

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR SIX-MONTHS PERIOD ENDED 30 JUNE 2018

| INDEX | PAGE |
|---|-------------|
| Independent auditor's limited review report | 1 |
| Interim condensed consolidated statement of profit or loss and other comprehensive income | 2 |
| Interim condensed consolidated statement of financial position | 3 |
| Interim condensed consolidated statement of changes in equity | 4 |
| Interim condensed consolidated statement of cash flows | 5 |
| Notes to the interim condensed consolidated financial statements | 6 - 16 |

INDEPENDENT AUDITOR'S LIMITED 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 2018 and the related interim condensed consolidated statements 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-month period then ended, and notes comprising a summary of significant accounting policies 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" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", 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.

Other matter

The financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 24 Jumada II 1439H (corresponding to 12 March 2018).

Deloitte and Touche & Co.
Chartered Accountants




Abdul Rahman S. Al-Suwayegh
License No. 461
13 Dhul-Qa'dah, 1439
July 26, 2018




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 2018**

| | Notes | From 1 April to 30 June | | From 1 January to 30 June | |
|--|-------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 2018 SR (Unaudited) | 2017 SR (Unaudited) | 2018 SR (Unaudited) | 2017 SR (Unaudited) |
| REVENUES | | | | | |
| Operating revenues, net | 10,11 | 351,251,573 | 301,622,075 | 728,187,823 | 612,441,849 |
| Sales | | 56,761,412 | 51,622,116 | 118,334,120 | 103,772,321 |
| | | 408,012,985 | 353,244,191 | 846,521,943 | 716,214,170 |
| DIRECT COST | | | | | |
| Cost of operations | 10 | (168,870,829) | (152,836,675) | (346,485,503) | (305,278,826) |
| Cost of sales | | (39,579,361) | (36,881,372) | (84,480,562) | (74,042,809) |
| | | (208,450,190) | (189,718,047) | (430,966,065) | (379,321,635) |
| GROSS PROFIT | | 199,562,795 | 163,526,144 | 415,555,878 | 336,892,535 |
| EXPENSES | | | | | |
| Selling and distribution | 10 | (49,364,529) | (35,564,150) | (98,236,388) | (75,087,971) |
| General and administration | 10 | (51,424,626) | (43,784,275) | (102,342,365) | (84,461,801) |
| | | (100,789,155) | (79,348,425) | (200,578,753) | (159,549,772) |
| OPERATING INCOME | | 98,773,640 | 84,177,719 | 214,977,125 | 177,342,763 |
| Share in results of an associate | | 750,000 | 750,000 | 1,555,719 | 1,853,021 |
| Other income | | 1,486,370 | 2,238,797 | 3,637,933 | 4,607,137 |
| Finance costs | | (511,417) | (1,308,602) | (1,170,371) | (2,923,440) |
| PROFIT BEFORE ZAKAT | | 100,498,593 | 85,857,914 | 219,000,406 | 180,879,481 |
| Zakat | 8 | (5,847,966) | (5,481,976) | (12,160,666) | (11,225,796) |
| NET PROFIT FOR THE PERIOD | | 94,650,627 | 80,375,938 | 206,839,740 | 169,653,685 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 94,650,627 | 80,375,938 | 206,839,740 | 169,653,685 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO: | | | | | |
| Shareholders of the Company | | 87,881,233 | 76,340,546 | 193,887,800 | 161,455,413 |
| Non-controlling interests | | 6,769,394 | 4,035,392 | 12,951,940 | 8,198,272 |
| | | 94,650,627 | 80,375,938 | 206,839,740 | 169,653,685 |
| EARNINGS PER SHARE | | | | | |
| Basic and diluted earnings per share attributable to the shareholders of the Company | 9 | 0.88 | 0.76 | 1.94 | 1.61 |
| 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 2018

