

NATIONAL MEDICAL CARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS
ENDED 30 JUNE 2017
TOGETHER WITH
INDEPENDENT AUDITORS' REVIEW REPORT**

NATIONAL MEDICAL CARE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INDEX TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2017 (UNAUDITED)

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Independent Auditors Review Report **of Interim Condensed Financial Statements**

Introduction:

We have reviewed the accompanying condensed interim financial statements of **National Medical Care Company** (A Saudi Joint Stock Company) ("the Company") that include the statement of financial position as of June 30, 2017, interim statements of comprehensive income for the three-month and six-month periods then ended, the interim statements of changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other selected explanatory notes from (1) to (20).

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the International Accounting Standard 34 "*Interim Financial Reporting*" endorsed in the Kingdom of Saudi Arabia, and our responsibility is to express a conclusion on these condensed interim financial statements based on our review.


Scope of Review:

We conducted our review in accordance with the International Standard on Review Engagements (2410), "*Review of Interim Financial Information Performed by the Independent Auditor*", endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements 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 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 condensed interim financial statements are not prepared in all material respects in accordance with IAS (34) endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.,


Jamal M. Al-Amri
Certified Public Accountant
Registration No. 331



Dhual-Qa'dah 03, 1438 (H)
July 26, 2017 (G)

NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)

Interim statement of financial position
(Unaudited)
(Saudi Riyals)

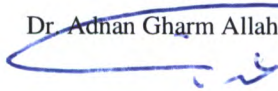
	<u>Note</u>	<u>As of</u> <u>30 June 2017</u>	<u>As of</u> <u>31 December 2016</u> <u>(Note 8)</u>
<u>Assets</u>			
Non-current assets:			
Property, plant and equipment, Net	9	657,857,501	647,408,840
Intangible assets, Net		1,571,260	1,715,818
		<u>659,428,761</u>	<u>649,124,658</u>
Current assets:			
Inventories, Net		50,332,900	56,911,514
Trade receivables and other debit balances, Net	10	666,409,402	595,464,281
Cash and cash equivalents		67,411,556	104,025,117
		<u>784,153,858</u>	<u>756,400,912</u>
Total assets		<u>1,443,582,619</u>	<u>1,405,525,570</u>
Equity and liabilities			
Equity:			
Share capital	1	448,500,000	448,500,000
Statutory reserve		186,021,947	186,021,947
Retained earnings		304,064,239	270,740,065
Total equity		<u>938,586,186</u>	<u>905,262,012</u>
Liabilities:			
Non-current liabilities:			
Long term loans	12	185,628,583	194,719,493
Liability for employees' end of service benefits	13	81,224,931	79,084,241
		<u>266,853,514</u>	<u>273,803,734</u>
Current liabilities:			
Trade creditors and other credit balances		176,417,259	185,569,005
Current portion of long term loans	12	24,123,992	24,123,992
Short term loan	12	30,000,000	-
Provision for Zakat		7,601,668	16,766,827
		<u>238,142,919</u>	<u>226,459,824</u>
Total liabilities		<u>504,996,433</u>	<u>500,263,558</u>
Total equity and liabilities		<u>1,443,582,619</u>	<u>1,405,525,570</u>

The accompanying notes (1) to (20) are integral part of and should be read in conjunction with these condensed interim financial statements.

Acting Financial Manager
Mohamed Abd-Alghafar



Acting CEO
Dr. Adnan Gharm Allah Alzahrany



Chairman
Eiad Abd-Elrahman Hussain



NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)

Interim statement of comprehensive income
(Unaudited)
(Saudi Riyals)

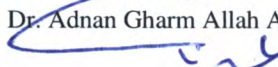
	<i>Note</i>	<i>For 3 months ended 30 June</i>		<i>For 6 months ended 30 June</i>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
			<i>(Note 8)</i>		<i>(Note 8)</i>
Revenues, Net	14	216,539,134	259,771,158	418,981,175	513,706,302
Cost of revenues		(166,292,856)	(175,470,290)	(327,543,169)	(362,113,532)
Gross profit		50,246,278	84,300,868	91,438,006	151,592,770
Other income		2,671,877	1,904,539	5,443,571	4,376,253
Selling and marketing expenses		(15,291)	(133,816)	(52,790)	(272,079)
General and administrative expenses		(30,222,893)	(22,930,480)	(57,339,318)	(55,041,677)
Operating profit		22,679,971	63,141,111	39,489,469	100,655,267
Finance cost		(178,959)	-	(1,126,290)	-
Net profit for the period before zakat		22,501,012	63,141,111	38,363,179	100,655,267
Zakat expense		(3,000,000)	(3,848,065)	(3,322,133)	(8,239,870)
Net profit for the period		19,501,012	59,293,046	35,041,046	92,415,397
Items of other comprehensive income:					
<u>Item that will not be reclassified subsequently to profit or loss:</u>					
Actuarial losses from remeasurement of liability for employees' end of service benefits	13	(913,675)	(723,053)	(1,716,872)	(1,446,106)
Comprehensive income for the period		18,587,337	58,569,993	33,324,174	90,969,291
Basic and diluted earnings per share from net income for the period					
	15	0.43	1.32	0.78	2.06

The accompanying notes (1) to (20) are integral part of and should be read in conjunction with these condensed interim financial statements.

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Acting CEO
Dr. Adnan Gharm Allah Alzahrary



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NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)

Interim statement of changes in equity
(Unaudited)
(Saudi Riyals)

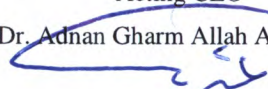
	Share capital	Statutory reserve	Retained earnings	Total
<u>For period of six months ended June 30, 2017</u>				
Balance as at 1 January 2017	448,500,000	186,021,947	270,740,065	905,262,012
Comprehensive income for the period	-	-	33,324,174	33,324,174
Balance as at 30 June 2017	448,500,000	186,021,947	304,064,239	938,586,186
<u>For period of six months ended June 30, 2016</u>				
Balance as at 1 January 2016	448,500,000	181,090,848	261,896,408	891,487,256
Comprehensive income for the period	-	-	90,969,291	90,969,291
Dividends during the period	-	-	(33,637,500)	(33,637,500)
Balance as at 30 June 2016	448,500,000	181,090,848	319,228,199	948,819,047

The accompanying notes (1) to (20) are integral part of and should be read in conjunction with these condensed interim financial statements.

