

**NATIONAL MEDICAL CARE COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**FINANCIAL STATEMENTS FOR YEAR**  
**ENDED 31 DECEMBER 2018**  
**TOGETHER WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**NATIONAL MEDICAL CARE COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

**INDEX TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

---

|                                                                                  | <b><u>Pages</u></b> |
|----------------------------------------------------------------------------------|---------------------|
| Independent auditor's report                                                     | 2-6                 |
| Statement of financial position as at 31 December 2018                           | 7                   |
| Statement of comprehensive income for the year ended 31 December 2018            | 8                   |
| Statement of changes in shareholders' equity for the year ended 31 December 2018 | 9                   |
| Statement of cash flows for the year ended 31 December 2018                      | 10                  |
| Notes to the financial statements for the year ended 31 December 2018            | 11 – 30             |

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of  
National Medical Care Company  
A Saudi Joint Stock Company  
Riyadh- Kingdom of Saudi Arabia**

### **Opinion**

We have audited the financial statements of **National Medical Care Company** (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia, and other standards and versions endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").

### **Basis of opinion**

We have audited in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report". We are independent of the Company in accordance with the professional code of conduct and that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

| <b>Application of IFRS (9) "Financial Instruments"</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key audit matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>How the key audit matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p>The Company adopted IFRS (9) "Financial Instruments" with effect from 1 January 2018 and this new standard supersedes the requirements of IAS (39) "Financial Instruments: Recognition and Measurement".</p> <p>IFRS (9) addresses the classification, measurement, and de-recognition of financial assets and financial liabilities and introduces new accounting rules for hedge accounting and impairment models for financial assets. Management determined that the most significant impact of the new standard on the Company's financial statements relates to the calculation of the allowance for the impairment of trade receivables.</p> <p>As at 31 December, 2018 the carrying value of trade receivables amounted to SR 370 Million (2017: SR 581 Million) and the provision for impairment of trade receivables amounted to SR 69 Million (2017: SR 47 Million).</p> <p>The Company assessed at each reporting period whether the financial assets carried at amortized cost are credit-impaired. The Company's management has applied the simplified expected credit loss model ("expected credit loss") to determine the allowance for impairment of trade receivables. The expected credit loss model involves the use of various assumptions, macroeconomic factors, and the study of historical trends relating to the Company's trade receivables collection experience.</p> <p>We considered this a key audit matter due to the judgments and estimates involved in the application of the expected credit loss model.</p> | <p>Our performed procedures are as follows:</p> <ul style="list-style-type: none"> <li>• Reviewed management's assessment of the impact of IFRS (9) in terms of the classification and measurement of its financial assets and financial liabilities, and understood the approach taken towards implementation. We specifically considered the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of similar entities.</li> <li>• Compared to the expected loss model developed by management to that required by IFRS (9) and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested the arithmetical accuracy of the model.</li> <li>• Tested key assumptions, such as those used to calculate the likelihood of default and subsequent loss on default, by comparing to historical data. We also considered the incorporation for forward-looking factors (predominantly economic) to reflect the impact of future events on expected credit losses.</li> <li>• Involved our accounting subject matter specialists to review the methodology used in the expected credit loss model, and compare this against accepted best practices.</li> <li>• Reviewed the adequacy of the Company's disclosures included in note no. (9) and (24) to the accompanying financial statements.</li> </ul> |
| For more details refer to notes (4.1- 9 - 24)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

| <b>Application of IFRS No. (15) "Revenue from Contracts with Customers"</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key audit matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>How the key audit matter was addressed in our audit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>The Company adopted the IFRS (15) "Revenue from contracts with customers" with effect from 1 January 2018 and this new standard supersedes the requirements of IAS (18) "Revenue".</p> <p>Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments, and consequential changes to processes and controls required particularly in connection with separation of different performance obligations that they may be within a given contract, in addition to deductions related to prices and medical rejections.</p> <p>Management assessed the additional disclosures required to be made by the new standard in the financial statements.</p> <p>We considered this a key audit matter as revenue is a key financial statement item and performance metric and the application of IFRS (15) can require judgment by management and the use of significant assumptions, particularly those related to the assessment of medical rejection expected from customers on submitted medical claims.</p> | <p>Our performed procedures are as follows:</p> <ul style="list-style-type: none"> <li>• Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Company.</li> <li>• Gained an understanding of management's approach to the implementation of any changes to the accounting policy.</li> <li>• Obtained an understanding of the nature of the revenue contracts used by the Company for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS (15).</li> <li>• Tested relevant processes and controls established by management to ensure appropriate recognition of revenue, related discounts, medical rejections and consider the past practice with each individual customer.</li> <li>• Reviewed the adequacy of the Company's disclosures included in note no. (16) and note no. (24) to the accompanying financial statements.</li> </ul> |
| For more details refer to note (4.1 - 16 - 24)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

### **Other information**

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and Those Charged with Governance for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.


- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with the management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.,

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



Riyadh, on: 16 Rajab1440 H  
Corresponding to: 23 March 2019 G

**NATIONAL MEDICAL CARE COMPANY**  
A Saudi Joint Stock Company

**STATEMENT OF FINANCIAL POSITION**  
Saudi Riyals

|                                                   | <i>Note</i> | <i>As of</i><br><u>31 December 2018</u> | <i>As of</i><br><u>31 December 2017</u> |
|---------------------------------------------------|-------------|-----------------------------------------|-----------------------------------------|
| <b>Assets</b>                                     |             |                                         |                                         |
| <b>Non-current assets:</b>                        |             |                                         |                                         |
| Property, plant and equipment                     | 6           | 596,263,711                             | 651,643,714                             |
| Intangible assets                                 | 7           | 370,388                                 | 1,101,149                               |
| <b>Total non-current assets</b>                   |             | <u>596,634,099</u>                      | <u>652,744,863</u>                      |
| <b>Current assets:</b>                            |             |                                         |                                         |
| Inventories                                       | 8           | 55,196,157                              | 58,461,652                              |
| Contract assets                                   | 16          | 4,539,873                               | -                                       |
| Trade and other receivables                       | 9           | 391,484,662                             | 596,578,282                             |
| Cash and cash equivalents                         | 10          | 344,557,818                             | 117,350,808                             |
| <b>Total current assets</b>                       |             | <u>795,778,510</u>                      | <u>772,390,742</u>                      |
| <b>Total assets</b>                               |             | <u>1,392,412,609</u>                    | <u>1,425,135,605</u>                    |
| <b>Shareholders Equity and liabilities</b>        |             |                                         |                                         |
| <b>Shareholders' Equity</b>                       |             |                                         |                                         |
| Share capital                                     | 1           | 448,500,000                             | 448,500,000                             |
| Statutory reserve                                 |             | 186,021,947                             | 186,021,947                             |
| Retained earnings                                 |             | 362,342,715                             | 351,102,734                             |
| <b>Total shareholders' equity</b>                 |             | <u>996,864,662</u>                      | <u>985,624,681</u>                      |
| <b>Liabilities</b>                                |             |                                         |                                         |
| <b>Non-current liabilities</b>                    |             |                                         |                                         |
| Long- term loans                                  | 12          | 146,471,508                             | 170,595,500                             |
| Liability for employees' end of service benefits  | 13          | 81,532,797                              | 81,555,405                              |
| <b>Total non-current liabilities</b>              |             | <u>228,004,305</u>                      | <u>252,150,905</u>                      |
| <b>Current liabilities</b>                        |             |                                         |                                         |
| Trade and other payables                          | 14          | 107,854,361                             | 144,119,953                             |
| Contract liabilities                              | 16          | 1,178,298                               | -                                       |
| Current portion of long- term loans               | 12          | 24,123,992                              | 24,123,992                              |
| Provision for Zakat                               | 15          | 34,386,991                              | 19,116,074                              |
| <b>Total current liabilities</b>                  |             | <u>167,543,642</u>                      | <u>187,360,019</u>                      |
| <b>Total liabilities</b>                          |             | <u>395,547,947</u>                      | <u>439,510,924</u>                      |
| <b>Total Shareholders' equity and liabilities</b> |             | <u>1,392,412,609</u>                    | <u>1,425,135,605</u>                    |

The accompanying notes from 1 to 26 from an integral part of financial statements.