| | Notes | 30 June 2018 SR (Unaudited) | 31 December 2017 SR (Audited) |
|---|-------|--------------------------------------|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 4 | 1,744,950,905 | 1,633,978,036 |
| Goodwill | | 16,371,000 | 16,371,000 |
| Other intangible assets | | 13,246,365 | 12,646,681 |
| Investment in associate | | 14,417,466 | 12,861,747 |
| Advances to contractors | | 76,181,878 | 29,376,673 |
| Total non-current assets | | 1,865,167,614 | 1,705,234,137 |
| Current assets | | | |
| Inventories | | 123,466,460 | 121,797,910 |
| Accounts receivable, net | 5 | 550,977,203 | 348,727,621 |
| Advances, prepayments and other receivables | | 63,704,636 | 61,848,837 |
| Term deposits | | - | 40,000,000 |
| Cash and bank balances | | 95,709,824 | 201,792,146 |
| Total current assets | | 833,858,123 | 774,166,514 |
| TOTAL ASSETS | | 2,699,025,737 | 2,479,400,651 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 6 | 1,000,000,000 | 500,000,000 |
| Statutory reserve | | 203,705,887 | 203,705,887 |
| Retained earnings | | 344,589,879 | 788,059,447 |
| Other reserves | | (1,423,746) | (1,423,746) |
| Equity attributable to shareholders of the Company | | 1,546,872,020 | 1,490,341,588 |
| Non-controlling interests | | 82,560,899 | 82,186,211 |
| Total equity | | 1,629,432,919 | 1,572,527,799 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Term loans | 7 | 563,317,773 | 461,086,157 |
| Retirement benefit obligation | | 73,086,855 | 67,466,862 |
| Total non-current liabilities | | 636,404,628 | 528,553,019 |
| Current liabilities | | | |
| Trade payables | | 175,393,055 | 117,249,852 |
| Accruals and other payables | | 92,625,771 | 122,075,851 |
| Current portion of term loans | 7 | 81,596,400 | 102,705,574 |
| Zakat provision | 8 | 27,872,197 | 36,288,556 |
| Contract liabilities | | 55,700,767 | - |
| Total current liabilities | | 433,188,190 | 378,319,833 |
| Total liabilities | | 1,069,592,818 | 906,872,852 |
| TOTAL EQUITY AND LIABILITIES | | 2,699,025,737 | 2,479,400,651 |


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 CHANGES IN EQUITY
FOR SIX-MONTHS PERIOD ENDED 30 JUNE 2018

| | Share capital SR | Statutory reserve SR | Retained earnings SR | Proposed dividends SR | Other reserves SR | Equity attributable to shareholders of the Company SR | Non-controlling interests SR | Total equity SR |
|--|---------------------|-------------------------|-------------------------|--------------------------|----------------------|--|---------------------------------|--------------------|
| 01 January 2017 (audited) | 500,00,000 | 170,032,563 | 481,687,709 | 125,000,000 | - | 1,276,720,272 | 77,546,777 | 1,354,267,049 |
| Total comprehensive income for the period | - | - | 161,455,413 | - | - | 161,455,413 | 8,198,272 | 169,653,685 |
| Dividends | - | - | - | (125,000,000) | - | (125,000,000) | (14,700,000) | (139,700,000) |
| 30 June 2017 (unaudited) | 500,000,000 | 170,032,563 | 643,143,122 | - | - | 1,313,175,685 | 71,045,049 | 1,384,220,734 |
| 01 January 2018 (audited) | 500,000,000 | 203,705,887 | 788,059,447 | - | (1,423,746) | 1,490,341,588 | 82,186,211 | 1,572,527,799 |
| IFRS 15 adjustments | - | - | 49,719,267 | - | - | 49,719,267 | 2,526,547 | 52,245,814 |
| IFRS 9 adjustments | - | - | (37,076,635) | - | - | (37,076,635) | 576,201 | (36,500,434) |
| 01 January 2018 (adjusted) | 500,000,000 | 203,705,887 | 800,702,079 | - | (1,423,746) | 1,502,984,220 | 85,288,959 | 1,588,273,179 |
| Total comprehensive income for the period | - | - | 193,887,800 | - | - | 193,887,800 | 12,951,940 | 206,839,740 |
| Increase in share capital by issuing bonus Shares (note 6) | 500,000,000 | - | (500,000,000) | - | - | - | - | - |
| Dividends (note 13) | - | - | (150,000,000) | - | - | (150,000,000) | (15,680,000) | (165,680,000) |
| 30 June 2018 (unaudited) | 1,000,000,000 | 203,705,887 | 344,589,879 | - | (1,423,746) | 1,546,872,020 | 82,560,899 | 1,629,432,919 |