Acting Financial Manager
Mohamed Abd-Alghafar



Acting CEO
Dr. Adnan Gharm Allah Alzahrany



Chairman
Eiad Abd-Elrahman Hussain



NATIONAL MEDICAL CARE COMPANY
(A Saudi Joint Stock Company)

Interim statement of cash flows
(Unaudited)
(Saudi Riyals)

For six months period ended
June 30

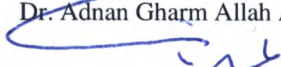
	<u>2017</u>	<u>2016</u>
<u>Operating activities</u>		
Net Profit before zakat	38,363,179	100,655,267
<u>Adjustments:</u>		
Depreciation of property, plant and equipment	32,450,639	32,398,147
Amortization of intangible assets	258,328	74,321
Provision of doubtful debts	10,028,346	10,637,519
Expected medical rejections	15,095,582	691,858
<u>Changes in:</u>		
Trade receivables and other debit balances	(96,069,049)	(111,769,463)
Inventories	6,578,614	(7,857,189)
Trade creditors and other credit balances	(9,151,746)	4,742,740
Liability for employees' end of service benefits	423,818	561,135
Cash (used in) generated from operation	<u>(2,022,289)</u>	<u>30,134,335</u>
Zakat, paid	(12,487,292)	(11,529,080)
Net cash flows (used in) generated from operating activities	<u>(14,509,581)</u>	<u>18,605,255</u>
<u>Investing activities</u>		
Paid for acquisition of property, plant and equipment	(42,899,300)	(34,511,963)
Paid for acquisition intangible assets	(113,770)	(47,515)
Net cash used in investing activities	<u>(43,013,070)</u>	<u>(34,559,478)</u>
<u>Financing activities</u>		
Paid for long term loans	(9,090,910)	-
Proceeds from short term loan	30,000,000	-
Dividends during the period	-	(33,637,500)
Net cash flows generated from (used in) financing activities	<u>20,909,090</u>	<u>(33,637,500)</u>
Net change in cash and cash equivalents during the period	<u>(36,613,561)</u>	<u>(49,591,723)</u>
Cash and cash equivalents at beginning of the period	<u>104,025,117</u>	<u>92,585,551</u>
Cash and cash equivalents at end of the period	<u>67,411,556</u>	<u>42,993,828</u>

The accompanying notes (1) to (20) are integral part of and should be read in conjunction with these condensed interim financial statements.

Acting Financial Manager
Mohamed Abd-Alghafar



Acting CEO
Dr. Adnan Gharm Allah Alzahrany



Chairman
Eiad Adu-Elrahman Hussain



NATIONAL MEDICAL CARE COMPANY

(A Saudi Joint Stock Company)

SELECTED NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

(UNAUDITED)

(All amounts are presented in Saudi riyals unless otherwise indicated)

1. ORGANIZATION AND ACTIVITY

National Medical Care Company (the "Company") is a Saudi Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010194785 dated Muharram 9, 1425 (H) (corresponding to February 29, 2004). The company carries out its activities through the following branches:

- *Riyadh Care Hospital* under commercial registration No, 1010195325 dated Muharram 22, 1425 (corresponding to March 14, 2004).
- *National Hospital* under commercial registration No, 1010195327 dated Muharram 22, 1425 (corresponding to March 14, 2004).
- *Pharmaceutical and Medical Distribution* under commercial registration No, 1010301247 dated Safar 14, 1432 (corresponding to January 19, 2011).
- *Family Health Care Canter* under commercial registration No, 1010397064 dated Muharram 29, 1435 (corresponding to December 03, 2013).

The Company is engaged in establishing, owning, equipping, managing, maintaining and operating hospitals and health centers and units. The Company also engages in wholesale and retail trade in medicines, medical equipment and supplies, representing its own companies and owning vehicles-medical equipped or unequipped that are necessary to perform its function. Furthermore, the Company engages in delivery of health services in all fields, as well as in rendering services and operating businesses that assist in achieving or complementing its objectives. Additionally, the Company is engaged in owning lands and properties for its own benefit.

The company share capital of the company amounting to SR 448,500,000 is divided into 44,850,000 shares of SR 10 each.

The Head Office of the Company is located in Riyadh, PO Box 29393, Riyadh 1457. Kingdom of Saudi Arabia.

The fiscal year for the company starts on January 1st and ends December 31st of each calendar year.

2. FIRST TIME ADOPTION OF IFRSs

The Board of Directors of the Saudi Organization for Certified Public Accountants (SOCPA) adopted in 2012 a plan for the transition to the international accounting standards as well as the international auditing standards. According to SOCPA decision, the application of the international financial reporting standards approved by SOCPA was effective from 1 January 2017 for joint stock companies listed on the stock exchange market. Accordingly, the Company's first annual financial statements that will be prepared in accordance with the International Financial Reporting Standards (IFRSs) are those for fiscal 2017. Accordingly, the date 1 January 2016 is considered the transition date to IFRSs as it represents the beginning of the comparative period for the first annual financial statements prepared in accordance with IFRSs.

3. BASIS OF PREPARATION

The interim condensed financial statements (unaudited) have been prepared in accordance with International Financial Reporting Standard No. 34, (*Interim Financial Reporting*) (It is international financial reporting Standard, which establishes the minimum contents of the interim financial report) and in accordance with International Financial Reporting Standard No. 1, *First-time Adoption of International Financial Reporting Standards* "using the accounting policies that the Company expects to apply in the annual financial statements for 2017.

