

NATIONAL MEDICAL CARE COMPANY
A SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED 30 SEPTEMBER 2018
AND INDEPENDENT AUDITORS' REVIEW REPORT

NATIONAL MEDICAL CARE COMPANY A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

NATIONAL MEDICAL CARE COMPANY
A SAUDI JOINT STOCK COMPANY

INDEX TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

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Independent Auditors' Review Report of Interim Condensed Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **National Medical Care Company** "A Saudi Joint Stock Company" ("the Company") as of 30 September 2018 and interim condensed statement of comprehensive income for the three- month and nine- month periods then ended, interim condensed statements of changes in equity and cash flows for the nine- month period then ended, and a summary of significant accounting policies and other selected explanatory notes from (1) to (15).

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

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (2410), "Review of Interim Financial Information Performed by the Independent Auditor", endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared in all material respects in accordance in accordance with IAS (34), endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.



Jamal Mohamed Al-Amri
Certified Public Accountant
License Number 331



26 Safar 1440 (H)
04 November 2018 (G)

NATIONAL MEDICAL CARE COMPANY
A Saudi Joint Stock Company

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
Saudi Riyals

	<i>Note</i>	<i>As of 30 September 2018 (Unaudited)</i>	<i>As of 31 December 2017 (Audited)</i>
Assets			
Non-current assets:			
Plant and equipment	4	616,579,942	651,643,714
Intangible assets		553,078	1,101,149
Total non-current assets		617,133,020	652,744,863
Current assets:			
Inventories		58,459,688	58,461,652
Trade receivables and other debit balances	5,13	571,660,410	596,578,282
Contract Assets	13	1,217,033	-
Cash and cash equivalents		145,739,201	117,350,808
Total current assets		777,076,332	772,390,742
Total assets		1,394,209,352	1,425,135,605
Equity and liabilities			
Equity:			
Share capital	1	448,500,000	448,500,000
Statutory reserve		186,021,947	186,021,947
Retained earnings	13	356,041,820	351,102,734
Total equity		990,563,767	985,624,681
Liabilities:			
Non-current liabilities			
Long-Term loans	7	161,504,591	170,595,500
Liability for employees' end of service benefits		80,282,317	81,555,405
Total non-current liabilities		241,786,908	252,150,905
Current liabilities			
Trade payable and other credit balances		110,438,945	144,119,953
Current portion of long-Term loans	7	24,123,992	24,123,992
Provision for Zakat		27,295,740	19,116,074
Total current liabilities		161,858,677	187,360,019
Total liabilities		403,645,585	439,510,924
Total equity and liabilities		1,394,209,352	1,425,135,605

The accompanying notes (1) to (15) are integral part of and should be read in conjunction with these condensed interim financial statements.

CFO

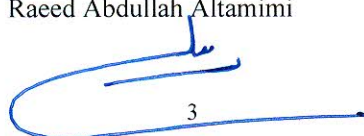
CEO

Chairman

Jahanzeb Ahmed Khan

Raeed Abdullah Altamimi

Eyad Abdulrahman Alhusain


NATIONAL MEDICAL CARE COMPANY
A Saudi Joint Stock Company

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
UNAUDITED
Saudi Riyals

	Note	For three months period ended 30 September		For nine months period ended 30 September	
		2018	2017	2018	2017
Revenues, net	8,9	176,394,747	208,343,315	582,113,614	627,324,490
Cost of revenues		(143,221,410)	(161,373,567)	(447,625,317)	(488,916,736)
Gross profit		33,173,337	46,969,748	134,488,297	138,407,754
Other income		4,421,387	3,369,001	10,586,820	8,812,572
Selling and marketing expenses		(37,813)	(191,522)	(409,858)	(244,312)
General and administrative expenses	13	(19,976,137)	(20,449,803)	(69,106,815)	(77,789,121)
Operating profit		17,580,774	29,697,424	75,558,444	69,186,893
Financing cost		(841,939)	(689,400)	(1,744,547)	(1,815,690)
Impairment of plant and equipment	4	(516,295)	-	(2,166,295)	-
Net profit for the period before Zakat		16,222,540	29,008,024	71,647,602	67,371,203
Zakat expense		(4,779,018)	(2,011,905)	(14,337,054)	(5,334,038)
Net profit for the period		11,443,522	26,996,119	57,310,548	62,037,165
Items of other comprehensive income:					
<u>Item that will not be reclassified subsequently to profit or loss:</u>					
Actuarial losses from re-measurement of liability for employees' end of service benefits		-	(572,822)	-	(2,289,695)
Comprehensive income for the period		11,443,522	26,423,297	57,310,548	59,747,470
Basic and diluted earnings per share from net income for the period	10	0,26	0,60	1,28	1,38