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 CASH FLOWS
FOR SIX-MONTHS PERIOD ENDED 30 JUNE 2018

| | 2018 SR | 2017 SR |
|---|----------------------|----------------------|
| | (Unaudited) | (Unaudited) |
| Cash flows from operating activities | | |
| Income before zakat | 219,000,406 | 180,879,481 |
| Adjustments for: | | |
| Depreciation | 48,101,096 | 44,881,698 |
| Amortization of other intangible assets | 1,444,532 | 779,222 |
| Share in results of an associate | (1,555,719) | (1,853,021) |
| Employees' defined benefits expense | 10,923,230 | 9,465,121 |
| Finance costs | 1,170,371 | 2,923,440 |
| Gain on disposal of property and equipment | (77,287) | (191,346) |
| | 279,006,629 | 236,884,595 |
| Movement in working capital : | | |
| Accounts receivable, advances, prepayments and other receivables | (132,659,234) | (46,746,132) |
| Inventories | (1,668,550) | (9,813,989) |
| Trade payable, accruals and other payables | 28,693,123 | (5,565,112) |
| Cash from operations | 173,371,968 | 174,759,362 |
| Financial costs paid | (1,170,371) | (2,923,440) |
| Employees' defined benefits paid | (5,303,237) | (5,646,843) |
| Zakat paid | (20,577,025) | (14,500,102) |
| Net cash generated from operating activities | 146,321,335 | 151,688,977 |
| Cash flows from investing activities | | |
| Term deposit | 40,000,000 | 30,000,000 |
| Purchase of property and equipment | (159,210,722) | (123,883,951) |
| Proceeds from disposal of property and equipment | 214,044 | 338,630 |
| Additions to other intangible assets | (2,044,216) | (993,443) |
| Dividend received from an associate | - | 3,038,893 |
| Advances to contractors | (46,805,205) | (9,288,425) |
| Net cash used in investing activities | (167,846,099) | (100,788,296) |
| Cash flows from financing activities | | |
| Proceeds from term loans | 133,483,979 | 125,701,582 |
| Repayments of terms loans | (52,361,537) | (75,988,433) |
| Dividends paid | (150,000,000) | (125,000,000) |
| Dividends paid to non-controlling interests | (15,680,000) | (14,700,000) |
| Repayment of short term loans | - | (705,000) |
| Net cash used in financing activities | (84,557,558) | (90,691,851) |
| Net decrease in cash and cash equivalents | (106,082,322) | (39,791,170) |
| Cash and cash equivalents 01 January | 201,792,146 | 124,902,512 |
| Cash and cash equivalents as at 30 June 2018 | 95,709,824 | 85,111,342 |
| Non cash transactions | | |
| Increase in impairment loss against accounts receivable on adoption of IFRS 9 | (36,500,434) | - |
| Adjustment to accounts receivable on adoption of IFRS 15 | 52,245,814 | - |
| Contract liabilities | 55,700,767 | - |
| Transfer from advances to contractors to property and equipment | - | 4,416,864 |
| Increase in share capital by issuing bonus shares | 500,000,000 | - |


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)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX-MONTHS PERIOD ENDED 30 JUNE 2018

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). The company 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). The company is engaged in construction, management and operating skin care complex (plastic surgery) 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

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

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 2018

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The standard will affect primarily the accounting for the Group's operating leases. As of the reporting date, the Group has no non-cancellable operating lease commitments.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. The directors of the Company are still assessing the potential impact of application of IFRS 16 to the Company's interim condensed consolidated financial statements. The directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

2.2. New standards and interpretations adopted during the period

The entity has adopted IFRS 9 and IFRS 15 as on January 1, 2018 and this is the second set of interim condensed consolidated financial information where IFRS 9 and IFRS 15 have been applied. Changes to significant accounting policies are described in note 3, "changes to the group's accounting policies".

