	56,761,412	126,553,836	118,334,120
	446,258,619	394,353,398	908,878,704	816,705,221
DIRECT COST				
Cost of operations	(208,389,536)	(168,870,829)	(412,986,161)	(346,485,503)
Cost of sales	(43,665,201)	(39,579,361)	(90,372,667)	(84,480,562)
	(252,054,737)	(208,450,190)	(503,358,828)	(430,966,065)
GROSS PROFIT	194,203,882	185,903,208	405,519,876	385,739,156
EXPENSES				
Selling and distribution	(27,838,263)	(35,704,942)	(58,371,415)	(68,419,666)
General and administration	(62,323,307)	(51,424,626)	(121,071,241)	(102,342,365)
	(90,161,570)	(87,129,568)	(179,442,656)	(170,762,031)
OPERATING INCOME	104,042,312	98,773,640	226,077,220	214,977,125
Share in results of an associate	1,069,069	750,000	1,819,069	1,555,719
Other income	1,520,286	1,486,370	3,988,384	3,637,933
Finance costs	(5,082,845)	(511,417)	(10,369,613)	(1,170,371)
PROFIT BEFORE ZAKAT	101,548,822	100,498,593	221,515,060	219,000,406
Zakat	4 (3,801,614)	(5,847,966)	(8,914,433)	(12,160,666)
NET PROFIT FOR THE PERIOD	97,747,208	94,650,627	212,600,627	206,839,740
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	97,747,208	94,650,627	212,600,627	206,839,740
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Shareholders of the Company	90,309,449	87,881,233	197,524,691	193,887,800
Non-controlling interests	7,437,759	6,769,394	15,075,936	12,951,940
	97,747,208	94,650,627	212,600,627	206,839,740
EARNINGS PER SHARE				
Basic and diluted earnings per share attributable to the shareholders of the Company	5 0.90	0.88	1.98	1.94
Weighted average number of shares	100,000,000	100,000,000	100,000,000	100,000,000

Managing Director
Mohammed Al Saleem

Authorized Board Representative
Mohammed Al Saleem

Chief Finance Officer
Yusuf Sulaiman

The accompanying notes form an integral part of these interim condensed consolidated financial statements

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	30 June 2019 SR (Unaudited)	31 December 2018 SR (Audited)
ASSETS			
Non-current assets			
Property and equipment	6	1,950,217,968	1,910,684,112
Goodwill		16,371,000	16,371,000
Intangible assets		13,702,582	14,784,861
Investment in associate		14,014,839	12,195,770
Advances to contractors		91,936,073	58,664,165
Total non-current assets		2,086,242,462	2,012,699,908
Current assets			
Inventories		141,987,429	139,748,148
Accounts receivable	7	687,792,719	655,294,301
Advances, prepayments and other assets		92,968,464	80,464,191
Term deposit		-	35,000,000
Cash and cash equivalents		160,744,041	130,179,418
Total current assets		1,083,492,653	1,040,686,058
TOTAL ASSETS		3,169,735,115	3,053,385,966
EQUITY AND LIABILITIES			
Equity			
Share capital	8	1,000,000,000	1,000,000,000
Statutory reserve	10	239,726,561	239,726,561
Retained earnings		495,682,762	473,158,071
Equity attributable to shareholders of the Company		1,735,409,323	1,712,884,632
Non-controlling interests		84,247,201	93,671,265
Total equity		1,819,656,524	1,806,555,897
Non-current liabilities			
Term loans	11	605,887,652	602,210,581
Retirement benefit obligations		87,371,944	79,267,384
Total non-current liabilities		693,259,596	681,477,965
Current liabilities			
Accounts payables		187,600,843	181,802,396
Accruals and other payables		113,112,025	122,498,579
Refund liabilities		225,951,707	144,388,551
Current portion of term loans	11	101,322,932	79,193,504
Zakat provision	4	28,831,488	37,469,074
Total current liabilities		656,818,995	565,352,104
Total liabilities		1,350,078,591	1,246,830,069
TOTAL EQUITY AND LIABILITIES		3,169,735,115	3,053,385,966