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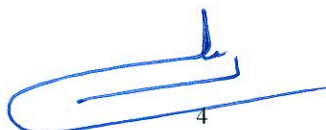
CEO

Chairman

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NATIONAL MEDICAL CARE COMPANY
A Saudi Joint Stock Company

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
UNAUDITED
Saudi Riyals

	Share capital	Statutory reserve	Retained earnings	Total
<u>For nine months ended 30 September 2018</u>				
Balance as at 1 January 2018 before adjustment	448,500,000	186,021,947	351,102,734	985,624,681
Adjustments (Note 13)	-	-	(7,521,462)	(7,521,462)
Balance as at 1 January 2018 after adjustment	448,500,000	186,021,947	343,581,272	978,103,219
Net profit for the period	-	-	57,310,548	57,310,548
Items of other comprehensive income	-	-	-	-
Comprehensive income for the period	-	-	57,310,548	57,310,548
Dividends (Note 12)	-	-	(44,850,000)	(44,850,000)
Balance as at 30 September 2018	448,500,000	186,021,947	356,041,820	990,563,767
<u>For nine months ended 30 September 2017</u>				
Balance as at 1 January 2017	448,500,000	186,021,947	270,740,065	905,262,012
Net profit for the period	-	-	62,037,165	62,037,165
Items of other comprehensive income	-	-	(2,289,695)	(2,289,695)
Comprehensive income for the period	-	-	59,747,470	59,747,470
Balance as at 30 September 2017	448,500,000	186,021,947	330,487,535	965,009,482

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CFO

Jahanzeb Ahmed Khan



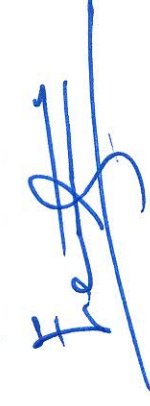
CEO

Raeed Abdullah Altamimi



Chairman

Eyad Abdulrahman Alhusain



NATIONAL MEDICAL CARE COMPANY
A Saudi Joint Stock Company

INTERIM CONDENSED STATEMENT OF CASH FLOWS
UNAUDITED
Saudi Riyals

		For the nine month ended 30 September	
	<i>Note</i>	2018	2017
<u>Operating activities</u>			
Net Profit for the period before zakat		71,647,602	67,371,203
<u>Adjustments</u>			
Depreciation of plant and equipment		51,405,489	49,213,542
Impairment of plant and equipment	4	2,166,295	-
Amortization of intangible assets		548,071	384,856
Provision of expected credit losses (2017: Provision of doubtful debts)	5	14,435,459	12,916,151
Expected medical rejections	5	21,053,692	19,686,272
<u>Changes in</u>			
Inventories		1,964	4,730,830
Trade receivables and other debit balances		(18,092,741)	(137,073,984)
Contract Assets	13	(1,217,033)	-
Trade creditors and other credit balances		(33,681,008)	(22,406,704)
Liability for employees' end of service benefits		(1,273,088)	590,683
Cash generated from / (used in) operations		106,994,702	(4,587,151)
Zakat paid		(6,157,388)	(12,499,197)
Net cash flows generated from / (used in) operating activities		100,837,314	(17,086,348)
<u>Investing activities</u>			
Paid for acquisition of plant and equipment	4	(18,508,011)	(59,765,330)
Paid for acquisition of intangible assets		-	(192,499)
Net cash flows used in investing activities		(18,508,011)	(59,957,829)
<u>Financing activities</u>			
Paid for long term loan		(9,090,910)	(9,090,910)
Proceeds from short term loan		-	30,000,000
Paid for short term loan			(10,000,000)
Dividends paid		(44,850,000)	-
Net cash flows (used in) / generated from financing activities		(53,940,910)	10,909,090
Net change in cash and cash equivalents during the period		28,388,393	(66,135,087)
Cash and cash equivalents at beginning of the period		117,350,808	104,025,117
Cash and cash equivalents at end of the period		145,739,201	37,890,030

The accompanying notes (1) to (15) are integral part of and should be read in conjunction with these condensed interim financial statements.

CFO

CEO

Chairman

Jahanzeb Ahmed Khan

Raeed Abdullah Altamimi

Eyad Abdulrahman Alhusain

1. ORGANIZATION AND ACTIVITY

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

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

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

The Company’s share capital of SR 448,500,000 is divided into 44,850,000 shares of SR 10 each.

The Company’s Head Office 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. BASIS OF PREPARATION

The interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, as endorsed in the Kingdom of Saudi Arabia. The accompanying interim condensed financial statements should be read in conjunction with the Company's financial statements for the year ended 31 December 2017. The accompanying financial statements do not include all the information that is required to prepare a complete set of financial statements in accordance with International Financial Reporting Standards.

