

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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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 September 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three and nine month periods then ended and consolidated statement of changes in equity and consolidated statement of cash flows for the nine 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
19 Safar, 1440
October 28, 2018

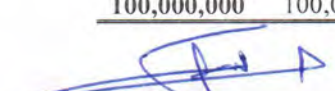


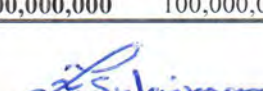
MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER
2018**

	Notes	From 1 July to 30 September		From 1 January to 30 September	
		2018 SR (Unaudited)	2017 SR (Unaudited)	2018 SR (Unaudited)	2017 SR (Unaudited)
REVENUES					
Operating revenues, net	11,12	362,718,444	308,404,384	1,090,906,267	920,846,233
Sales		54,140,355	51,068,503	172,474,475	154,840,824
		<u>416,858,799</u>	<u>359,472,887</u>	<u>1,263,380,742</u>	<u>1,075,687,057</u>
DIRECT COST					
Cost of operations	11	(181,192,710)	(159,273,496)	(527,678,213)	(464,552,322)
Cost of sales		(40,438,382)	(35,820,357)	(124,918,944)	(109,863,166)
		<u>(221,631,092)</u>	<u>(195,093,853)</u>	<u>(652,597,157)</u>	<u>(574,415,488)</u>
GROSS PROFIT		<u>195,227,707</u>	<u>164,379,034</u>	<u>610,783,585</u>	<u>501,271,569</u>
EXPENSES					
Selling and distribution	11	(52,226,229)	(34,420,281)	(150,462,617)	(109,508,252)
General and administration	11	(52,538,079)	(44,121,896)	(154,880,444)	(128,583,697)
		<u>(104,764,308)</u>	<u>(78,542,177)</u>	<u>(305,343,061)</u>	<u>(238,091,949)</u>
OPERATING INCOME		<u>90,463,399</u>	<u>85,836,857</u>	<u>305,440,524</u>	<u>263,179,620</u>
Share in results of an associate		1,033,187	750,000	2,588,906	2,603,021
Other income		1,084,970	1,633,686	4,722,903	6,240,823
Finance costs		(1,009,088)	(1,157,964)	(2,179,459)	(4,081,404)
PROFIT BEFORE ZAKAT		<u>91,572,468</u>	<u>87,062,579</u>	<u>310,572,874</u>	<u>267,942,060</u>
Zakat	9	(5,541,495)	(5,884,043)	(17,702,161)	(17,109,839)
NET PROFIT FOR THE PERIOD		<u>86,030,973</u>	<u>81,178,536</u>	<u>292,870,713</u>	<u>250,832,221</u>
Other comprehensive income for the period		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>86,030,973</u>	<u>81,178,536</u>	<u>292,870,713</u>	<u>250,832,221</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD					
ATTRIBUTABLE TO:					
Shareholders of the Company		80,885,755	76,725,445	274,773,555	238,180,858
Non-controlling interests		5,145,218	4,453,091	18,097,158	12,651,363
		<u>86,030,973</u>	<u>81,178,536</u>	<u>292,870,713</u>	<u>250,832,221</u>
EARNINGS PER SHARE					
Basic and diluted earnings per share attributable to the shareholders of the Company	10	0.81	0.77	2.75	2.38
Weighted average number of shares		<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>