Managing Director
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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019

	Share capital SR	Statutory reserve SR	Retained earnings SR	Equity attributable to shareholders of the Company SR	Non-controlling interests SR	Total equity SR
1 January 2018 (audited)	500,000,000	203,705,887	786,635,701	1,490,341,588	82,186,211	1,572,527,799
IFRS 9 adjustments	-	-	83,474,933	83,474,933	576,201	84,051,134
IFRS 15 adjustments	-	-	(70,832,301)	(70,832,301)	2,526,547	(68,305,754)
1 January 2018 (adjusted)	500,000,000	203,705,887	799,278,333	1,502,984,220	85,288,959	1,588,273,179
Increase in share capital by issuing bonus shares (note 8)	500,000,000	-	(500,000,000)	-	-	-
Total comprehensive income for the period	-	-	193,887,800	193,887,800	12,951,940	206,839,740
Dividends (note 9)	-	-	(150,000,000)	(150,000,000)	-	(150,000,000)
Other movement in non-controlling interests	-	-	-	-	(15,680,000)	(15,680,000)
30 June 2018 (unaudited)	1,000,000,000	203,705,887	343,166,133	1,546,872,020	82,560,899	1,629,432,919
1 January 2019 (audited)	1,000,000,000	239,726,561	473,158,071	1,712,884,632	93,671,265	1,806,555,897
Total comprehensive income for the period	-	-	197,524,691	197,524,691	15,075,936	212,600,627
Dividends (note 9)	-	-	(175,000,000)	(175,000,000)	-	(175,000,000)
Other movement in non-controlling interests	-	-	-	-	(24,500,000)	(24,500,000)
30 June 2019 (unaudited)	1,000,000,000	239,726,561	495,682,762	1,735,409,323	84,247,201	1,819,656,524

Managing Director
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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019

	2019 SR	2018 SR
OPERATING ACTIVITIES		
Profit before zakat	221,515,060	219,000,406
Adjustments for:		
Depreciation	68,542,151	48,101,096
Gain on disposal of property and equipment	(217,644)	(77,287)
Allowance for doubtful receivables, net	5,109,217	(21,100,767)
Provision for refund liabilities	101,154,857	6,703,445
Amortization of intangible assets	1,629,258	1,444,532
Share of results of an associate	(1,819,069)	(1,555,719)
Retirement benefit obligations	11,728,929	10,923,230
Finance cost	10,369,613	1,170,371
	418,012,372	264,609,307
Movement in working capital :		
Accounts receivable	(37,607,635)	(84,071,477)
Advances, prepayments and other assets	(12,504,273)	(27,486,990)
Inventories	(2,239,281)	(1,668,550)
Accounts payable	5,798,447	32,455,859
Accruals and other payables	(11,954,790)	(3,762,736)
Refund liabilities	(19,591,701)	(6,703,445)
Cash from operations	339,913,139	173,371,968
Retirement benefit obligations paid	(3,624,369)	(5,303,237)
Finance cost paid	(10,005,650)	(1,170,371)
Zakat paid	(17,552,019)	(20,577,025)
Net cash from operating activities	308,731,101	146,321,335
INVESTING ACTIVITIES		
Purchase of property and equipment	(96,162,478)	(159,210,722)
Purchase of intangible assets	(546,979)	(2,044,216)
Proceeds on disposal of property and equipment	655,229	214,044
Advances to contractors	(43,418,749)	(46,805,205)
Term deposit	35,000,000	40,000,000
Net cash used in investing activities	(104,472,977)	(167,846,099)

The accompanying notes form an integral part of these interim condensed consolidated financial statements

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTIUED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019