Chief Financial Officer

Jahanzeb Ahmed Khan

Chief Executive Officer

Abdulaziz Alobaid

Chairman of Board of Directors

Eyad Abdulrahman Alhusain



**NATIONAL MEDICAL CARE COMPANY**  
A Saudi Joint Stock Company

**STATEMENT OF COMPREHENSIVE INCOME**  
Saudi Riyals

|                                                                           | <u>Note</u> | <i>For the year ended 31 December</i> |                          |
|---------------------------------------------------------------------------|-------------|---------------------------------------|--------------------------|
|                                                                           |             | <u>2018</u>                           | <u>2017</u>              |
| Revenue                                                                   | 16          | 763,804,127                           | 855,083,581              |
| Cost of revenue                                                           |             | <u>(597,294,006)</u>                  | <u>(659,681,172)</u>     |
| <b>Gross profit</b>                                                       |             | <b>166,510,121</b>                    | <b>195,402,409</b>       |
| Selling and marketing expenses                                            |             | <b>(488,856)</b>                      | <b>(387,733)</b>         |
| General and administrative expenses                                       | 17          | <b>(72,804,681)</b>                   | <b>(87,687,715)</b>      |
| Provision of expected credit losses (2017: Provision of doubtful debts)   | 9           | <b>(15,120,522)</b>                   | <b>(17,360,461)</b>      |
| Other income                                                              | 18          | <u>10,329,453</u>                     | <u>13,806,269</u>        |
| <b>Operating profit</b>                                                   |             | <b>88,425,515</b>                     | <b>103,772,769</b>       |
| Impairment loss on property, plant and equipment                          | 6           | <b>(2,166,294)</b>                    | -                        |
| Loss on disposal of property, plant and equipment                         |             | <b>(184,407)</b>                      | <b>(1,240,875)</b>       |
| Finance cost                                                              |             | <u>(2,464,121)</u>                    | <u>(2,398,911)</u>       |
| <b>Net profit for the year before zakat</b>                               |             | <b>83,610,693</b>                     | <b>100,132,983</b>       |
| Zakat expense                                                             | 15          | <u>(21,428,305)</u>                   | <u>(14,836,539)</u>      |
| <b>Net profit for the year</b>                                            |             | <b>62,182,388</b>                     | <b>85,296,444</b>        |
| <br><b>Items of other comprehensive income</b>                            |             |                                       |                          |
| <u>Item that will not be reclassified subsequently to profit or loss:</u> |             |                                       |                          |
| Actuarial re-measurement of end of service benefits                       | 13          | <u>1,429,055</u>                      | <u>(4,933,775)</u>       |
| <b>Comprehensive income for the year</b>                                  |             | <u><b>63,611,443</b></u>              | <u><b>80,362,669</b></u> |
| <br>Basic earnings per share from net profit for the year                 | <br>20      | <br><b>1.39</b>                       | <br><b>1.90</b>          |

The accompanying notes from 1 to 26 from an integral part of financial statements.

**Chief Financial Officer**

Jahanzeb Ahmed Khan

**Chief Executive Officer**

Abdulaziz Alobaid

**Chairman of Board of Directors**

Eyad Abdulrahman Alhusain

**NATIONAL MEDICAL CARE COMPANY**  
A Saudi Joint Stock Company

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
Saudi Riyals

|                                                         | Share capital      | Statutory reserve  | Retained earnings  | Total              |
|---------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| <b>For the year ended 31 December 2018</b>              |                    |                    |                    |                    |
| Balance as at 1 January 2018 after adjustment (Note 24) | 448,500,000        | 186,021,947        | 343,581,272        | 978,103,219        |
| Net profit for the year                                 | -                  | -                  | 62,182,388         | 62,182,388         |
| Items of other comprehensive income                     | -                  | -                  | 1,429,055          | 1,429,055          |
| Comprehensive income for the year                       | -                  | -                  | 63,611,443         | 63,611,443         |
| Dividends paid (Note 21)                                | -                  | -                  | (44,850,000)       | (44,850,000)       |
| <b>Balance as at 31 December 2018</b>                   | <b>448,500,000</b> | <b>186,021,947</b> | <b>362,342,715</b> | <b>996,864,662</b> |
| <b>For the year ended 31 December 2017</b>              |                    |                    |                    |                    |
| Balance as at 1 January 2017                            | 448,500,000        | 186,021,947        | 270,740,065        | 905,262,012        |
| Net profit for the year                                 | -                  | -                  | 85,296,444         | 85,296,444         |
| Items of other comprehensive income                     | -                  | -                  | (4,933,775)        | (4,933,775)        |
| Comprehensive income for the year                       | -                  | -                  | 80,362,669         | 80,362,669         |
| <b>Balance as at 31 December 2017</b>                   | <b>448,500,000</b> | <b>186,021,947</b> | <b>351,102,734</b> | <b>985,624,681</b> |

The accompanying notes from 1 to 26 form an integral part of financial statements.