Wherever the "International Financial Reporting Standards" appear in these notes, they refer to International Financial Reporting Standards adopted in Saudi Arabia and other standards and issuances and adopted by SOCPA.

NATIONAL MEDICAL CARE COMPANY

(A Saudi Joint Stock Company)

SELECTED NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

(UNAUDITED)

(All amounts are presented in Saudi riyals unless otherwise indicated)

The approved international standards are the international standards as issued by IASB addition to the requirements and disclosures added by SOCPA accordance with the International Financial Reporting Standards Adoption Document. Other standards and publications refer to what approved by SOCPA from standard and technical opinions on subjects not covered by international standards.

Some of the information and notes which are considered essential to the understanding of the unaudited condensed interim financial statements that are usually included in the annual financial statements prepared in accordance with IFRSs, were disclosed along with the adjustments and explanations of the effect of adoption of IFRSs on equity and comprehensive income mentioned in note 8 (The Financial Effect of IFRSs Adoption). Except as mentioned above, the interim financial statements do not include all the notes usually enclosed with the annual financial statements.)

4. INTERNATIONAL FINANCIAL REPORTING STANDARDS APPLIED BY THE COMPANY

The accompanying interim condensed financial statements as at 30 June 2017 prepared in accordance with the accounting policies that the Company expects to apply in the annual financial statements as at 31 December 2017, which represents the first complete set of annual financial statements to be prepared in accordance with IFRSs. These policies have been applied consistently to all periods presented in these interim condensed financial statements and in the preparation of the statement of financial position as of 01 January 2016. In particular, the standards issued and approved by the SOCPA have been implemented and are effective as of 31/12/2017.

- Amendments to IAS 1 Presentation of Financial Statements on the Disclosure Initiative.
- Amendments to IAS 16 "Property, plant and equipment".
- The annual amendments of IFRS 2012-2014 which includes amendments to IFRS 5 and No. 7 and IAS 19 and IAS 34.

5. THE NEW AND AMENDED IFRSs ISSUED BUT NOT YET EFFECTIVE

The Company did not apply early to certain new and amended standards, amendments and interpretations that have been issued and are not yet effective as detailed in Note 19.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with the accounting policies applied requires the use of critical judgment, estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and the notes besides the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities that may be affected in the future.

As follows, the key assumptions concerning the future and other key sources of uncertainty estimation at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. In making its assumptions and estimates, the Company relies on standards available when preparing the condensed interim financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company, Such changes are stated when they occur.

a) Going concern basis

The Company has no doubts about its ability to continue and the initial financial statements have been prepared on a going concern basis.

b) Estimated useful lives of property and equipment:

Property and equipment are depreciated over the expected useful life of the asset, the maintenance and repair program as well as the technical obsolescence and recoverable value considerations of the asset. The management of the company has not included any residual value of the assets assumption it is insignificant

NATIONAL MEDICAL CARE COMPANY

(A Saudi Joint Stock Company)

SELECTED NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

(UNAUDITED)

(All amounts are presented in Saudi riyals unless otherwise indicated)

c) Provisions for slow-moving, and obsolete inventories:

Inventories are stated at the lower of cost or net realizable value. Adjustments are made to reduce the cost of inventory to net recoverable amount.

Factors influencing such adjustments include changes in inventory demand, technological changes, deterioration of quality and quality matters. Accordingly, the Company considers these factors and takes them into account to calculate the provision of impaired and slow moving inventories. Any adjustments that may result from the difference in these factors are periodically reviewed.

d) provision for doubtful debts and rejection medical claims

Provision for doubtful debts and rejected medical claims are determined by reference to a combination of factors to ensure that receivables are not overdue due to the probability of un-collectibility, including the total quality and lifetime of receivables and the ongoing credit rating of customers' financial position and collateral required from customers in certain circumstances. Also, specific provisions for individual accounts are recorded when there is objective evidence that the receivable may not be recoverable.

e) Actuarial valuation of employees' end of service benefits

The employees' end-of-service benefits obligation is determined according to a defined unfunded benefit plan and measured using actuarial evaluation. Actuarial evaluation includes many assumptions that may differ from the actual future developments. These assumptions include the determination of the discount rate and future salary increases and turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. Thus, all assumptions are reviewed once a year or more often, as deemed necessary.

7. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements prepared on a historical cost basis (except for the liability for employees' end of service benefits, which are measured reliably as described in the accounting policies below) and using the accrual basis of accounting and the principle of continuity. Historical cost is generally based on the fair value of the consideration / compensation provided for goods and services.

Property, plant and equipment

Property, plant and equipment stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

Depreciation is applied to property, property and equipment, as follows:

	Years
Buildings	33
Improvement to buildings	10
Medical equipment and supplies	6
Elevators and telecommunication equipment	6-7
Furniture, fixtures and office equipment	6-7
Computers hardware	3
Transportation	4

NATIONAL MEDICAL CARE COMPANY**(A Saudi Joint Stock Company)****SELECTED NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017****(UNAUDITED)****(All amounts are presented in Saudi riyals unless otherwise indicated)**

Land and Capital work in progress are not depreciated. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or write off of property, plant and equipment is determined as the difference between proceeds and the carrying amount of the asset and is recognized in comprehensive income.

Intangible assets

Intangible assets with defined useful lives and acquired separately are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted prospectively. Intangible assets with unidentifiable useful lives and acquired separately are carried at cost less accumulated impairment losses.

The Company estimates the useful life of intangible assets as follow

	Years
Software	3
Medical licenses	3

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as at difference between net disposal proceeds and the carrying amount of the asset and recognized in comprehensive income when the asset is derecognized.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable value is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable value of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis, with the exception of medication applying the first-in-first-out. Net realizable value represents the estimated selling price for inventories less estimated costs to complete sale operation.