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 2017. In addition, the results of the operations for the period ended 30 June 2018 do not necessarily represent an indicator for the results of the operations for the year ending 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 employees' end-of-service benefits, 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.

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 2018

Principles of consolidation

The interim condensed consolidated financial statements incorporate the financial information of the Company and its subsidiary. 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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 9 and IFRS 15, which are described below.

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 2018

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 2017, except for the adoption of new standards effective as of 1 January 2018. 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 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 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 judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to 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 the date of initial application i.e. 1 January 2018 which is allowable as per 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.

(a) 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.

(b) 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 volume discount and prompt payment discount. Prior to the adoption of IFRS 15, management made its best estimate of the discount 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 volume discounts and single most likely amount method for prompt payment discount. 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.

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 2018

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.

The Group has applied the exemption for not to restate the comparative information for prior periods.

(a) 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.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 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

(b) 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 FVPL.

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 trade 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 following tables show the adjustments recognized for individual line item affected by the changes on adoption of IFRS 15 and IFRS 9 as at 1 January 2018:

| | 1 January 2018 SR | Adjustments resulting from 1 st time adoption | | 1 January 2018 (Amended) SR |
|--------------------------|-------------------------|---|---------------|--------------------------------------|
| | | IFRS 9 SR | IFRS 15 SR | |
| Accounts receivable | 348,727,621 | (36,500,434) | 101,243,154 | 413,470,341 |
| Contract liabilities | - | - | 48,997,340 | 48,997,340 |
| Retained Earnings | 788,059,447 | (37,076,635) | 49,719,267 | 800,702,079 |
| Non-controlling interest | 82,186,211 | 576,201 | 2,526,547 | 85,288,959 |

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 2018

4. PROPERTY AND EQUIPMENT

| | 30 June 2018 SR | 31 December 2017 SR |
|-------------------------------|--------------------------------|------------------------------------|
| | (Unaudited) | (Audited) |
| Net book value at 1 January | 1,633,978,036 | 1,360,658,878 |
| Additions | 159,210,722 | 362,845,433 |
| Disposals | (136,757) | (249,978) |
| Deprecation for the period | (48,101,096) | (89,276,297) |
| Carrying value at 31 December | 1,744,950,905 | 1,633,978,036 |

5. ACCOUNTS RECEIVABLE, NET

| | 30 June 2018 SR | 31 December 2017 SR |
|--|--------------------------------|------------------------------------|
| | (Unaudited) | (Audited) |
| Trade | 675,962,318 | 462,107,292 |
| Less : allowance for doubtful debts | (129,029,953) | (116,726,544) |
| Trade receivables, net | 546,932,365 | 345,380,748 |
| Receivables from related parties (note 10) | - | 468,797 |
| Accrued income | 4,044,838 | - |
| Retention receivables | - | 2,878,076 |
| | 550,977,203 | 348,727,621 |

Movement in the allowance for doubtful debts is as follows:

| | 30 June 2018 SR | 31 December 2017 SR |
|---|--------------------------------|------------------------------------|
| | (Unaudited) | (Audited) |
| Balance at 1 January | 116,726,544 | 122,702,556 |
| Adjustment on application of IFRS 9 and IFRS 15 | 36,500,434 | - |
| Opening balance (adjusted) | 153,226,978 | 122,702,556 |
| Provision during the period | 63,641,285 | 91,061,460 |
| Written off | (87,838,310) | (97,037,472) |
| Balance at 31 December | 129,029,953 | 116,726,544 |

6. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company is divided into 100 million shares (31 December 2017: 50 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.