Chief Financial Officer

  
Jaber Ahmed Khan

Chief Executive Officer

  
Abdulaziz Alobaid

Chairman of Board of Directors

  
Eyad Abdulrahman Alhusain

**NATIONAL MEDICAL CARE COMPANY**  
**A Saudi Joint Stock Company**  
**STATEMENT OF CASH FLOWS**  
**Saudi Riyals**

|                                                                         | <u>Note</u> | <b>For the year ended December 31</b> |                     |
|-------------------------------------------------------------------------|-------------|---------------------------------------|---------------------|
|                                                                         |             | <u>2018</u>                           | <u>2017</u>         |
| <b><u>Operating activities</u></b>                                      |             |                                       |                     |
| Net Profit for the year before zakat                                    |             | 83,610,693                            | 100,132,983         |
| <b><u>Adjustments</u></b>                                               |             |                                       |                     |
| Depreciation of property, plant and equipment                           | 6           | 72,151,905                            | 67,603,349          |
| Loss on disposal off property, plant and equipment                      |             | 184,407                               | 1,240,875           |
| Impairment of property, plant and equipment                             | 6           | 2,166,294                             | -                   |
| Amortization of intangible assets                                       | 7           | 730,761                               | 807,168             |
| Provision of expected credit losses (2017: Provision of doubtful debts) | 9           | 15,120,522                            | 17,360,461          |
| Expected medical rejections                                             | 9           | 54,540,509                            | 30,538,999          |
| Provision for slow moving and obsolete inventories                      | 8           | 62,459                                | -                   |
| Finance Cost                                                            |             | 2,464,121                             | 2,398,911           |
| <b><u>Changes in</u></b>                                                |             |                                       |                     |
| Trade and other receivables                                             |             | 127,911,127                           | (49,013,462)        |
| Contract assets                                                         |             | (4,539,873)                           | -                   |
| Inventories                                                             |             | 3,203,036                             | (1,550,138)         |
| Trade creditors and other payables                                      |             | (36,265,592)                          | (41,449,052)        |
| Contract liabilities                                                    |             | 1,178,298                             | -                   |
| Liability for employees' end of service benefits                        |             | 1,406,447                             | (2,462,611)         |
| Cash generated from operations                                          |             | 323,925,114                           | 125,607,483         |
| Zakat, paid                                                             | 15          | (6,157,388)                           | (12,487,292)        |
| <b>Net cash flows generated from operating activities</b>               |             | <b>317,767,726</b>                    | <b>113,120,191</b>  |
| <b><u>Investing activities</u></b>                                      |             |                                       |                     |
| Acquisition of property, plant and equipment                            | 6           | (19,194,603)                          | (73,392,898)        |
| Proceeds from disposal of property, plant and equipment                 |             | 72,000                                | 313,800             |
| Acquisition of intangible assets                                        | 7           | -                                     | (192,499)           |
| <b>Net cash flows used in investing activities</b>                      |             | <b>(19,122,603)</b>                   | <b>(73,271,597)</b> |
| <b><u>Financing activities</u></b>                                      |             |                                       |                     |
| Repayments for long-term loans                                          |             | (24,123,992)                          | (24,123,992)        |
| Proceeds from short-term loan                                           |             | -                                     | 30,000,000          |
| Repayment of short-term loan                                            |             | -                                     | (30,000,000)        |
| Dividends paid                                                          | 21          | (44,850,000)                          | -                   |
| Finance Cost                                                            |             | (2,464,121)                           | (2,398,911)         |
| <b>Net cash flows used in financing activities</b>                      |             | <b>(71,438,113)</b>                   | <b>(26,522,903)</b> |
| Net change in cash and cash equivalents during the year                 |             | 227,207,010                           | 13,325,691          |
| Cash and cash equivalents at the beginning of the year                  | 10          | 117,350,808                           | 104,025,117         |
| <b>Cash and cash equivalents at the end of the year</b>                 | 10          | <b>344,557,818</b>                    | <b>117,350,808</b>  |

The accompanying notes from 1 to 26 from an integral part of financial statements.

**Chief Financial Officer**  
Jahanzeb Ahmed Khan



**Chief Executive Officer**  
Abdulaziz Alobaid



**Chairman of Board of Directors**  
Eyad Abdulrahman Alhusain



## NATIONAL MEDICAL CARE COMPANY

A Saudi Joint Stock Company

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

All amounts are presented in Saudi riyals unless otherwise indicated

---

#### **1. The Company and its business discretion**

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).
- *Care company for 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 02, 2013).

The Company is engaged in the business to establish, own, equip, manage, maintain and operate hospitals, health centers and units. The Company also engages in wholesale and retail trade in medicines, medical equipment and supplies, representing its own companies and owns 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 of 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’s share capital of 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 11457. Kingdom of Saudi Arabia.

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

#### **2. Standards issued but not effective**

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements.

#### **IFRS (16) “Leases” (effective for accounting period beginning on or after 1 January 2019)**

IFRS (16) replaces IAS (17) ‘Leases’, IFRIC (4) ‘Determining whether an Arrangement contains a Lease’, SIC (15) ‘Operating Leases- Incentives’ and SIC (27) ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’.

IFRS (16) introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. a lessor continues to classify leases as finance or operating leases. The Company does not have significant lease contracts and no material impact is expected on implementation of IFRS (16).

#### **Other**

- Amendments to IFRS (9) “Financials Instruments” related to Prepayment Features with Negative Compensation) Effective date 1 January 2019).
- Amendments to IAS (28) “Investments in Associates and Joint Ventures” related to Long-term Investments in Associates and Joint Ventures (Effective date 1 January 2019).
- Amendments to IAS (19) “Employee Benefits “related to Plan Amendment, Curtailment or Settlement (Effective date 1 January 2019).

## NATIONAL MEDICAL CARE COMPANY

A Saudi Joint Stock Company

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

All amounts are presented in Saudi riyals unless otherwise indicated

---

- Improvement to IFRS (3) “Business Combinations” related to previously held Interests in a joint operation. (Effective date 1 January 2019).
- Improvement to IFRS (11) “Joint Arrangements” related to Previously Held Interests in a joint operation. 1 (Effective date 1 January 2019).
- Improvement to IAS (12) “Income Taxes” related to Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Effective date 1 January 2019).
- Improvement to IAS (23) “Borrowing Costs” related to Borrowing Costs Eligible for Capitalization (Effective date 1 January 2019).
- IFRS (17) “Insurance Contracts” (Effective date 1 January 2021)
- IFRIC (23) “Uncertainty over Income Tax Treatments” (Effective date 1 January 2019)

Management is currently determining the implementation effect of the above standards on the financial statements if they are considered applicable to the Company.

### **3. Basis of accounting**

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA).

These financial statements are prepared under the historical cost basis, except for employees’ end of service benefits which are recognized at the present value of future obligations using the projected unit credit method.

These financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Company.

### **4. Summary of significant accounting policies**

#### **4.1 Standards issued and effective from 1 January 2018**

- IFRS (15)” Revenues from Contracts with Customers”
- IFRS (9)” Financial Instruments”

#### **IFRS (9) “Financial Instruments”**

IFRS (9) largely retains the existing requirements in IAS (39) for the classification and measurement of financial liabilities. However, it eliminates the previous IAS (39)’s categories for financial assets of held to maturity, loans and receivables and available for sale.

The Company has taken an exemption not to restate corresponding information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS (9) are not recognized in retained earnings as at 1 January 2018 as amounts involved are not material. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS (9) but rather those of IAS (39).

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Company recognizes a financial instrument at its fair value plus or minus transaction costs (in the case of a financial instrument not at fair value through profit or loss) that are directly attributable to the acquisition or issue of the financial instrument.

## **NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

---

#### **Financial assets**

IFRS (9) introduces new classification and measurement requirements for financial assets. IFRS (9) "Financial Instruments" requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

#### **Financial assets at amortized cost**

A financial asset is measured at amortized cost if the assets are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the criterion of solely payments of principle and interest "SPPI".

In the reporting period, the Company has no debt instruments at fair value through other comprehensive income, financial assets at fair value through profit and loss, and equity instruments at fair value through other comprehensive income.

#### **Impairment in financial assets**

The Company applies the simplified approach to calculate impairment on financial assets. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors and general economic conditions and assessment of forecast direction of conditions at the reporting date, including time value of money where appropriate.

The measurement of expected credit losses is an indicator of the probability of default, loss given default and the exposure at default (i.e. the magnitude of the loss if there is a default). The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

The Company recognizes an impairment gain or loss in the statement of profit or loss through allowance account.

#### **Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay.

#### **Financial liabilities**

Financial liabilities are carried at amortized cost or at fair value through profit or loss. All financial liabilities are carried at amortized cost using the effective yield method. The Company has no financial liabilities at fair value through profit or loss.

#### **Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expire.

#### **IFRS (15) "Revenue from Contracts with Customers"**

IFRS (15): "Revenue from contracts with customers" 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 judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to the 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.

## NATIONAL MEDICAL CARE COMPANY

A Saudi Joint Stock Company

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

All amounts are presented in Saudi riyals unless otherwise indicated

---

The Company generates its revenue from rendering of clinical services and sale of medicines. 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.

#### *Sale of medicines*

The Company's contracts with customers for the sale of medicines and drugs generally include one performance obligation. The Company has concluded that revenue from sale of medicines and drugs should be recognised at the point in time when control 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.

#### *Rendering of clinical services*

For clinical services, 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 discount and rejections of claims. Management estimates variable consideration using the expected value method for discounts and rejections. Management applies 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 considers all information (historical, current and forecast) that is reasonably available to the Company and identifies reasonable consideration amounts. The adoption of IFRS (15) did not have a material impact on revenue recognition for operating revenues.