NATIONAL MEDICAL CARE COMPANY

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SELECTED NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

(UNAUDITED)

(All amounts are presented in Saudi riyals unless otherwise indicated)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, which have maturities of 90 days or less and are available for use by the Company unless otherwise stated.

Financial instruments

Financial assets and financial liabilities are recognized when a Company entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables measured at amortized cost using the effective interest method, less any impairment loss which is recognized in comprehensive income.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period granted, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

NATIONAL MEDICAL CARE COMPANY

(A Saudi Joint Stock Company)

SELECTED NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2017

(UNAUDITED)

(All amounts are presented in Saudi riyals unless otherwise indicated)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in comprehensive income.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in comprehensive income.

Financial liabilities and equity instruments

Classification as a debit instruments or equity

Debit instrument and equity issued by a Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity.

Equity instruments

Equity instrument is any contract that results in a share in the assets of the enterprise after all its obligations have been discharged. Equity instruments issued by the Company are recognized in the amounts received after deducting the direct issuance costs. Re-acquisition of the Company's equity instruments is recognized and deducted directly from equity. No gain or loss on comprehensive income is recognized when purchasing, selling, issuing or canceling the Company's equity instruments

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- derivative that is not designated and effective as a hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

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Other financial liabilities

Other financial liabilities (including borrowings and trade payables and other credit balances) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in comprehensive income.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in normal course of business. Revenue is reduced with estimated customers rejections, returns, incentives and other similar allowances.

Sale of medication

Revenue from the sale of goods (medication) is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods; and
- The economic benefits associated with the transaction are likely to flow to the Company; and
- The possibility of measuring the completion stage at the balance sheet date reliably; and
- The possibility of measuring the costs incurred or to be incurred in relation to the transaction reliably.

If the above conditions are not met, revenue from the rendering of services is recognized only to the extent of the recoverable expense

Rendering of services

For revenue arising from the rendering of services, provided that all of the following criteria are met, revenue should be recognized by reference to the stage of completion of the transaction at the balance sheet date (the percentage-of-completion method):

- The amount of revenue can be measured reliably; and
- It is probable that the economic benefits will flow to the Company; and
- The stage of completion at the balance sheet date can be measured reliably; and
- The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

When the above criteria are not met, revenue arising from the rendering of services should be recognized only to the extent of the expenses recognized that are recoverable.

Unbilled revenues

Unbilled revenue comprises accrued revenue which is recorded for services rendered to patients which have not yet been invoiced.

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Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies), which is Saudi Riyals, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in comprehensive income in the period in which they arise.

Employees' benefits

Liability of end of service benefits

The liability of end of service benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charges in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss.

Service cost is recognized in comprehensive income in the period of a plan amendment. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Interest cost.
- Actuarial remeasurements.

The Company presents the first two components of defined benefit costs in profit or loss in the line item "General and administrative expenses" and "Cost of sales".

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Zakat

Zakat calculated and provided for by the Company in accordance with (Saudi General Authority for Zakat and Tax) and charged to profit or loss. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Zakat provision is made in these financial statements on an estimate basis which will be finalized at the Company's year-end.

Statutory reserve

According to the Articles of Association, the Company shall transfer 10% of the annual net profit to the statutory reserve until such reserve reaches 30% of the capital. This reserve is not available for distribution as dividends.

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8. THE FINANCIAL EFFECT FOR FIRST-TIME ADOPTION OF IFRSs

IFRS 1 First-time Adoption of International Financial Reporting Standards applicable in Saudi Arabia, requires the Company to prepare an opening financial position as at 1 January 2016, after making the necessary adjustments to convert from Saudi generally accepted accounting standards .

The standard requires disclosing the effect of the adjustments, including re-measurement or reclassification adjustments, made to the statements of financial position, and other comprehensive income due to re-measurement or reclassification due to the changeover from generally accepted accounting standards in Saudi Arabia to IFRSs. These adjustments include reconciliations of equity as at 1 January 2016, 30 as well as adjustments to the comprehensive income for year ended Dec 31, 2016 , Which were disclosed in the interim condensed financial statements for the three month period ended 31 March 2017 (the first quarter statements announced on Tadawul website) , which the users of the financial statements can refer. The transition adjustments for the three-month and six-month periods ended 30 June 2016 are as follows:

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Reconciliation of equity as of June 30, 2016

	<i><u>Note</u></i>	<i><u>Under SOCPA</u></i>	<i><u>Financial effect of adoption</u></i>	<i><u>Under IFRS</u></i>
<u>Assets</u>				
Non-current assets:				
Property, plant and equipment, Net	8 , 1	630,233,185	26,010,219	656,243,404
Projects under construction	8 , 1	26,010,219	(26,010,219)	-
Intangible assets, Net		2,194,556	-	2,194,556
		<u>658,437,960</u>	<u>-</u>	<u>658,437,960</u>
Current assets:				
Inventories, Net		79,981,940		79,981,940
Trade receivables and other debit balances, Net	8 , 2	662,209,135	30,522,993	692,732,128
Prepaid expenses and other debit balances	8 , 2	26,357,287	(26,357,287)	-
Unbilled revenues	8 , 2	4,165,706	(4,165,706)	-
Cash and cash equivalents		42,993,828	-	42,993,828
		<u>815,707,896</u>	<u>-</u>	<u>815,707,896</u>
Total assets		<u>1,474,145,856</u>	<u>-</u>	<u>1,474,145,856</u>
Equity and liabilities				
Equity:				
Share capital		448,500,000	-	448,500,000
Statutory reserve		181,090,848	-	181,090,848
Retained earnings	8 , 3	325,093,868	(5,865,669)	319,228,199
Total equity		<u>954,684,716</u>	<u>(5,865,669)</u>	<u>948,819,047</u>
Liabilities:				
Non-current liabilities:				
Long term loans		205,149,521	-	205,149,521
Liability for employees' end of service benefits	8 , 4	69,489,923	5,865,669	75,355,592
		<u>274,639,444</u>	<u>5,865,669</u>	<u>280,505,113</u>
Current liabilities:				
Trade creditors and other credit balances	8 , 5	187,271,902	35,615,960	222,887,862
Other creditors	8 , 5	35,356,246	(35,356,246)	-
Due to related parties	8 , 5	259,714	(259,714)	-
Provision for Zakat		8,239,870	-	8,239,870
Current portion of long term loans		13,693,964	-	13,693,964
		<u>244,821,696</u>	<u>-</u>	<u>244,821,696</u>
Total liabilities		<u>519,461,140</u>	<u>5,865,669</u>	<u>525,326,809</u>
Total equity and liabilities		<u>1,474,145,856</u>	<u>-</u>	<u>1,474,145,856</u>