Managing Director
Mohammed Al Saleem


Authorized Board Representative
Mohammed Al Saleem

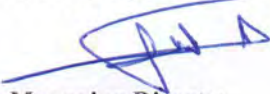

Chief Finance Officer
Yusuf Sulaiman


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

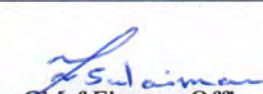
MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Notes	30 September 2018 SR (Unaudited)	31 December 2017 SR (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	1,822,107,104	1,633,978,036
Goodwill		16,371,000	16,371,000
Other intangible assets		13,370,614	12,646,681
Investment in associate		15,450,653	12,861,747
Advances to contractors		41,379,397	29,376,673
Total non-current assets		1,908,678,768	1,705,234,137
Current assets			
Inventories		128,535,891	121,797,910
Accounts receivable, net	5	561,273,880	348,727,621
Advances, prepayments and other receivables		107,867,467	61,848,837
Term deposit		35,000,000	40,000,000
Cash and cash equivalents		96,502,285	201,792,146
Total current assets		929,179,523	774,166,514
TOTAL ASSETS		2,837,858,291	2,479,400,651
EQUITY AND LIABILITIES			
Equity			
Share capital	6	1,000,000,000	500,000,000
Statutory reserve	7	203,705,887	203,705,887
Retained earnings		425,475,634	788,059,447
Other reserves		(1,423,746)	(1,423,746)
Equity attributable to shareholders of the Company		1,627,757,775	1,490,341,588
Non-controlling interests		87,706,117	82,186,211
Total equity		1,715,463,892	1,572,527,799
Non-current liabilities			
Term loans	8	584,710,571	461,086,157
Retirement benefit obligation		76,963,698	67,466,862
Total non-current liabilities		661,674,269	528,553,019
Current liabilities			
Trade payables		190,067,048	117,249,852
Accruals and other payables		103,843,476	122,075,851
Current portion of term loans	8	78,930,993	102,705,574
Zakat provision	9	30,781,401	36,288,556
Contract liabilities		57,097,212	-
Total current liabilities		460,720,130	378,319,833
Total liabilities		1,122,394,399	906,872,852
TOTAL EQUITY AND LIABILITIES		2,837,858,291	2,479,400,651


Managing Director
Mohammed Al Saleem


Authorized Board Representative
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Chief Finance Officer
Yusuf Sulaiman


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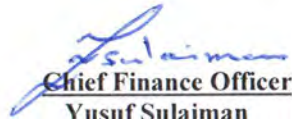
MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2018

	Share capital SR	Statutory reserve SR	Retained earnings SR	Other reserves SR	Equity attributable to shareholders of the Company SR	Non-controlling interests SR	Total equity SR
1 January 2017 (audited)	500,00,000	170,032,563	609,999,530	(3,311,821)	1,276,720,272	77,546,777	1,354,267,049
Total comprehensive income for the period	-	-	238,180,858	-	238,180,858	12,651,363	250,832,221
Dividends (note 14)	-	-	(125,000,000)	-	(125,000,000)	-	(125,000,000)
Other movement in non-controlling interest	-	-	-	-	-	(14,700,000)	(14,700,000)
30 September 2017 (unaudited)	500,000,000	170,032,563	723,180,388	(3,311,821)	1,389,901,130	75,498,140	1,465,399,270
1 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)
1 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	-	-	274,773,555	-	274,773,555	18,097,158	292,870,713
Increase in share capital by issuing bonus shares (note 6)	500,000,000	-	(500,000,000)	-	-	-	-
Dividends (note 14)	-	-	(150,000,000)	-	(150,000,000)	-	(150,000,000)
Other movement in non-controlling interest	-	-	-	-	-	(15,680,000)	(15,680,000)
30 September 2018 (unaudited)	1,000,000,000	203,705,887	425,475,634	(1,423,746)	1,627,757,775	87,706,117	1,715,463,892


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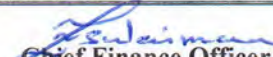
MOUWASAT MEDICAL SERVICES COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2018