#### **4.2 Property, plant and equipment**

Property, plant and equipment are 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, plant and equipment, as follows:

|                                           | <u>Years</u> |
|-------------------------------------------|--------------|
| 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            |

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.

#### **4.3 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 un identified useful lives and acquired separately are carried at cost less accumulated impairment losses.

The Company estimates the useful life of intangible assets as follow:

|                  | <u>Years</u> |
|------------------|--------------|
| Software         | 3            |
| Medical licenses | 3            |

## **NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

---

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 a difference between net disposal proceeds and the carrying amount of the asset and recognized in comprehensive income when the asset is derecognized.

#### **4.4 Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that any of non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market estimates of the time value of funds and any specific risks to the asset. When determining the fair value less costs of disposal, current transactions in the market are taken into consideration. When these transactions are not available, an appropriate valuation model is used. These calculations are supported by the use of valuation exercises and quoted share prices for listed companies or other available factors for fair value

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's Cash Generating Unit to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses for continuing operations are recognized in the consolidated statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each Cash Generating Unit (or group of Cash Generating Units) to which the goodwill relates.

When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

#### **4.5 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 from purchasing date and are available for use by the Company unless otherwise stated.

#### **4.6 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.

#### **4.7 Revenues**

##### **Rendering of clinical services**

Revenue from services primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, operation theatre, medical professional services, equipment, radiology and laboratory. Clinical services are sold both on their own in separately identified contracts with customers and together as a bundled package along with revenue from pharmacy.

Under IFRS (15) "Revenue from Contracts with Customers", the Company concluded that revenue from bundled services will be recognized over time.



## **NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

---

#### **Sale of medicine**

Revenue is recognized when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

The Company is primarily responsible for fulfilling the promise to provide the specified pharmaceutical and other specific products. The Company bears inventory risk before the pharmaceutical and other products have been transferred to the customer. In addition, the Company has discretion in establishing the price for the specified pharmaceutical products.

#### **Volume discounts**

Revenue is often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract, less estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

#### **Medical rejections**

Medical rejections are assessed based on all information (historical, current and forecast) that is available to the Company and recognized against revenue during the year.

#### **4.8 Statutory reserve**

In accordance with the Company's bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

#### **4.9 Employees' benefits**

##### **Liability for employees' end of service benefits**

The liability for 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 charge 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 re-measurements.

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.

## **NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

---

#### **4.10 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.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

#### **4.11 Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

#### **4.12 Zakat**

Zakat is calculated and provided for by the Company in accordance with the regulations of General Authority of Zakat and Income Tax (GAZT) and charged to statement of comprehensive income. Additional zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

#### **4.13 Segmental Reporting**

A segment is a component of the Company that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

#### **4.14 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.

### **5. Significant accounting estimates and assumption**

The preparation of the financial statements in accordance with IFRS 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.

#### **5.1 Estimated useful lives of property and equipment**

The Company reviews appropriateness of the useful life used in the calculation of depreciation, the maintenance and repair program along with technical obsolescence. Further, where applicable, an estimate of the residual value of assets is made on an annual basis.

#### **5.2 Provision for expected credit losses**

Provision for expected credit losses is determined by reference to a combination of factors to ensure that financial assets are not overdue due to the probability of un-collectability, including its quality, lifetime, the ongoing credit rating and collateral. It is also taken into account the macroeconomic data and ratios.

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

---

**5.3 Medical rejections**

The medical rejections recorded by the Company are based on historical, current and forecasted information available with the Company for each individual customer.

**5.4 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.

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

**6. Property, plant and equipment**

|                                 | <u>Land</u>       | <u>Buildings</u>     | <u>Improvements to buildings</u> | <u>Medical equipment and devices</u> | <u>Lifts and communication devices</u> | <u>Furniture and office equipment</u> | <u>Computer hardware and software</u> | <u>Means of transport</u> | <u>Work in Progress</u> | <u>Total</u>         |
|---------------------------------|-------------------|----------------------|----------------------------------|--------------------------------------|----------------------------------------|---------------------------------------|---------------------------------------|---------------------------|-------------------------|----------------------|
| <b>Cost</b>                     |                   |                      |                                  |                                      |                                        |                                       |                                       |                           |                         |                      |
| At 1 January 2017               | 58,780,660        | 655,356,819          | 24,481,738                       | 321,935,693                          | 30,013,821                             | 30,426,249                            | 37,902,359                            | 10,511,012                | 40,799,850              | 1,210,208,201        |
| Additions                       | -                 | -                    | 1,338,142                        | 26,719,519                           | 84,962                                 | 2,433,691                             | 465,529                               | 246,898                   | 42,104,157              | 73,392,898           |
| Disposal                        | -                 | (132,665)            | (1,294,401)                      | (21,210,349)                         | (312,300)                              | (5,676,719)                           | (17,749,779)                          | (1,231,997)               | -                       | (47,608,210)         |
| Transfers                       | -                 | 833,785              | -                                | -                                    | -                                      | -                                     | -                                     | -                         | (833,785)               | -                    |
| At 31 December 2017             | <b>58,780,660</b> | <b>656,057,939</b>   | <b>24,525,479</b>                | <b>327,444,863</b>                   | <b>29,786,483</b>                      | <b>27,183,221</b>                     | <b>20,618,109</b>                     | <b>9,525,913</b>          | <b>82,070,222</b>       | <b>1,235,992,889</b> |
| Additions                       | -                 | <b>68,740</b>        | <b>14,106</b>                    | <b>15,051,934</b>                    | <b>56,000</b>                          | <b>114,223</b>                        | <b>1,171,582</b>                      | -                         | <b>2,718,018</b>        | <b>19,194,603</b>    |
| Disposal                        | -                 | <b>(13,817)</b>      | -                                | <b>(18,622,477)</b>                  | <b>(456,363)</b>                       | <b>(1,303,122)</b>                    | <b>(1,731,907)</b>                    | <b>(884,148)</b>          | -                       | <b>(23,011,834)</b>  |
| Impairment                      | -                 | -                    | -                                | -                                    | -                                      | -                                     | -                                     | -                         | <b>(2,166,294)</b>      | <b>(2,166,294)</b>   |
| Transfers                       | -                 | <b>81,065,093</b>    | -                                | -                                    | -                                      | -                                     | -                                     | -                         | <b>(81,065,093)</b>     | -                    |
| At 31 December 2018             | <b>58,780,660</b> | <b>737,177,955</b>   | <b>24,539,585</b>                | <b>323,874,320</b>                   | <b>29,386,120</b>                      | <b>25,994,322</b>                     | <b>20,057,784</b>                     | <b>8,641,765</b>          | <b>1,556,853</b>        | <b>1,230,009,364</b> |
| <b>Accumulated depreciation</b> |                   |                      |                                  |                                      |                                        |                                       |                                       |                           |                         |                      |
| At 1 January 2017               | -                 | (274,793,353)        | (17,372,904)                     | (196,909,719)                        | (16,683,904)                           | (17,942,126)                          | (32,188,307)                          | (6,909,048)               | -                       | (562,799,361)        |
| Charge for the year             | -                 | (19,666,116)         | (2,589,336)                      | (34,830,332)                         | (1,980,576)                            | (3,288,570)                           | (3,758,186)                           | (1,490,233)               | -                       | (67,603,349)         |
| Disposal                        | -                 | 97,880               | 702,781                          | 20,440,194                           | 294,339                                | 5,558,793                             | 17,725,636                            | 1,233,912                 | -                       | 46,053,535           |
| At 31 December 2017             | -                 | <b>(294,361,589)</b> | <b>(19,259,459)</b>              | <b>(211,299,857)</b>                 | <b>(18,370,141)</b>                    | <b>(15,671,903)</b>                   | <b>(18,220,857)</b>                   | <b>(7,165,369)</b>        | -                       | <b>(584,349,175)</b> |
| Charge for the year             | -                 | <b>(21,421,565)</b>  | <b>(1,236,125)</b>               | <b>(40,274,148)</b>                  | <b>(2,704,593)</b>                     | <b>(3,326,012)</b>                    | <b>(2,039,808)</b>                    | <b>(1,149,654)</b>        | -                       | <b>(72,151,905)</b>  |
| Disposal                        | -                 | <b>13,814</b>        | -                                | <b>18,422,112</b>                    | <b>427,697</b>                         | <b>1,275,842</b>                      | <b>1,731,814</b>                      | <b>884,148</b>            | -                       | <b>22,755,427</b>    |
| At 31 December 2018             | -                 | <b>(315,769,340)</b> | <b>(20,495,584)</b>              | <b>(233,151,893)</b>                 | <b>(20,647,037)</b>                    | <b>(17,722,073)</b>                   | <b>(18,528,851)</b>                   | <b>(7,430,875)</b>        | -                       | <b>(633,745,653)</b> |
| <b>Net book value</b>           |                   |                      |                                  |                                      |                                        |                                       |                                       |                           |                         |                      |
| At 31 December 2018             | <b>58,780,660</b> | <b>421,408,615</b>   | <b>4,044,001</b>                 | <b>90,722,427</b>                    | <b>8,739,083</b>                       | <b>8,272,249</b>                      | <b>1,528,933</b>                      | <b>1,210,890</b>          | <b>1,556,853</b>        | <b>596,263,711</b>   |
| At 31 December 2017             | 58,780,660        | 361,696,350          | 5,266,020                        | 116,145,006                          | 11,416,342                             | 11,511,318                            | 2,397,252                             | 2,360,544                 | 82,070,222              | 651,643,714          |