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Reconciliation of statement of comprehensive income for three-month and six-month period ended on 30 June 2016

	Note	For the three months period ended at 30 June 2016			For the six months period ended at 30 June 2016		
		Under SOCPA	Effect of conversion to IFRSs	Under IFRS	Under SOCPA	Effect of conversion to IFRSs	Under IFRS
Revenues, Net		259,771,158	-	259,771,158	513,706,302	-	513,706,302
Cost of revenues	8, 6	(176,656,120)	1,185,830	(175,470,290)	(363,390,969)	1,277,437	(362,113,532)
Gross profit		83,115,038	1,185,830	84,300,868	150,315,333	1,277,437	151,592,770
Selling and marketing expenses		(133,816)	-	(133,816)	(272,079)	-	(272,079)
General and administrative expenses	8, 7	(23,158,111)	227,631	(22,930,480)	(55,290,052)	248,375	(55,041,677)
Other revenues		1,904,539	-	1,904,539	4,376,253	-	4,376,253
Net income for the period before zakat		61,727,650	1,413,461	63,141,111	99,129,455	1,525,812	100,655,267
Zakat expense		(3,848,065)	-	(3,848,065)	(8,239,870)	-	(8,239,870)
Net income for the Period		57,879,585	1,413,461	59,293,046	90,889,585	1,525,812	92,415,397
Items of comprehensive income:							
<u>Item that will not be reclassified subsequently to profit or loss</u>							
Actuarial losses from remeasurement of liability for employees' end of service benefits		-	(723,053)	(723,053)	-	(1,446,106)	(1,446,106)
Comprehensive income for the period		57,879,585	690,408	58,569,993	90,889,585	79,706	90,969,291

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The following is a summary of the nature of the adjustments made to the financial statements as at 30/06/2016. The amount for these adjustments shows the cumulative effect of the differences between the IFRS and SOCPA on those dates:

8.1 Adjustments on non-current assets

	<u>30 June 2016</u>
- Reclassification item of projects under construction from a separate item in the statement of financial position to become one of the items of property and equipment in accordance with the requirements of IAS 16.	26,010,219
- Canceling the presentation item of projects under construction from a separate line item in the statement of financial position to become an item of property and equipment in accordance with the requirements of IAS 16	<u>(26,010,219)</u>
Net value of adjustments on non-current assets	<u><u>-</u></u>

8.2 Adjustments on current assets items

- Reclassification item of advance payment and other debit balances from a separate item in the statement of financial position to become one of the items of trade receivables and other debit balances in accordance with the requirements of IAS 1.	30,522,993
- Canceling the presentation item of advance payments from a separate line item in the statement of financial position to become an item of trade receivables and other debit balances in accordance with the requirements of IAS 1.	<u>(26,357,287)</u>
- Canceling the presentation item of unbilled revenues from a separate line item in the statement of financial position to become an item of trade receivables and other debit balances in accordance with the requirements of IAS 1.	<u>(4,165,706)</u>
Net value of adjustments on current assets	<u><u>-</u></u>

8.3 Adjustments on equity items

- Deduction of the actuarial valuation difference for end of service benefits from retained earnings, in accordance with the requirements of IAS 19.	<u>(5,865,669)</u>
Net value of adjustments on equity	<u><u>(5,865,669)</u></u>

8.4 Adjustments on non-current liabilities

- Recording actuarial valuation difference for end of service benefits accordance with requirements of IAS 19.	<u>5,865,669</u>
Net value of adjustments on non-current liabilities	<u><u>5,865,669</u></u>

8.5 Adjustments on current liabilities

- Reclassification item of other liabilities from a separate item in the statement of financial position to become one of the items of trade payables and other credit balances in accordance with the requirements of IAS 1.	35,615,960
- Canceling the presentation item of other liabilities from a separate line item in the statement of financial position to become an item of trade payables and other credit balances in accordance with the requirements of IAS 1.	<u>(35,356,246)</u>
- Improving the presentation of an item of due to related parties from a separate item of statement of financial position to become an item of trade payables and other credit balances in accordance with the requirements of IAS 1.	<u>(259,714)</u>
Net value of adjustments on current liabilities	<u><u>-</u></u>

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	For 3 months ended 30 June 2016	For 6 months ended 30 June 2016
-Recording actuarial valuation difference for end of service benefits.	<u>1,185,830</u>	<u>1,277,437</u>
Net value of adjustments on cost of revenues	<u>1,185,830</u>	<u>1,277,437</u>

8.7 Adjustments on general and administrative expenses

-Recording actuarial valuation difference for end of service benefits.	<u>227,631</u>	<u>248,375</u>
Net value of adjustments on general and administrative expenses	<u>227,631</u>	<u>248,375</u>

9 PROPERTY, PLANT AND EQUIPMENTS, NET

During the period / year ended 30 June 2017 the Company has spent approximately SR 43.1 million on the development of its medical property (31 December 2016: SR 58 million - 30 June 2016: SR 34.5 million).