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 2018

7. TERM LOANS

| | 30 June 2018 SR | 31 December 2017 SR |
|------------------------------------|--------------------------------|------------------------------------|
| | (Unaudited) | (Audited) |
| Current | | |
| Medium term loan (a) | 73,719,527 | 94,828,701 |
| Loans from ministry of finance (b) | 7,876,873 | 7,876,873 |
| | <u>81,596,400</u> | <u>102,705,574</u> |
| Non-current | | |
| Medium term loan (a) | 454,185,528 | 349,380,689 |
| Loans from ministry of finance (b) | 109,132,245 | 111,705,468 |
| | <u>563,317,773</u> | <u>461,086,157</u> |

a) The Group obtained Islamic loans facilities 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 1.5% 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 finance charges.

The Group is required to comply with certain covenant under the loan facility agreement mention above.

Maturity profile of term loans is as follows:

| | 30 June 2018 SR | 31 December 2017 SR |
|------------------|--------------------------------|------------------------------------|
| | (Unaudited) | (Audited) |
| 2018 | 81,596,400 | 102,705,574 |
| 2019 | 71,613,139 | 76,410,120 |
| 2020 | 103,167,072 | 103,167,114 |
| 2021 | 114,487,766 | 114,487,766 |
| 2022 | 113,391,167 | 113,391,167 |
| 2023 and onwards | 160,658,629 | 53,629,990 |
| | <u>644,914,173</u> | <u>563,791,731</u> |

8. ZAKAT AND INCOME TAX

The movement in zakat provision is as follows:

| | 30 June 2018 SR | 31 December 2017 SR |
|-------------------------------------|--------------------------------|------------------------------------|
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 36,288,556 | 28,907,758 |
| Charge for the period/year | 12,160,666 | 23,325,552 |
| Paid during the period/year | (20,577,025) | (15,944,754) |
| At the end of the period/year | <u>27,872,197</u> | <u>36,288,556</u> |

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 2018

Status of assessments

Zakat returns of the Company have been agreed with the General Authority of Zakat and Tax ("the GAZT") up to 2012. The final zakat assessments for the years from 2013 to 2017 are under study by the GAZT.

Eastern Medical Services Company Limited

Zakat returns have been agreed with the GAZT up to 2012. The final zakat assessments for the years from 2013 to 2017 are under study by the GAZT.

Specialized Medical Clinic Company Limited

Zakat assessments have been agreed with the General Authority for Zakat and Tax ("the GAZT") up to 2008. The zakat declarations for the years from 2009 to 2012 have been filed with the GAZT. However, the final assessments have not yet been raised by the GAZT. The Company has not filed the Zakat declarations for the year 2013 and thereafter.

9. 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 | |
|--|------------------------------------|-------------------|
| | 2018 (Unaudited) | 2017 (Audited) |
| Net income for the period attributable to the shareholders of the parent company (Saudi Riyal) | 193,887,800 | 161,455,413 |
| 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 parent company | <u>1.94</u> | <u>1.61</u> |

During the period, shareholders resolved to increase the share capital through bonus shares (note 6) issued to existing shareholders effective 3 June 2018. Earnings per shares for current and comparative period have been adjusted accordingly to reflect the impact of increase in share capital.

10. RELATED PARTY TRANSACTIONS

During the period, the Company 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 | |
|--|--------------|-----------------------|-------------------------------------|-------------------------|
| | | | 2018 SR (Unaudited) | 2017 SR (Audited) |
| Advance Medical Project Company ("AMPC") | Associate | Revenue | 1,294,376 | 5,296,744 |
| Advance Medical Project Company ("AMPC") | Associate | Other services | 105,021 | - |
| Al-Mouwasat International Company | Affiliate | Purchases | 10,628,076 | 5,629,458 |
| AdVision Media Solution | Affiliate | Purchases | 8,311,945 | 11,084,305 |
| Magrabi Hospitals & Centers Company Ltd. | Affiliate | Revenue | 1,319,014 | - |
| Magrabi Hospitals & Centers Company Ltd. | Affiliate | Expenses | 3,252,718 | 1,229,277 |
| Gilan Company For Restaurants | Affiliate | Revenue | - | 205,000 |

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 2018

Amounts due from and due to related parties disclosed in the financial statements principally include balances related to the above mentioned transactions.