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

Depreciation charged to the year is recorded as follows:

|                                               | <b>For the year<br/>ended 31<br/>December 2018</b> | <b>For the year<br/>ended 31<br/>December 2017</b> |
|-----------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Cost of revenue                               | <b>55,002,397</b>                                  | 48,094,035                                         |
| General and administrative expenses (Note 17) | <b>17,149,508</b>                                  | 19,509,314                                         |
|                                               | <b>72,151,905</b>                                  | 67,603,349                                         |

The Company has land and buildings, with net book value of SR 269 million as at 31 December 2018 (2017: SR 279 million) pledged to the Ministry of Finance against a loan granted to the company (Note 12).

The Company capitalized borrowing cost in property plant and equipment amounting to SR 717,714 (2017: SR 3,059,759).

The Company recorded impairment loss for work in progress amounting to SR 2,166,294, representing cost of incomplete software.

| <b>7. Intangible assets</b>     | <b>As at 31<br/>December 2018</b> | <b>As at 31<br/>December 2017</b> |
|---------------------------------|-----------------------------------|-----------------------------------|
| <b>Cost</b>                     |                                   |                                   |
| As at 1 January                 | <b>4,500,725</b>                  | 4,308,226                         |
| Additions                       | -                                 | 192,499                           |
| As at 31 December               | <b>4,500,725</b>                  | 4,500,725                         |
| <b>Accumulated amortization</b> |                                   |                                   |
| As at 1 January                 | <b>(3,399,576)</b>                | (2,592,408)                       |
| Charge                          | <b>(730,761)</b>                  | (807,168)                         |
| As at 31 December               | <b>(4,130,337)</b>                | (3,399,576)                       |
|                                 | <b>370,388</b>                    | 1,101,149                         |

| <b>8. Inventories</b>             | <b>As at 31<br/>December 2018</b> | <b>As at 31<br/>December 2017</b> |
|-----------------------------------|-----------------------------------|-----------------------------------|
| Pharmaceuticals                   | <b>32,810,182</b>                 | 27,197,729                        |
| Medical Supplies                  | <b>22,360,714</b>                 | 30,853,709                        |
| Consumable and cleaning materials | <b>1,012,066</b>                  | 1,512,925                         |
|                                   | <b>56,182,962</b>                 | 59,564,363                        |
| Provision for slow moving items   | <b>(986,805)</b>                  | (1,102,711)                       |
|                                   | <b>55,196,157</b>                 | 58,461,652                        |

The movement of the provision for slow moving items is as follows

|                           | <b>For year ended<br/>31 December<br/>2018</b> | <b>For year ended<br/>31 December<br/>2017</b> |
|---------------------------|------------------------------------------------|------------------------------------------------|
| Balance as at 1 January   | <b>1,102,711</b>                               | 1,102,711                                      |
| Additions                 | <b>62,459</b>                                  | -                                              |
| Used                      | <b>(178,365)</b>                               | -                                              |
| Balance as at 31 December | <b>986,805</b>                                 | 1,102,711                                      |

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

**9. Trade and other receivables**

|                                                                         | As of<br>31 December<br>2018 | As of<br>31 December<br>2017 |
|-------------------------------------------------------------------------|------------------------------|------------------------------|
| Trade receivables                                                       | 410,408,398                  | 414,293,734                  |
| Due from related parties (Note 11)                                      | 117,469,638                  | 279,745,086                  |
|                                                                         | <b>527,878,036</b>           | 694,038,820                  |
| <b>Deduction</b>                                                        |                              |                              |
| Provision of expected credit losses (2017: Provision of doubtful debts) | (69,172,321)                 | (47,418,490)                 |
| Expected medical rejections                                             | (88,836,145)                 | (65,564,458)                 |
|                                                                         | <b>369,869,570</b>           | 581,055,872                  |
| Suppliers advance payments                                              | 8,528,349                    | 3,937,474                    |
| Letter of guarantees                                                    | 8,719,345                    | 8,832,279                    |
| Prepaid expenses                                                        | 3,122,971                    | 694,765                      |
| Others                                                                  | 1,244,427                    | 2,057,892                    |
|                                                                         | <b>391,484,662</b>           | 596,578,282                  |

Trade and other receivables' balances are non-interest bearing.

As of 31 December 2018 the amounts due from governmental and semi-governmental entities represents 66% of total trade receivables and due from related parties (2017: 75%).

On 29 March 2018, the Company signed a renewal of the contract with General Organization for Social Insurance (related party) for three years started from 1 January 2018.

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 SR 255.9 million was signed on 12 June 2017 and will continue for three years starting from April 11, 2017.

Movements of provision of expected credit losses (2017: provision for doubtful debts) are as follows

|                                                    | For year ended<br>31 December<br>2018 | For year ended<br>31 December<br>2017 |
|----------------------------------------------------|---------------------------------------|---------------------------------------|
| Balance at beginning of the year before adjustment | 47,418,490                            | 33,351,759                            |
| Adjustment (Note 24)                               | 7,521,462                             | -                                     |
| Balance at beginning of the year after adjustment  | 54,939,952                            | 33,351,759                            |
| Charge for the year                                | 19,436,844                            | 17,360,461                            |
| Provisions reversed during the year                | (4,316,322)                           | -                                     |
| Provision utilized during the year                 | (888,153)                             | (3,293,730)                           |
| Balance at the end of the year                     | <b>69,172,321</b>                     | 47,418,490                            |

Movements of provision for expected medical rejections is as follows:

|                                    |                   |              |
|------------------------------------|-------------------|--------------|
| Balance at beginning of the year   | 65,564,458        | 65,855,386   |
| Charge for the year                | 54,540,509        | 30,538,999   |
| Provision utilized during the year | (31,268,822)      | (30,829,927) |
| Balance at the end of the year     | <b>88,836,145</b> | 65,564,458   |

The other classes of trade and other receivables 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 and other receivables.