The Company has a property of SR 290 million mortgaged to the Ministry of Finance against a loan granted to the Company (note 12).

10 TRADE RECEIVABLES AND OTHER DEBIT BALANCES

	As of 30 June 2017	As of 31 December 2016
Trade receivables (a)	452,508,832	418,170,517
Due from related parties (a) (note 11)	299,788,948	255,008,212
Unbilled revenues (a)	<u>1,882,360</u>	<u>3,508,318</u>
	754,180,140	676,687,047
Deduct:		
Provision of doubtful debts (b)	(43,380,105)	(33,351,759)
Rejection for expected medical claims (c)	<u>(67,267,340)</u>	<u>(65,855,386)</u>
Net of trade receivables	643,532,695	577,479,902
Suppliers advance payments	3,097,945	3,343,332
Letter of warrantee margin	9,592,279	12,429,864
Prepaid expenses	7,515,194	1,250,464
Other	<u>2,671,289</u>	<u>960,719</u>
	<u>666,409,402</u>	<u>595,464,281</u>

(a)Trade receivables, due from related parties and unbilled revenues are non-interest bearing.

The total balance of trade receivables, due from related parties and unbilled revenues include amounts of SR 567,796,094 as at June 30, 2017 (Dec 31, 2016 : SR 483,928,567) that are due from governmental and semi-governmental institutions and represents as at 30 June 2017 75% from total accounts receivables (Dec 31, 2017 : 72%).

A tender was awarded to the company from the Ministry of National Guard on June 25, 2017, related to providing a hypnotic service for long-stay patients who require simple medical care "under request" for King Abdulaziz Medical City in Riyadh , related to the health affairs of the Ministry of National Guard. The tender for SAR 255.9 million was signed on 12 June 2017 and will continue for three years started from April 11, 2017.

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In December 2016, the Company had signed final settlement agreements with two big customers for all amounts due up to the end of 2016. These final settlements amounted to SR 20.22 million and were charged to the fourth quarter of the fiscal year 2016.

On 27 June 2016, the company had signed a contract to provide medical services with the General Organization for Social Insurance including an updated price list. This contract is effective on 01 March 2016 for one year. The company extended the contract to be the end date on 31/12/2017.

The rejection for expected medical claims was recorded for one major customer and insurance companies amounted SR 65.85 million as at December 31, 2016. Provisions for doubtful debts were increased for individual patients by SR 10.12 million as at 31 December 2016.

(b) Movements of rejection for expected medical claims as follows:

	For period ended 30 June 2017	For period ended 31 December 2016
Balance at beginning of the period / year	33,351,759	12,193,700
Charged	10,028,346	21,285,949
Used	-	(1,559,205)
Transfers from unbilled revenues	-	1,431,315
Balance at the end of the year	43,380,105	33,351,759

(c) Movements of provision for doubtful debts as follows:

Balance at beginning of the period / year	65,855,386	15,478,357
Charged	15,095,582	64,347,884
Used	(13,683,628)	(13,970,855)
Balance at the end of the year	67,267,340	65,855,386

(d) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Company does not hold any collateral as security, for trade receivable and other debit balances.

11 TRANSACTIONS WITH RELATED PARTIES

Related parties are key shareholders, directors, key management personnel of the company and the substantially affected subsidiaries. The terms of these transactions have been approved by the Company's management. The following are the most significant transactions with related parties and the resulting balances:

Due from related party

<u>Name of related party</u>	<u>Relation</u>	<u>Nature of transaction</u>	Transactions for period of 6 months ended		Balance as at	
			30 June 2017	30 June 2016	30 June 2017	31 December 2016
General Organization for Social Insurance (Note 10)	Share holder	Medical service	158,563,697	161,836,654	299,788,948	255,008,212

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Due to related parties

<u>Name of related party</u>	<u>Relation</u>	<u>Nature of transaction</u>	Transactions for period of 6 months ended		Balance as at	
			<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>31 December 2016</u>
Arabian medical supplies Co.	Owned by a shareholder	Purchases	26,797	517,743	23,677	17,308
Drager Arabian Co. Ltd.	Owned by a shareholder	Purchases	44,099	135,594	43,699	142,694
					67,376	160,002

Key management personnel

	Charged to comprehensive income for 6 months ended		Balance as at	
	<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>31 December 2016</u>
Short-term benefits	4,973,220	5,102,108	-	-
Post-employment benefits	328,284	417,195	3,992,986	2,704,198
	5,301,504	5,519,303	3,992,986	2,704,198

12 LOANS

	As of 30 June 2017	As of 31 December 2016
Long term loans		
Total liability of long term loans	221,588,480	232,668,245
Deduct :		
Future unamortized finance cost	(11,835,905)	(13,824,760)
Present value of long term loans liabilities	209,752,575	218,843,485
Divided to :		
Current portion of long term loans	24,123,992	24,123,992
Non current portion of Long term loans	185,628,583	194,719,493
Present value of long term loans liabilities	209,752,575	218,843,485
Short term loan		
Total liability of loan	31,272,900	-
Deduct :		
Future unamortized finance cost	(1,272,900)	-
Present value of loan liability	30,000,000	-

On December 10, 2012, the Company signed a loan agreement with the Ministry of Finance to finance a construction of hospital amounted SR 154,112,000. The Company received the first installment of the loan amounted SR 66,572,100 on April 28, 2013 and second installment amounted SR 11,180,900 on January 13, 2014 and the third installment amounted SR 41,090,485 on November 4, 2014. The loan will be repaid on 20 annual equal installments; the first installment of which is due after 5 years of the contract date. This loan is secured against real estate mortgage (Note 9).

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On November 5, 2015, the Company obtained Murabha contract amounted SR 100 Million from Riyadh Bank due to expanding, renewal, renovation and preparing of Northern building of National Care Hospital. Included a grace period of one year and secured by a payment order. The loan will be repaid on semi-annual installments over five years.