	2019 SR	2018 SR
FINANCING ACTIVITIES		
Proceeds from term loans	60,000,000	133,483,979
Repayment of term loans	(34,193,501)	(52,361,537)
Dividends paid to shareholder	(175,000,000)	(150,000,000)
Other movement in non-controlling interest	(24,500,000)	(15,680,000)
Net cash used in financing activities	(173,693,501)	(84,557,558)
Net change in cash and cash equivalents	30,564,623	(106,082,322)
Cash and cash equivalents at the beginning of the period	130,179,418	201,792,146
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	160,744,041	95,709,824

Non cash transactions

Increase in impairment loss against accounts receivable on adoption of IFRS 9	-	84,051,134
Adjustment to accounts receivable on adoption of IFRS 15	-	(68,305,754)
Transfer from advances to contractors to property and equipment	10,146,841	3,364,231
Finance cost capitalized	2,204,273	3,508,346

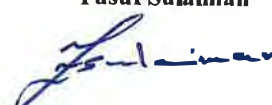
Managing Director
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The accompanying notes form an integral part of these interim condensed consolidated financial statements

MOUWASAT MEDICAL SERVICES COMPANY
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019

1. GENERAL INFORMATION

Mouwasat Medical Services Company ("the Company") is registered in Saudi Arabia under Commercial Registration number 2050032029 dated 12 Ramadan 1417H (corresponding to 21 January 1997). The Company was converted into a Saudi Joint Stock Company in accordance with Ministerial Resolution No. 1880 dated 4 Dhu-al-Hijja 1426H (corresponding to 4 January 2006).

The Company through its multiple branches is engaged in the acquisition, management, operation and maintenance of hospitals, medical centers, drug stores, pharmacies and wholesale of medical equipment and drugs.

The accompanying interim condensed consolidated financial statements include the activities of the Company and its following subsidiaries (collectively referred to as "the Group"):

<u>Name</u>	<u>Country of incorporation</u>	<u>Activities</u>	<u>Percentage %</u>
Eastern Medical Services Company Limited	Saudi Arabia	Medical Services	51%
Specialized Medical Clinic Company Limited	Saudi Arabia	Medical Services	95%

Eastern Medical Services Company Limited is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051023824 dated 10 Ramadan 1420 H (corresponding to 18 December 1999). This subsidiary is engaged in construction and operation of hospitals, dispensaries and special clinics.

Specialized Medical Clinic Company Limited is a limited liability company registered in Saudi Arabia under commercial registration number 2051032296 dated 11 Safar 1427 H (corresponding to 11 March 2006). This subsidiary is engaged in construction, management and operating of the hospital clinics complex in accordance with the preliminary approval of the Ministry of Health number 038-105-023-033-10001 dated 7 Rabi' I 1433H (corresponding to 30 January 2012).

2. APPLICATION OF REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs in issue but not yet effective

Effective for annual periods beginning after January 1, 2020

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- IFRS 17: Insurance Contracts
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

2.2 New and revised IFRSs in issue

Effective for annual periods beginning on or after January 1, 2019

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

**MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019**

2. APPLICATION OF REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.3 New and amended standards adopted during the year by the Group

The Group adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, 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 in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Group's financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Group to present the reconciliation.

The application of IFRS 16 was not material and did not require any adjustments to the retained earnings as at January 1, 2019 as the Group did not enter into long term operating leases for more than 12 months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia (KSA). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

Basis of measurement

These interim condensed consolidated financial statements are prepared using historical cost convention using the accrual basis of accounting. For retirement benefit obligation, actuarial present value calculation is used. These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR") which is also the functional currency of the Group.

Principles of consolidation

The interim condensed consolidated financial statements incorporate the financial information of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

**MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Zakat

Zakat is provided in accordance with Saudi Arabian fiscal regulations. The provision is charged to the interim condensed consolidated statement of profit or loss. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Significant accounting judgements, estimates and assumptions

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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 financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16.

Changes to the Group's accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The Group applies, for the first time, IFRS 16 Leases. The application of IFRS 16 was not material and did not require any adjustments to the retained earnings as at January 1, 2019.