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

|                                                  | As at 31<br>December 2018 | As at 31<br>December 2017 |
|--------------------------------------------------|---------------------------|---------------------------|
| <b>10. Cash and cash equivalents</b>             |                           |                           |
| Cash in hand                                     | 290,223                   | 422,286                   |
| Bank balances – current accounts                 | 94,267,595                | 116,928,522               |
| Time deposits within 90 days from purchases data | 250,000,000               | -                         |
|                                                  | <u>344,557,818</u>        | <u>117,350,808</u>        |

**11. 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**

|                                                    | Relation     | Nature of transaction | Transactions during year ended 31 December |             | Balance as of 31 December |             |
|----------------------------------------------------|--------------|-----------------------|--------------------------------------------|-------------|---------------------------|-------------|
|                                                    |              |                       | 2018                                       | 2017        | 2018                      | 2017        |
| General Organization for Social Insurance (Note 9) | Share holder | Medical service       | 293,132,299                                | 304,536,175 | 117,469,638               | 279,745,086 |

**Due to related parties**

|                              | Relation               | Nature of transaction | Transactions during year ended 31 December |           | Balance as of 31 December |                  |
|------------------------------|------------------------|-----------------------|--------------------------------------------|-----------|---------------------------|------------------|
|                              |                        |                       | 2018                                       | 2017      | 2018                      | 2017             |
| Arabian Medical Supplies Co. | Owned by a shareholder | Purchases             | -                                          | 26,917    | -                         | -                |
| Drager Arabian Co. Ltd.      | Owned by a shareholder | Purchases             | 95,976                                     | 1,222,079 | 55,509                    | 1,125,360        |
|                              |                        |                       |                                            |           | <u>55,509</u>             | <u>1,125,360</u> |

**Key management personnel**

|                                            | Charged to comprehensive income for year ended 31 December |                  | Balance as of 31 December |                  |
|--------------------------------------------|------------------------------------------------------------|------------------|---------------------------|------------------|
|                                            | 2018                                                       | 2017             | 2018                      | 2017             |
| Short-term benefits                        | 10,547,984                                                 | 6,143,734        | -                         | -                |
| Board of directors remunerations (Note 21) | 1,900,000                                                  | 1,900,000        | -                         | -                |
| Post-employment benefits                   | 277,467                                                    | 377,348          | 2,118,893                 | 2,169,447        |
|                                            | <u>12,725,451</u>                                          | <u>8,421,082</u> | <u>2,118,893</u>          | <u>2,169,447</u> |

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

**12. Loans**

|                                              | <b>As of<br/>31 December 2018</b> | <b>As of<br/>31 December 2017</b> |
|----------------------------------------------|-----------------------------------|-----------------------------------|
| Total liability of loans                     | <u>176,429,590</u>                | <u>204,129,537</u>                |
| <u>Deduct</u>                                |                                   |                                   |
| Future unamortized finance cost              | <u>(5,834,090)</u>                | <u>(9,410,045)</u>                |
| Present value of long-term loans liabilities | <u>170,595,500</u>                | <u>194,719,492</u>                |
| <u>Divided to</u>                            |                                   |                                   |
| Current portion of long-term loans           | <u>24,123,992</u>                 | <u>24,123,992</u>                 |
| Noncurrent portion of long-term loans        | <u>146,471,508</u>                | <u>170,595,500</u>                |
|                                              | <u>170,595,500</u>                | <u>194,719,492</u>                |

On December 10, 2012, the Company signed a loan agreement with the Ministry of Finance to finance construction work under progress amounting to SR 154,112,000. The Company received the first installment of SR 66,572,100 on April 28, 2013 and second installment amounting of SR 11,180,900 on January 13, 2014 and the third installment amounting of SR 41,090,485 on November 4, 2014. The loan is repaid annually through 20 equal installments, the first installment of which is due after 5 years of the contract date started on October 11, 2017. This loan is an interest free loan and secured against real estate mortgage (Note 6)

On November 5, 2015, the Company obtained a Murabha contract amounting to SR 100 Million from Riyadh Bank for expansion, renewal, renovation and preparation of northern building of National Care Hospital, including a grace period of one year. It will be paid on semi-annual installments over five years. The Murabha is guaranteed by promissory note amounting to SR 145 million.

During 2016 the Company agreed a financing limit of SR 50 million, during 2017 the Company used SR 30 million and fully paid.

**13. Liability for employees and of service benefits**

|                                  | <b>For the year ended<br/>31 December 2018</b> | <b>For the year ended<br/>31 December 2017</b> |
|----------------------------------|------------------------------------------------|------------------------------------------------|
| Balance at beginning of the year | <u>81,555,405</u>                              | <u>79,084,241</u>                              |
| Service and interest cost        | <u>15,086,022</u>                              | <u>16,405,254</u>                              |
| Paid during the year             | <u>(13,679,575)</u>                            | <u>(18,867,865)</u>                            |
| Actuarial re-measurement         | <u>(1,429,055)</u>                             | <u>4,933,775</u>                               |
| Balance at end of the year       | <u>81,532,797</u>                              | <u>81,555,405</u>                              |

The principal actuarial assumptions used to calculate the present value of the liability for employees' end of service indemnities are as follows:

|                                  | <b>For year the ended<br/>31 December 2018</b> | <b>For year the ended<br/>31 December 2017</b> |
|----------------------------------|------------------------------------------------|------------------------------------------------|
| Discount factor                  | <u>4.10%</u>                                   | <u>3.6%</u>                                    |
| Expected salary growth           | <u>4.07%</u>                                   | <u>4.24%</u>                                   |
| Expected growth of benefits paid | <u>11.30%</u>                                  | <u>12.10%</u>                                  |



**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

The sensitivity analysis on the balance of the liability for end of service indemnities is as follows for the main assumptions as at reporting date, while maintaining the other assumptions:

|                                  | <b>Increase<br/>(Decrease)</b> | <b>As of<br/>31 December 2018</b> | <b>As of<br/>31 December 2017</b> |
|----------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Discount factor                  | %1                             | <b>75,962,701</b>                 | 78,396,739                        |
|                                  | (%1)                           | <b>87,939,364</b>                 | 84,923,305                        |
| Expected salary growth           | %1                             | <b>88,283,881</b>                 | 85,268,376                        |
|                                  | (%1)                           | <b>75,557,063</b>                 | 78,061,257                        |
| Expected growth of benefits paid | %10                            | <b>80,683,292</b>                 | 80,057,322                        |
|                                  | (%10)                          | <b>82,624,222</b>                 | 83,237,455                        |

**14. Trade and other payables**

|                              | <b>As of 31 December<br/>2018</b> | <b>As of 31 December<br/>2017</b> |
|------------------------------|-----------------------------------|-----------------------------------|
| Trade payables               | <b>55,195,844</b>                 | 89,568,510                        |
| Accrued vacations and ticket | <b>18,729,370</b>                 | 19,806,784                        |
| Employees' accruals          | <b>16,520,173</b>                 | 20,183,693                        |
| Accrued expenses             | <b>11,410,872</b>                 | 11,921,659                        |
| Value added tax              | <b>2,896,043</b>                  | -                                 |
| Other                        | <b>3,102,059</b>                  | 2,639,307                         |
|                              | <b>107,854,361</b>                | 144,119,953                       |