On December 25, 2016, the Company and Riyadh Bank agreed to grant a financing limit of SR 50 million with a maximum of 360 days for each segment. The contract was signed by the company on 9 February 2017. The company has already used on February 23 2017 amount of SR 30 million of Tawarokq limit.

13 LIABILITY FOR EMPLOYEES END OF SERVICE BENEFITS

	For period ended 30 June 2017	For year ended 31 December 2016
Balance at beginning of the period / year	79,084,241	73,348,351
Service and interest cost	7,935,594	15,632,000
Paid during the period / year	(7,511,776)	(12,757,515)
Actuarial losses from remeasurement of liability for employees' end of service benefits	1,716,872	2,861,405
Balance at end of the period / year	81,224,931	79,084,241

14 SEGMENT REPORTING

The reporting segments of the company are as follows:

- Inpatient and surgeries department: It is special for clinical services patient extended care medical services and operative procedures.
- Outpatient department: It offers a range of sub specialties such as as internal medicine , cardiology and pulmonary clinics.
- Other medical departments: are departments providing technical services for treatment such as laboratories and Radiology.
- Pharmacies: are internal outlets for the sale of medicines.
- General Services, Pharmaceutical and Medical Distribution and Family Health Care Canter are the company's head office, a special unit for the purchase and distribution of medicines and a healthy center.

	Inpatient and surgeries department	Outpatient clinics department	Other medical departments	Pharmacies	General Services, Pharmaceutical and Medical Distribution and Family Health Care Canter	Total
30 June 2017						
Revenue from external customers	121,347,927	36,780,058	195,920,380	52,813,337	12,119,473	418,981,175
Revenues from internal segments	-	-	-	-	13,418,928	13,418,928
Net profit	12,797,378	3,682,262	19,996,940	17,452,504	(18,888,038)	35,041,046
Total assets	374,115,538	110,245,155	593,375,742	157,744,540	208,101,644	1,443,582,619
Total liabilities	41,669,444	12,971,912	68,433,748	18,687,422	363,233,907	504,996,433

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	Inpatient and surgeries department	Outpatient clinics department	Other medical departments	Pharmacies	General Services, Pharmaceutical and Medical Distribution and Family Health Care Canter	Total
30 June 2016						
Revenue from external customers	155,030,116	40,736,212	207,699,670	62,781,464	47,458,840	513,706,302
Revenues from internal segments	-	-	-	-	60,255,490	60,255,490
Net profit	28,650,011	7,523,521	38,366,012	39,576,148	(21,700,295)	92,415,397
Total assets	432,679,307	114,634,878	583,222,447	171,785,723	171,823,501	1,474,145,856
Total liabilities	32,773,320	8,597,104	43,853,035	13,324,865	426,778,485	525,326,809

15 BASIC AND DILUTED EARNING PER SHARE

	For 3 Months ended June 30		For 6 Months ended June 30	
	2017	2016	2017	2017
Net profit for the period	19,501,012	59,293,046	35,041,046	92,415,397
Weighted average number of shares	44,850,000	44,850,000	44,850,000	44,850,000
Basic and diluted earning per share from period's net profit	0.43	1.32	0.78	2.06

16 GENERAL ASSEMBLY MEETING

At its meeting held on 20 April 2017, the General Assembly approved a bonus of SAR 1.8 million for the members of the Board of Directors and approved the amendment of the Articles of Association of the Company to comply with the requirements of the new companies' article.

At its meeting held on April 27, 2016, the General Assembly approved the Board of Directors' recommendation to distribute a dividend of SAR 33,367,500 (SR 0.75 per share) paid during the second quarter of 2016.

17 CONTINGENT LAIBILITIES AND CAPITAL COMMITMENTS

The Company has capital commitments resulting from the expansion and renewal of National Care Hospital as of June 30, 2017 amounting SR 14.4 million (31 December 2016: SR 38.6 million).

The Company has contingent liabilities arising from letters of guarantee issued to certain suppliers as at 30 June 2017 amounting SR 9,592,279 (31 December 2016: SR 12,429,864). The Company has no contingent liabilities as a result of operating leases as at the reporting date.

18 FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

Financial instruments included in the Company's financial position mainly in cash and bank balances, trade and other receivables, trade payables and other credit balances.

First: Fair value

Fair value is the amount to be received for the sale of an asset or the payment to convert any of the liabilities in a regular transaction between the market participants on the measurement date under prevailing market conditions (such as the special price) regardless of whether the price is directly or estimated using another valuation technique. The fair value measurement is based on the assumption that the sale of the asset or the transfer of the obligation will be either:

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- Through the main market of the asset or commitment, or
- Through the most beneficial market for the asset or commitment in the absence of the main market.

The main or most beneficial market must be available to the company to access.

The fair value of an asset or liability is measured using the assumptions used by market participants when pricing an asset or liability on the assumption that market participants are working to the best of their economic interests.

The measurement of the fair value of a non-financial asset takes into account the ability of market participants to provide economic benefits by using the asset in the best interest of the asset or selling it to another party in the market for use in the best interest. The Company uses valuation techniques that are appropriate to the circumstances and have adequate data to measure fair value, maximize the use of relevant observable data, and minimize the use of undisclosed data.

All assets and liabilities measured at fair value or whose fair value is disclosed in the financial statements are classified according to the hierarchy of the fair values set out below based on the minimum level data that is essential for measuring the fair value as a whole:

- Level 1: quoted prices (unadjusted) traded in active markets for assets or liabilities corresponding to those measured.
- Level 2: Inputs that are observable or monitored for an asset or liability, directly or indirectly, other than quoted prices included in Level 1.
- Level 3: inputs that cannot be monitored or observed for an asset or liability.

The Company's management considers that the fair value of trade and other receivables, trade payables, other credit balances and loans is approximately the same as their carrying value. No transfers between levels I, II and III were made during the initial financial reporting period.