4. ZAKAT

The movement in zakat provision is as follows:

	30 June 2019 SR (Unaudited)	31 December 2018 SR (Audited)
Balance at the beginning of the period/year	37,469,074	36,288,556
Charge for the period/year	8,914,433	24,389,837
Paid during the period/year	(17,552,019)	(23,209,319)
Balance at the end of the period/year	<u>28,831,488</u>	<u>37,469,074</u>

**MOUWASAT MEDICAL SERVICES COMPANY
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019**

4. ZAKAT (CONTINUED)

Mouwasat Medical Services Company

The Company has submitted its zakat returns up to year ended 31 December 2018, settled zakat as per the returns and obtained the required certificates and official receipts. The assessments for the years from 2013 to 2016 were finalized and settled in 2018. The assessment for the years 2017 and 2018 are still under review by the General Authority of Zakat and Tax ("GAZT").

Eastern Medical Services Company Limited

EMS has submitted its zakat returns up to year ended 31 December 2018, settled zakat as per the returns and obtained the required certificates and official receipts. The assessments for the years from 2013 to 2016 were finalized and settled in 2018. The assessment for the years 2017 and 2018 are still under review by the GAZT.

Specialised Medical Clinic Company Limited

The Company has submitted its zakat returns up to year ended December 31, 2017, settled zakat as per the returns and obtained the required certificates and official receipts. The assessments for the years from 2009 to 2017 are under review by the GAZT.

5. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share is calculated by dividing the net income for the period attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the period as follows:

	Six months period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Net income for the period attributable to the shareholders of the parent company (Saudi Riyal)	197,524,691	193,887,800
Weighted average number of outstanding shares during the period (Number of share)	100,000,000	100,000,000
Basic and diluted earnings per share attributable to the shareholders of the Company	1.98	1.94

In 2018, shareholders resolved to increase the share capital by issuing bonus shares to existing shareholders effective 3 June 2018 (note 8).

Earnings per shares for current and comparative period have been adjusted accordingly to reflect the impact of increase in share capital.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019

6. PROPERTY AND EQUIPMENT

	30 June 2019 SR	31 December 2018 SR
	(Unaudited)	(Audited)
Net book value at the beginning of the period / year	1,910,684,112	1,633,978,036
Additions	108,513,592	384,493,806
Disposals	(437,585)	(280,173)
Write off	-	(702,097)
Depreciation for the period	(68,542,151)	(106,805,460)
Carrying value at the end of the period / year	<u>1,950,217,968</u>	<u>1,910,684,112</u>

Finance cost capitalized during the six months period ended amounted to SR 2.2 million (2018: SR 17.5 million).

As of 30 June 2019, plots of land amounting to SR 56.1 million (December 2018: SR 56.1 million) have been pledged as security against term loans (note 11).

7. ACCOUNTS RECEIVABLE

	30 June 2019 SR	31 December 2018 SR
	(Unaudited)	(Audited)
Accounts receivable- trade	732,783,793	695,176,158
Less : allowance for doubtful receivable	(44,991,074)	(39,881,857)
	<u>687,792,719</u>	<u>655,294,301</u>

Movement in the allowance for doubtful debts is as follows:

	30 June 2019 SR	31 December 2018 SR
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	39,881,857	116,726,544
Adjustment on application of IFRS 9 and IFRS 15	-	(84,051,134)
Opening balance (adjusted)	39,881,857	32,675,410
Provision during the period	12,912,304	82,620,404
Written off	(7,803,087)	(75,413,957)
Balance at the end of the period / year	<u>44,991,074</u>	<u>39,881,857</u>

In 2018, the first year of transition to IFRS 9 and IFRS 15, the Group updated the Day 1 ECL and IFRS 15 opening adjustments which was published in first interim condensed consolidated financial statements have been subsequently revised in the annual financial statements by transferring SR 120.5 million from allowance for receivable impairment to refund liability due to certain correction made to the underlying information that was used to estimate the rejection of claims from certain customers and ECL provision on trade receivables as at January 1, 2018. As a result of this, similar adjustment has been made in the comparative interim period ended 30 June 2018 by transferring SR 29.8 million from allowance for receivables to refund liability adjusted against the revenue.