	2018 SR	2017 SR
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Income before zakat	310,572,874	267,942,060
Adjustments for:		
Depreciation	73,417,998	68,668,389
Amortization of other intangible assets	2,125,573	1,686,426
Share in results of an associate	(2,588,906)	(2,603,021)
Retirement benefit obligation	16,129,427	14,169,892
Finance costs	2,179,459	4,081,404
Gain on disposal of property and equipment	(109,384)	(272,247)
	401,727,041	353,672,903
Movement in working capital:		
Accounts receivable, advances, prepayments and other receivables	(242,819,509)	(20,388,982)
Inventories	(6,737,981)	3,673,742
Trade payable, accruals and other payables and contract liabilities	111,682,033	3,947,187
Cash from operations	263,851,584	340,904,850
Finance costs paid	(16,274,485)	(12,635,396)
Retirement benefit obligation paid	(6,632,591)	(8,855,540)
Zakat paid	(23,209,316)	(14,500,102)
Net cash generated from operating activities	217,735,192	304,913,812
Cash flows from investing activities		
Term deposit	5,000,000	(10,000,000)
Purchase of property and equipment	(247,588,843)	(181,939,431)
Proceeds from disposal of property and equipment	246,187	486,225
Additions to other intangible assets	(2,849,506)	(1,682,097)
Dividend received from an associate	-	3,038,893
Advances to contractors	(12,002,724)	(10,355,242)
Net cash used in investing activities	(257,194,886)	(200,451,652)
Cash flows from financing activities		
Proceeds from term loans	182,680,423	150,701,583
Repayments of terms loans	(82,830,590)	(114,617,860)
Dividends paid	(150,000,000)	(125,000,000)
Other movement in non-controlling interests	(15,680,000)	(14,700,000)
Repayment of short term loans	-	(1,057,500)
Net cash used in financing activities	(65,830,167)	(104,673,777)
Net decrease in cash and cash equivalents	(105,289,861)	(211,617)
Cash and cash equivalents 1 January	201,792,146	124,902,512
Cash and cash equivalents as at 30 September 2018	96,502,285	124,690,895
Non cash transactions		
Increase in share capital by issuing bonus shares	500,000,000	-
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	-
Transfer from advances to contractors to property and equipment	-	60,680,730
Finance cost capitalized	14,095,026	8,553,992


Managing Director
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Authorized Board Representative
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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 THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 1420H (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

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 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

2.1 New and revised IFRSs in issue but not yet effective (continued)

IFRS16 Leases (continued)

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 significant 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 board of directors of the Company are still assessing the potential impact of application of IFRS 16 to the Group's interim condensed consolidated financial statements. The board of 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 third 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 September 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 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.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (Solely Payments of Principal and Interest) 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 ECL 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 accounts receivable, 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 First time adoption			1 January 2018 (Amended) SR
		IFRS 9		IFRS 15	
		SR	SR	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	

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4. PROPERTY AND EQUIPMENT

	30 September 2018 SR	31 December 2017 SR
	(Unaudited)	(Audited)
Net book value at the beginning of the period / year	1,633,978,036	1,360,658,878
Additions	261,683,869	362,845,433
Disposals	(136,803)	(249,978)
Depreciation for the period	(73,417,998)	(89,276,297)
Carrying value at the end of the period / year	1,822,107,104	1,633,978,036

Finance cost capitalized during the nine month period ended amounted to SR 14 million (2017: SR 9.7 million).

5. ACCOUNTS RECEIVABLE, NET

	30 September 2018 SR	31 December 2017 SR
	(Unaudited)	(Audited)
Trade receivable	691,808,158	462,107,292
Less : allowance for doubtful debts	(130,534,278)	(116,726,544)
Trade receivables, net	561,273,880	345,380,748
Receivables from related parties (note 11)	-	468,797
Retention receivables	-	2,878,076
	561,273,880	348,727,621

Movement in the allowance for doubtful debts is as follows:

	30 September 2018 SR	31 December 2017 SR
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	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	98,556,827	91,061,460
Written off	(121,249,527)	(97,037,472)
Balance at the end of the period / year	130,534,278	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.

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7. 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.

8. TERM LOANS

	30 September 2018 SR (Unaudited)	31 December 2017 SR (Audited)
Current		
Medium term loan (a)	71,054,120	94,828,701
Loans from ministry of finance (b)	7,876,873	7,876,873
	<u>78,930,993</u>	<u>102,705,574</u>
Non-current		
Medium term loan (a)	480,881,976	349,380,689
Loans from ministry of finance (b)	103,828,595	111,705,468
	<u>584,710,571</u>	<u>461,086,157</u>

a) The Group obtained Islamic loans facilities (Tayseer, Murabaha and Tawarruq) 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 September 2018 SR (Unaudited)	31 December 2017 SR (Audited)
2018	78,930,993	102,705,574
2019	75,741,120	76,410,120
2020	106,393,256	103,167,114
2021	123,493,708	114,487,766
2022	123,230,443	113,391,167
2023 and onwards	155,852,044	53,629,990
	<u>663,641,564</u>	<u>563,791,731</u>

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9. ZAKAT

The movement in zakat provision is as follows:

	30 September 2018 SR (Unaudited)	31 December 2017 SR (Audited)
Balance at the beginning of the period/year	36,288,556	28,907,758
Charge for the period/year	17,702,161	23,325,552
Paid during the period/year	(23,209,316)	(15,944,754)
Balance at the end of the period/year	30,781,401	36,288,556

Status of assessments

Zakat returns of the Company have been agreed with the General Authority of Zakat and Tax ("the GAZT") up to 2016. The final zakat assessments for the year 2017 is 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.