**15. Provision for Zakat**

|                           | <b>As of 31 December<br/>2018</b>              | <b>As of 31 December<br/>2017</b>              |
|---------------------------|------------------------------------------------|------------------------------------------------|
| <b>Zakat base</b>         |                                                |                                                |
| Equity                    | <b>978,103,219</b>                             | 905,262,012                                    |
| Net adjusted income       | <b>139,220,248</b>                             | 115,880,556                                    |
| Additions                 | <b>276,109,705</b>                             | 329,388,127                                    |
| Deductions                | <b>(536,300,960)</b>                           | (585,887,696)                                  |
|                           | <b>857,132,212</b>                             | 764,642,999                                    |
| <b>Zakat movement</b>     | <b>For the year ended<br/>31 December 2018</b> | <b>For the year ended<br/>31 December 2017</b> |
| Balance as at 1 January   | <b>19,116,074</b>                              | 16,766,827                                     |
| Charged during the year   | <b>21,428,305</b>                              | 14,836,539                                     |
| Paid during the year      | <b>(6,157,388)</b>                             | (12,487,292)                                   |
| Balance as at 31 December | <b>34,386,991</b>                              | 19,116,074                                     |

**Zakat position**

The Company has submitted its zakat returns for all years up to 2017 and received Zakat certificates. The Company received final Zakat assessments up to the year 2007. The Company is currently conducting assessment procedures for the years from 2008 to 2015, however, final assessment has not been issued.

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

**16. Revenues from contracts with customers**

|                                 | <b>For the year ended<br/>31 December 2018</b> | <b>For the year ended<br/>31 December 2017</b> |
|---------------------------------|------------------------------------------------|------------------------------------------------|
| <b>Revenue by category</b>      |                                                |                                                |
| Rendering of clinical services  | 669,929,416                                    | 734,683,691                                    |
| Sale of medicine                | 93,874,711                                     | 120,399,890                                    |
|                                 | <u>763,804,127</u>                             | <u>855,083,581</u>                             |
| <b>Revenue time recognition</b> |                                                |                                                |
| Over time                       | 544,649,321                                    | 592,883,840                                    |
| At point in time                | 219,154,806                                    | 262,199,741                                    |
|                                 | <u>763,804,127</u>                             | <u>855,083,581</u>                             |

|                                                       | <b>For year ended 31 December 2018</b> |                             |
|-------------------------------------------------------|----------------------------------------|-----------------------------|
|                                                       | <b>Contract assets</b>                 | <b>Contract liabilities</b> |
| <b>Contract Balances</b>                              |                                        |                             |
| Balance as at 1 January                               | -                                      | 3,107,226                   |
| Contract assets generated during the year             | 5,176,539                              | -                           |
| Transferred from contract assets to trade receivables | (636,666)                              | -                           |
| Contract liabilities generated during the year        | -                                      | 2,097,297                   |
| Contract liabilities transferred to revenues          | -                                      | (4,026,225)                 |
| Balance as at 31 December                             | <u>4,539,873</u>                       | <u>1,178,298</u>            |

**17. General and administrative expenses**

|                                  | <b>For the year ended<br/>31 December 2018</b> | <b>For the year ended<br/>31 December 2017</b> |
|----------------------------------|------------------------------------------------|------------------------------------------------|
| Salaries, wages, and benefits    | 31,018,597                                     | 40,848,028                                     |
| Depreciation (Note 6)            | 17,149,508                                     | 19,509,314                                     |
| Maintenance expense              | 5,251,401                                      | 5,407,124                                      |
| Consulting and professional fee  | 4,063,092                                      | 5,244,318                                      |
| Stationery                       | 2,318,462                                      | 3,294,872                                      |
| Board of Directors' remuneration | 1,900,000                                      | 1,900,000                                      |
| Rental                           | 1,289,004                                      | 1,018,648                                      |
| Security and guarding services   | 773,580                                        | 1,856,047                                      |
| Insurance                        | 720,227                                        | 622,349                                        |
| Bank charges                     | 386,991                                        | 294,034                                        |
| Others                           | 7,933,819                                      | 7,692,981                                      |
|                                  | <u>72,804,681</u>                              | <u>87,687,715</u>                              |

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

|                                   | As of<br>31 December 2018 | As of<br>31 December 2017 |
|-----------------------------------|---------------------------|---------------------------|
| <b>18. Other income</b>           |                           |                           |
| Rental income                     | 3,854,004                 | 3,116,259                 |
| Training and entertainment income | 2,623,233                 | 3,770,048                 |
| Funds for infants' food           | 1,444,100                 | 2,186,704                 |
| Income from time deposits         | 1,143,032                 | -                         |
| Delay penalties                   | 455,610                   | 1,121,129                 |
| Volume discount                   | 5,013                     | 775,809                   |
| Tenders                           | 66,275                    | 238,821                   |
| Others                            | 738,186                   | 2,597,499                 |
|                                   | <u>10,329,453</u>         | <u>13,806,269</u>         |

**19. Segment reports**

The Company's operations principally consist of one main operating segment, which is hospital services. Accordingly, presenting different segmental information is not considered necessary. Furthermore, the Company's operations are conducted in the Kingdom of Saudi Arabia.

**20. Basic earnings per share**

|                                                     | For the year ended December 31 |            |
|-----------------------------------------------------|--------------------------------|------------|
|                                                     | 2018                           | 2017       |
| Net profit for the year                             | 62,182,388                     | 85,296,444 |
| Weighted average number of shares                   | 44,850,000                     | 44,850,000 |
| Basic earnings per share for net profit of the year | <u>1.39</u>                    | <u>1.9</u> |

**21. Significant Meetings and decisions**

On April 15, 2018, the General Assembly of Shareholders approved a Board of Directors' recommendation of dividend distributions amounting to SR 44,850,000 (SR 1 per share) for the year 2017. Dividends were distributed during the second quarter of 2018.

On June 24, 2018, the Company has received a letter from Al Hammadi Company for Development and Investment stating their decision to cease and discontinue the discussions on the proposed merger transaction.

On 20 April 2017, the General Assembly approved a bonus of SR 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.

**22. Contingent liabilities**

The Company has capital commitments resulting from the expansion and renewal of National Care Hospital as of 31 December 2018 amounting to SR 0.9 million (31 December 2017: SR 1.5 million).

The Company has contingent liabilities arising from letters of guarantee issued to certain customers as at 31 December 2018 amounting SR 21.5 million (31 December 2017: SR 8.8 million).

There are certain legal cases against the Company, however, the final outcome of these cases is not yet certain. The management does not expect the final outcomes of these cases to be material.

## NATIONAL MEDICAL CARE COMPANY

A Saudi Joint Stock Company

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

All amounts are presented in Saudi riyals unless otherwise indicated

#### **23. Financial instruments, classification, fair value and risk management**

##### **(a) Classification of financial assets and liabilities**

|                                           | <b>As of 31 December<br/>2018</b> | <b>As of 31 December<br/>2017</b> |
|-------------------------------------------|-----------------------------------|-----------------------------------|
| <b><u>Financial assets</u></b>            |                                   |                                   |
| <b>Financial assets at amortized cost</b> |                                   |                                   |
| Trade receivables                         | <b>410,408,398</b>                | 414,293,734                       |
| Due from related parties                  | <b>117,469,638</b>                | 279,745,086                       |
| Letters of guarantee                      | <b>8,719,345</b>                  | 8,832,279                         |
| Cash and cash equivalents                 | <b>344,557,818</b>                | 117,350,808                       |

##### **Financial liabilities**

##### **Financial liabilities at amortized cost**

|                |                    |             |
|----------------|--------------------|-------------|
| Loans          | <b>170,595,500</b> | 194,719,492 |
| Trade payables | <b>55,195,844</b>  | 89,568,510  |

##### **b) Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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.

The Company's management considers that the fair value of trade and other receivables, due from related parties, contract assets, trade and other payables is approximately the same as their carrying value. No transfers between levels 1, 2 and 3 were made during the initial financial reporting period.