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8. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company is divided into 100 million shares (31 December 2018: 100 million shares) of SR 10 each.

The Board of Directors at the meeting held on 12 Jumada I 1439 H (corresponding to 29 January 2018) resolved to increase the share capital from SR 500 million to SR 1,000 million by capitalizing part of the retained earnings by distribution of one bonus share for every existing share held at the closing of trading on the day of extra ordinary general meeting held on 19 Ramadan 1439H, corresponding to 3 June 2018.

9. DIVIDENDS

The board of directors at their meeting held on 20 Jumada II 1440 H (corresponding to 25 February 2019) proposed a cash dividend of SR 1.75 per share amounting to SR 175 million for the year ended 31 December 2018, which was subsequently approved by shareholders in the General Assembly Meeting held on 17 Sha'ban, 1440 (corresponding to 22 April 2019).

10. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution. The statutory reserve is appropriated at the year-end based on the final year end net income.

11. TERM LOANS

	30 June 2019 SR (Unaudited)	31 December 2018 SR (Audited)
Current		
Medium term loan (a)	93,446,059	71,316,631
Loans from ministry of finance (b)	7,876,873	7,876,873
	<u>101,322,932</u>	<u>79,193,504</u>
Non-current		
Medium term loan (a)	509,935,929	498,381,986
Loans from ministry of finance (b)	95,951,723	103,828,595
	<u>605,887,652</u>	<u>602,210,581</u>

- a) The Group obtained Islamic loans facilities (Tawarruq, Tayseer and Murabaha) from various commercial banks. These loans are secured by promissory notes and assignment of insurance and contract proceeds. The facilities are subject to commission at SIBOR plus 1.15% to 2%.
- b) The Group obtained loans facility of SR 147.3 million from Ministry of finance for expansions and building new hospitals. The loans are secured by a mortgage on the Group's plots of land and are repayable on equal annual installments. These loans do not carry any financial charges.

The Group is required to comply with certain covenant under the loan facility agreements mentioned above. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by management, in case of potential breach, actions are taken by management to ensure compliance. The Group was in compliance with financial covenants as of 30 June 2019 and 31 December 2018.

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11. TERM LOANS (CONTINUED)

Maturity profile of term loans is as follows:

	30 June	31 December
	2019	2018
	SR	SR
	(Unaudited)	(Audited)
2019	-	79,193,504
2020	101,322,932	115,411,112
2021	138,719,899	138,553,232
2022	152,123,300	139,123,299
2023	122,123,300	209,122,938
2024 and onwards	192,921,153	-
	707,210,584	681,404,085

12. RELATED PARTY TRANSACTIONS

During the period, the Group mainly transacted with the following related parties. The significant transactions and the related approximate amounts are as follows:

	Relationship	Nature of Transaction	Six months period ended 30 June	
			2019	2018
			SR	SR
			(Unaudited)	(Unaudited)
Advance Medical Project Company ("AMPC")	Associate	Revenue	(1,429,879)	(1,294,376)
	Associate	Purchases	3,410,598	3,072,523
	Associate	Other services	57,353	(105,021)
Al-Mouwasat International Company	Affiliate	Purchases	11,343,979	9,749,511
		Rent	1,965,662	1,640,227
		Other services	(207,074)	(1,131,816)
AdVision Media Solution	Affiliate	Purchases	17,413,377	8,190,145
Magrabi Hospitals & Centers Company Ltd.	Affiliate	Revenue	(1,010,099)	(1,319,014)
Magrabi Hospitals & Centers Company Ltd.	Affiliate	Expenses	2,151,581	2,241,468

Prices and terms of payment of the above transactions are approved by the Group's management.