10. 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:

	9 month period ended 30 September	
	2018 (Unaudited)	2017 (Unaudited)
Net income for the period attributable to the shareholders of the parent company (Saudi Riyal)	274,773,555	238,180,858
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	2.75	2.38

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.

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11. RELATED PARTY TRANSACTIONS AND BALANCES

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	Nine month period ended 30 September	
			2018 SR (Unaudited)	2017 SR (Audited)
Advance Medical Project Company ("AMPC")	Associate	Revenue	(1,954,724)	(6,621,572)
Advance Medical Project Company ("AMPC")	Associate	Other services	357,202	2,715,691
Al-Mouwasat International Company	Affiliate	Purchases	14,881,662	9,513,637
AdVision Media Solution	Affiliate	Purchases	10,635,857	18,045,266
Magrabi Hospitals & Centers Company Ltd.	Affiliate	Revenue	(3,870,369)	(1,843,883)
Magrabi Hospitals & Centers Company Ltd.	Affiliate	Expenses	1,846,762	=
Gilan Company For Restaurants	Affiliate	Revenue	-	(145,833)

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

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 September 2018 SR (Unaudited)	31 December 2017 SR (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 September 2018 SR (Unaudited)	31 December 2017 SR (Audited)
Al-Mouwasat International Company	1,815,038	3,691,700
AdVision Media Solution	3,454,897	2,598,660
Magrabi Hospitals & Centers Company Ltd.	3,721,885	1,644,678
	8,991,820	7,935,038

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

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11. 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:

	Nine month period ended	
	30 September	
	2018	2017
	SR	SR
	(Unaudited)	(Unaudited)
Salaries and allowances	5,933,250	5,933,250
Incentives and other benefits	7,622,042	6,996,207
	13,555,292	12,929,457

The remuneration of directors and key executives is determined by the remuneration committee considering the performance of individuals and market trends.

12. 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.

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

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.

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12. SEGMENT INFORMATION (CONTINUED)

For the Nine month period ended 30 September 2018	In-patient SR	Out-patient SR	Pharmaceuticals SR	Total SR
Revenues	563,711,810	527,194,456	172,474,476	1,263,380,742
Gross profit	291,040,867	272,187,186	47,555,532	610,783,585
Unallocated income (expenses)				
Selling and distribution expenses				(150,462,617)
General and administration expenses				(154,880,444)
Share in results of an associate				2,588,906
Finance costs				(2,179,459)
Other income				4,722,903
Income before zakat				310,572,874
Zakat				(17,702,161)
Net income for the period				292,870,713
For the Nine month period ended 30 September 2017				
Revenues	459,698,831	461,147,402	154,840,824	1,075,687,057
Gross profit	227,788,061	228,505,850	44,977,658	501,271,569
Unallocated income (expenses)				
Selling and distribution expenses				(109,508,252)
General and administration expenses				(128,583,697)
Share in results of an associate				2,603,021
Finance costs				(4,081,404)
Other income				6,240,823
Income before zakat				267,942,060
Zakat				(17,109,839)
Net income for the period				250,832,221

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue in the nine month period ended 30 September 2018 and 2017.

As at 30 September 2018	In-patient SR	Out-patient SR	Pharmaceuticals SR	Total SR
Total assets	1,447,307,728	1,106,764,733	283,785,830	2,837,858,291
Total liabilities	527,525,368	415,285,928	179,583,103	1,122,394,399
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.

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13. CAPITAL COMMITMENTS

The Group has capital commitments of SR 344.9 million (31 December 2017: SR 472.7 million) for future capital expenditure relating to certain expansion projects.

14. 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.

In accordance with general assembly meeting held on 27 Rajab 1438H, corresponding to April 24, 2017, the shareholders resolved to distribute a cash dividends of SR 125 million (SR 2.5 per shares) for the year 2016, which was paid on May 7, 2017.

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. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

This interim condensed consolidated financial statements have been approved by the Board of Directors on 19 Safar, 1440, corresponding to 28 October 2018.