##### **(c) Risk Management**

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

- Foreign currency risk
- Credit risk
- Liquidity risk
- Interest risk

##### **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 undertake significant transactions in currencies other than Saudi Riyals and the US Dollar. Since the Saudi Riyal is pegged to the US Dollar, the Company is not exposed to significant currency risk.

##### **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, due from related parties, contract assets, cash and cash equivalents. The carrying amount of financial assets represent the maximum exposure to credit risk,

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

**1. Trade receivables, due from related party and contract assets**

The ageing of trade receivables, due from related parties and contract assets is as follows:

|                                                       | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|-------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Trade receivables and due from related parties</b> |                             | -                           |
| Till 6 months                                         | <b>206,912,380</b>          | 263,824,446                 |
| From 6 months to one year                             | <b>97,319,199</b>           | 176,357,143                 |
| From one to two years                                 | <b>113,487,339</b>          | 181,142,707                 |
| From two to three years                               | <b>60,903,904</b>           | 58,003,722                  |
| More than three years                                 | <b>49,255,214</b>           | 14,710,802                  |
|                                                       | <b>527,878,036</b>          | 694,038,820                 |

**Contract assets**

|               |                  |   |
|---------------|------------------|---|
| Till 6 months | <b>4,539,873</b> | - |
|---------------|------------------|---|

The management strategy to reduce the credit risk is to deal with customers with strong financial position. The government and semi-government entities represents 66% form total customers' balance (2017: 75%) and insurance companies represents 19% (2017: 14%).

The provision for expected credit losses as at 31 December 2018 amounted to SR 69,172,321 (2017: provision for doubtful debts amounted SR 47,418,490).

**2. Cash and cash equivalents**

Cash and cash equivalents are deposited with banks and investment companies with sound credit ratings. 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.

**Liquidity risk**

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

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

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

**Maturity Table for financial liabilities**

| As at 31 December 2018    | <b>Less than one<br/>year</b> | <b>From 2 to 5<br/>years</b> | <b>More than<br/>5 years</b> | <b>Total</b>       |
|---------------------------|-------------------------------|------------------------------|------------------------------|--------------------|
| Loans "included interest" | <b>26,825,976</b>             | <b>72,355,347</b>            | <b>77,248,267</b>            | <b>176,429,590</b> |
| Trade and other payables  | <b>107,854,361</b>            | -                            | -                            | <b>107,854,361</b> |
|                           | <b>134,680,337</b>            | <b>72,355,347</b>            | <b>77,248,267</b>            | <b>284,283,951</b> |

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

All amounts are presented in Saudi riyals unless otherwise indicated

| <u>As at 31 December 2017</u> | <u>Less than one<br/>year</u> | <u>From 2 to 5<br/>years</u> | <u>More than 5<br/>years</u> | <u>Total</u>       |
|-------------------------------|-------------------------------|------------------------------|------------------------------|--------------------|
| Loans "included interest"     | 27,699,946                    | 93,239,154                   | 83,190,437                   | 204,129,537        |
| Trade and other payables      | 144,119,953                   | -                            | -                            | 144,119,953        |
|                               | <u>171,819,899</u>            | <u>93,239,154</u>            | <u>83,190,437</u>            | <u>348,249,490</u> |

**Interest risk**

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows.

The Company's interest rate risks arise mainly from its borrowings which are at floating rate of interest and are subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

The 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:

|                        | <u>Loans<br/>Increase (decrease) in<br/>Interest rate</u> | <u>Possible impact on<br/>comprehensive income</u> |
|------------------------|-----------------------------------------------------------|----------------------------------------------------|
| As at 31 December 2018 | %1 ±                                                      | 1,279,240±                                         |
| As at 31 December 2017 | %1 ±                                                      | 2,039,851±                                         |

Time deposits have no interest risk due to fixed interest rates in them contracts.

**24. Impact of new international financial reporting standards**

The Company adopted IFRS 15 "Revenue from contracts with Customers" and IFRS 9 "Financial Instruments" using the modified retrospective method. The Company recognized the cumulative effect as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

**Impact on statement of financial position as at 1 January 2018**

|                       | <u>Without<br/>application of<br/>new standards</u> | <u>Impact for<br/>IFRS 15</u> | <u>Impact for<br/>IFRS 9</u> | <u>With<br/>application of<br/>new standards</u> |
|-----------------------|-----------------------------------------------------|-------------------------------|------------------------------|--------------------------------------------------|
| Retained Earnings (a) | 351,102,734                                         | -                             | (7,521,462)                  | 343,581,272                                      |

**Impact on statement of financial position as at 31 December 2018**

|                                 | <u>Without<br/>application of<br/>new standards</u> | <u>Impact for<br/>IFRS 15</u> | <u>Impact for<br/>IFRS 9</u> | <u>With<br/>application of<br/>new standards</u> |
|---------------------------------|-----------------------------------------------------|-------------------------------|------------------------------|--------------------------------------------------|
| Trade and other receivables (b) | 394,050,972                                         | (3,361,575)                   | 795,265                      | 391,484,662                                      |
| Contract assets (b)             | -                                                   | 4,539,873                     | -                            | 4,539,873                                        |
| Contract liability (c)          | -                                                   | 1,178,298                     | -                            | 1,178,298                                        |
| Retained earnings (a)           | 361,547,450                                         | -                             | 795,265                      | 362,342,715                                      |

**NATIONAL MEDICAL CARE COMPANY**

A Saudi Joint Stock Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**All amounts are presented in Saudi riyals unless otherwise indicated

---

**Impact on statement of comprehensive income for period ended 31 December 2018**

|                                         | <b>Without<br/>application of<br/>new standards</b> | <b>Impact for<br/>IFRS 15</b> | <b>Impact for<br/>IFRS 9</b> | <b>With<br/>application of<br/>new standards</b> |
|-----------------------------------------|-----------------------------------------------------|-------------------------------|------------------------------|--------------------------------------------------|
| General and administrative expenses (a) | <b>93,036,790</b>                                   | -                             | <b>(795,265)</b>             | <b>92,241,525</b>                                |

**The impact of applying new IFRSs described as follows**

(a) In accordance with IFRS 9 "Financial Instruments", the Company has re-measured the provision of doubtful debts in accordance with the expected credit loss method on 1 January 2018, and resulting a reduction in retained earnings. On 31 December 2018 the application of the expected credit loss method resulted in decrease in the provision and general and administrative expenses.

(b) In accordance with the requirements of IFRS (15) "Revenue from contracts with Customers", the unbilled revenue has been reclassified to contract assets with customers and resulting reduction of trade receivables and establishing a contractual asset with customers as a split item in the statement of financial position.

(c) In accordance with the requirements of IFRS (15) "Revenue from contracts with Customers", the volume discount has been reclassified from trade receivables and resulting increase in trade receivables and establishing a contract liability as a split item in the statement of financial position.

**25 Significant subsequent events**

On March 5, 2019 the Company received a letter from Hassana Investment Company (Hassana), a subsidiary of the General Organization for Social Insurance (GOSI), indicating that Hassana on behalf of itself and GOSI has reached a final and binding agreement with NMC Emirates (NMC), a fully owned subsidiary of NMC Health Plc, for the transfer of GOSI and Hassana's share in the Company (38.88%) to NMC Saudi Arabia for Health Care. GOSI will indirectly continue to be a shareholder in the Company.

**26 Approval of financial statements**

These financial statements were approved by the Board of Directors on 23 March 2019.

---