The amounts due to related parties represents the following:

	30 June	31 December
	2019	2018
	SR	SR
	(Unaudited)	(Audited)
AdVision Media Solution	12,715,776	9,593,714
Magrabi Hospitals & Centers Company Ltd.	5,058,392	3,570,325
Al-Mouwasat International Company	4,179,585	2,544,453
	21,953,753	15,708,492

Amounts due to related parties as at 30 June 2019 principally include balances related to the above mentioned transactions. Payable balances above are not subject to interest charges, and do not have specific repayments date

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12. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period was as follows:

	Six-months period ended	
	30 June	
	2019	2018
	SR	SR
	(Unaudited)	(Unaudited)
Salaries and allowances	5,305,500	4,855,500
Incentives and other benefits	5,516,103	4,664,138
	<u>10,821,603</u>	<u>9,519,638</u>

The remuneration of directors and key executives is determined by the remuneration committee considering the performance of individuals and market trends. Board of Directors' fee of SR 1.8 million (June 2018: SR 1.35 million) have been included as part of key management personnel remuneration.

13. CAPITAL COMMITMENTS

The Group has capital commitments of SR 249.5 million (31 December 2018: SR 300.4 million) for future capital expenditure relating to certain expansion projects.

14. SEGMENT INFORMATION

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the interim condensed consolidated financial statements.

Operating segments:

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- In-patient - Services to customers with overnight stay at hospital
- Out-patient Services to customers without overnight stay at hospital
- Pharmaceuticals Goods, such as medicines and healthcare products.

No operating segments have been aggregated to form the above reportable operating segments.

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14. SEGMENT INFORMATION (CONTINUED)

For the six-months period ended 30 June 2019	In-patient	Out-patient	Pharmaceuticals	Total
	SR	SR	SR	SR
Revenues	404,424,462	377,900,406	126,553,836	908,878,704
Gross profit	190,930,410	178,408,297	36,181,169	405,519,876
Unallocated income (expenses)				
Selling and distribution expenses				(58,371,415)
General and administration expenses				(121,071,241)
Share in results of an associate				1,819,069
Finance costs				(10,369,613)
Other income				3,988,384
Income before zakat				221,515,060
Zakat				(8,914,433)
Net income for the period				212,600,627
For the six-months period ended 30 June 2018				
Revenues	364,499,837	338,039,302	114,166,082	816,705,221
Gross profit	184,732,045	171,321,590	29,685,521	385,739,156
Unallocated income (expenses)				
Selling and distribution expenses				(68,419,666)
General and administration expenses				(102,342,365)
Share in results of an associate				1,555,719
Finance costs				(1,170,371)
Other income				3,637,933
Income before zakat				219,000,406
Zakat				(12,160,666)
Net income for the period				206,839,740

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue in the six months period ended 30 June 2019 and 2018.

As at 30 June 2019	In-patient	Out-patient	Pharmaceuticals	Total
	SR	SR	SR	SR
Total assets	1,616,564,909	1,236,196,695	316,973,511	3,169,735,115
Total liabilities	634,536,938	499,529,079	216,012,574	1,350,078,591
As at 31 December 2018				
Total assets	1,557,225,921	1,190,819,822	305,340,223	3,053,385,966
Total liabilities	586,009,283	461,326,457	199,494,329	1,246,830,069

Geographical segments:

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

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15. FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1

Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial assets consist of cash and cash equivalents, term deposit, accounts receivable and some other current assets. Financial liabilities consist of term loans, trade payable and some other current liabilities. The fair values of financial assets and financial liabilities approximate their carrying amounts.

16. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant events since the period end that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.

17. COMPARATIVE FIGURES

Certain prior period amounts have been reclassified to conform to the presentation in the current period. However, there was no impact on the total comprehensive income or equity of such reclassifications.

18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

This interim condensed consolidated financial statements have been approved by the Board of Directors on 22 Dhul Qadah, 1440, corresponding to 25 July 2019.