Due from related parties consist of the following:

Accounts receivables:

| | 30 June 2018 | 31 December 2017 |
|--|---------------------|---------------------|
| | SR | SR |
| | (Unaudited) | (Audited) |
| Advance Medical Project Company ("AMPC") | - | 468,797 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received. No expense has been recognized in the current period or prior year for bad or doubtful debts in respect of the amounts owed by related parties.

The amounts due to related parties represents the following:

Trade Payable:

| | 30 June 2018 | 31 December 2017 |
|--|---------------------|---------------------|
| | SR | SR |
| | (Unaudited) | (Audited) |
| Al-Mouwasat International Company | 2,900,603 | 3,691,700 |
| AdVision Media Solution | 4,161,496 | 2,598,660 |
| Magrabi Hospitals & Centers Company Ltd. | 4,542,847 | 1,644,678 |
| | 11,604,946 | 7,935,038 |

Payable balances above are not subject to interest charges, and do not have specific repayments date.

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 | |
| | 2018 | 2017 |
| | SR | SR |
| | (Unaudited) | (Unaudited) |
| Salaries and allowances | 3,955,500 | 3,955,500 |
| Incentives and other benefits | 5,081,362 | 4,664,138 |
| | 9,036,862 | 8,619,638 |

The remuneration of directors and key executives is determined by the remuneration committee considering the performance of individuals and market trends. Prices and terms of payment of the above transactions are approved by the Group's management.

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 2018

11. SEGMENT INFORMATION

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.

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.

| | In-patient | Out-patient | Pharmaceuticals | Total |
|---------------------------------------|--------------------|--------------------|-------------------|--------------------|
| For the six-month period ended | SR | SR | SR | SR |
| 30 June 2018 | | | | |
| Revenue | 377,807,197 | 350,380,626 | 118,334,120 | 846,521,943 |
| Gross profit | 198,039,405 | 183,662,914 | 33,853,559 | 415,555,878 |
| Unallocated income (expenses) | | | | |
| Selling and distribution expenses | | | | (98,236,388) |
| 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 |
| For the six-month period ended | | | | |
| 30 June 2017 | | | | |
| Revenue | 300,113,271 | 312,328,578 | 103,772,321 | 716,214,170 |
| Gross profit | 150,518,290 | 156,644,733 | 29,729,512 | 336,892,535 |
| Unallocated income (expenses) | | | | |
| Selling and distribution expenses | | | | (75,087,971) |
| General and administration expenses | | | | (84,461,801) |
| Share in results of an associate | | | | 1,853,021 |
| Finance costs | | | | (2,923,440) |
| Other income | | | | 4,607,137 |
| Income before zakat | | | | 180,879,481 |
| Zakat | | | | (11,225,796) |
| Net income for the period | | | | 169,653,685 |

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue in the six-months ended 30 June 2018 and 2017.

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 2018

| | In-patient | Out-patient | Pharmaceuticals | Total |
|-------------------------------|----------------------|----------------------|--------------------|----------------------|
| | SR | SR | SR | SR |
| As at 30 June 2018 | | | | |
| Total assets | 1,376,503,126 | 1,025,629,780 | 296,892,831 | 2,699,025,737 |
| Total liabilities | 492,012,696 | 395,749,343 | 181,830,779 | 1,069,592,818 |
| As at 31 December 2017 | | | | |
| Total assets | 1,264,494,332 | 942,172,247 | 272,734,072 | 2,479,400,651 |
| Total liabilities | 417,161,512 | 335,542,955 | 154,168,385 | 906,872,852 |

Geographical segments:

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

12. CAPITAL COMMITMENTS

The Group has capital commitments of SR 390.5 million (31 December 2017: SR 472.7 million) for future capital expenditure relating to certain expansion projects.

13. DIVIDENDS

In accordance with general assembly meeting held on 16 Sha'ban 1439H, corresponding to May 2, 2018, the shareholders resolved to distribute a cash dividends of SR 150 million (SR 3 per shares) for the year 2017, which was paid on May 14, 2018.

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

15. 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.

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

This interim condensed consolidated financial statements have been approved by the Board of Directors on Dhul-Qa'dah 13, 1439, corresponding to 26 July 2018.