Second: Risk Management

The Company is exposed to the following risks as a result of its use of financial instruments:

- (a) Foreign currency risk
- (b) Credit risk.
- (c) Liquidity risk.
- (d) Interest risk.

(a) Foreign currency risk

Foreign currency risk arises from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates. The Company did not perform any transactions of relative importance in currencies other than the Saudi Riyal, the US Dollar. Since the Saudi riyal is pegged against the US dollar, it does not represent significant currency risk. The Company's management monitors currency exchange rates and believes that currency risk is not material.

(b) Credit risk

Credit risk is the risk that the Company will incur a financial loss if the customer or counterparty fails to meet its contractual obligations and arises mainly from trade receivables, other receivables, cash and cash equivalents.

The carrying amount of financial assets represents the maximum exposure to credit risk.

1. Trade receivables and other debit balances

The Company's exposure to credit risk is mainly affected by the individual characteristics of each individual customer, but management also determines factors that may have an impact on the credit risk of the customer base.

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Provision for doubtful debts and expected claim rejection representing the estimated losses of the Company in respect of trade receivables and other debit balances as at 30 June 2017 amounted to SR 43,308,105 and SAR 67,267,340 respectively (31 December 2016, SAR 33,351,759 and SAR 65 855,386, respectively).

2. Cash and cash equivalents

The Company obtains cash and cash equivalents as at 30 June 2017 amounting to SR 67,411,556 (31 December 2016: SR 104,025,117). Cash and cash equivalents are deposited with highly trustworthy banks. Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations related to its liabilities. The Company's approach to liquidity management is to ensure that it has adequate liquidity on an ongoing basis and to the extent possible to meet its obligations under normal and critical circumstances, without incurring unacceptable losses or compromising the reputation of the Company At risk.

(c) Liquidity risk.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Company periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Company's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities

Maturity Table for financial liabilities

	30 June 2017			
	Less than one year	From 1 to 5 years	More than 5 years	Total
Loans	54,123,992	93,347,233	92,281,350	239,752,575
Trade payables and other credit balances	176,417,259	-	-	176,417,259
Zakat provision	7,601,668	-	-	7,601,668
	238,142,919	93,347,233	92,281,350	423,771,502
	31 December 2016			
	Less than one year	From 1 to 5 years	More than 5 years	Total
Loans	24,123,992	102,438,143	92,281,350	218,843,485
Trade payables and other credit balances	185,569,005	-	-	185,569,005
Zakat provision	16,766,827	-	-	16,766,827
	226,459,824	102,438,143	92,281,350	421,179,317

(d) Interest risk.

Financial instruments are exposed to the risks of changes in value as a result of changes in interest rate rates of their assets and liabilities with variable interest. The actual interest rates and the periods which the financial assets and liabilities are reprised or matured are indicated in the related notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit through the impact on floating rate borrowings, no effects on comprehensive income

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<u>30 June 2017</u>	<u>Increase (decrease) in interest rate</u>	<u>Balance</u>	<u>Effect on comprehensive income</u>
Loans	±100 base point	239,752,575	±2,397,526

<u>31 December 2016</u>	<u>Increase (decrease) in interest rate</u>	<u>Balance</u>	<u>Effect on comprehensive income</u>
Loans	±100 base point	218,843,485	±21,884,348

19 NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following is a brief description of certain standards can be applicable to the Company's financial statements which have not yet been effective:

International Financial Reporting Standard No. 9 "Financial Instruments"

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. It includes requirements for classification, measurement, impairment, general hedge accounting and derecognition. The Standard amends the requirements for measuring and classifying financial assets and introduces a new pattern of expected impairment losses. The Standard is effective for financial periods beginning on or after 1/1/2018.

International Financial Reporting Standard No. 15 "Revenue from Contracts with Customers"

International Financial Reporting Standard No. 15 was issued in May 2014, which provides a single comprehensive model for its use in accounting for revenue arising from contracts with customers.

The primary objective of IFRS 15 is that an entity should recognize revenue in exchange for the carriage of goods or services to customers in an amount that reflects the material compensation that the establishment expects for such goods or services. Specifically, the Standard introduces a five-step revenue recognition model:

Step 1: Determine contracts or contracts with customers.

Step 2: Determine the performance requirements in the contract.

Step 3: Determine the transaction price.

Step 4: Record the transaction price on the performance obligations in the contract.

Step 5: Revenue recognition when an entity performs performance requirements are progressed.

In accordance with International Financial Reporting Standard No.15, an entity's revenue is recognized when the obligation and when control over the goods or services attributable to performance of a particular obligation is transferred to the customer. The standard includes more restrictive guidance for dealing with specific scenarios, and furthermore, the standard requires extensive disclosures.

International Financial Reporting Standard No. 16 "Leases"

The International Accounting Standards Board issued the International Standard on Financial Reporting No. 16 of January 2016 which applies to financial periods beginning on 01/01/2019 and thereafter, allowing for the early application of companies applying International Financial Reporting Standard No. 15. The objective of the Standard is to provide appropriate information to users of financial statements to assess the impact of leases on the financial position of the entity, its financial performance and its cash flows.

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IFRS 16 defines recognition, measurement, presentation and disclosure of leases. The Standard introduces a single accounting model that requires tenants to recognize the assets and liabilities of all leases only if the lease term is 12 months or less or the underlying asset of the contract is of low value. Lenders continue to classify leases as operating or financing, within the meaning of IAS 16 Accounting for Lessor without material change to IAS 17.

Possible impact of new and revised IFRSs issued and not yet in force:

The Company is currently conducting a detailed study to arrive at a reasonable assessment of the impact of the application of these standards on the carrying amounts and disclosures in the Company's financial statements. This will be disclosed when the Company completes that detailed study.

20 APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

These interim condensed financial statements were approved by Board of Directors on 03 Dhul-Qa'da 1438H (corresponding to 26 July 2017).