3. ISSUED STANDARDS, AMENDMENTS, INTERPRETATIONS, CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

3.1 Issued standards, amendments, improvements , interpretations and not effective

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

IFRS (16) “Leases” specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS (16) “Leases’ approach to lessor accounting substantially unchanged from its predecessor, IAS (17) “Leases Contracts”.

Others

- Amendments to IFRS (9) “Financials Instruments” related to Prepayment Features with Negative Compensation) Effective date 1 January 2019).
- Amendments to ISA (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 INTERIM CONDENSED FINANCIAL STATEMENTS FOR THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

- 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 these new standards on the financial statements.

3.2 Issued standards, amendments, improvements , interpretations and effective.

- IFRS (9) “Financial Instruments”.
- IFRS (15)” Revenues from Contracts with Customers”.
- Amendments to IFRS (2) “Share-based Payments” related to Classification and Measurement for Transactions.
- Amendments to IFRS (4)” insurance contracts” related to applying IFRS (9) “Financial Instruments”.
- Amendments to IAS (40) “Investment Property” related to Transfers of Investment Property.
- Improvement to IFRS (1) “First-time Adoption of International Financial Reporting Standards” related to deletion of short-term Exemptions for first-time adoption.
- Improvement to IAS (28) “Investments in Associates and Joint Ventures” clarification that measuring investees at Fair value through profit or loss is an investment - by -Investment choice.
- IFRIC (22) “Foreign Currency Transactions and Advance Consideration.

The application of standards, amendments and interpretations above have no impact on financial statements for the Company except for FRS (9) “Financial Instruments” and IFRS (15) “Revenues from Contracts with Customers” as mentioned below.

3.3 Changes in significant accounting policies and estimates.

3.3.(a) IFRS (15) "Revenue from Contracts with Customers"

The Company has adopted IFRS (15) "Revenue from Contracts with Customers “using the accumulative effect method, accordingly comparative information has not been restated.

Accounting Policy for Revenues

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. The principles of IFRS (15) "Revenue from Contracts with Customers " are applied by using the following five steps:

Step 1: Identify the contract, when:

- When the contract has been approved and the parties are committed;
- When the each party’s rights are identified;
- When the payment terms are defined;
- When the contract has commercial substance; and
- When the collection is probable.

Step 2: Identify performance obligations, by identifying promised goods or services agreed in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if:

- the customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: Determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: Allocate the transaction price to performance obligations is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

The following is a description of accounting policies and significant judgment of the principal activities from which the Company generates revenue:

(a) Rendering of clinical services

Revenue from services primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology and laboratory. The revenue generates from services by separately or bundled together with the revenue from pharmacy to a customer.

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

(b) 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 has been transferred to the customer. In addition, the Company has discretion in establishing the price for the specified pharmaceutical products.

(c) Volume discounts

Revenue is often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, subtract of the 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.

Impact for application of IFRS (15) "Revenue from contracts with Customers"

For the comparative figures applied IAS 18 "Revenue", the Company recognizes revenue when rendering medical services and when transfer the underlying risks of pharmaceutical has sold to at a point in time i.e. on delivery and revenue from bundled services is recognized as and when the services are rendered to customers i.e. over time, both these streams of revenue are in line with the requirements of IFRS (15) "Revenue from Contracts with Customers".

According to IFRS (15) "Revenue from Contracts with Customers", the right to a consideration for goods or services that have already been transferred to customers should be considered when that right is conditional to be a contract asset with customer.

According to IFRS (15) "Revenue from Contracts with Customers", an obligation to transfer goods or services to a customer for which an entity has obtained a consideration should be considered as a contract liability with customers.

As a result, there is no material impact of adopting IFRS (15) "Revenue from Contracts with Customers".

3.3.(b) IFRS (9) "Financial Instruments"

The Company has elected to apply the exemption in IFRS (9) "Financial Instruments" paragraph no. 7-2-15, accordingly has not restated comparative periods. Accordingly, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings.

Accounting policy for financial instruments

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.

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 are classified into the following specified categories under IFRS (9) "Financial Instruments":

- Debt instruments at amortized cost.
- Debt instruments at fair value through other comprehensive income (with recycling to profit or loss).
- Financial instruments at fair value through profit or loss.
- Debt instruments at fair value through other comprehensive income (with no recycling to profit or loss).

(a) Debt instruments at amortized cost

The financial instruments that meet the following both of two following conditions are measured at amortized cost:

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the Company and the performance of those policies in practice.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How management evaluates the performance of the portfolio.
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales.
- The reason for any asset sales.

Debt instruments that are subsequently measured at amortized cost are subject to impairment test.

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 of financial assets

Measurement and recognition of expected credit losses

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 they expire.

Impact for application of IFRS (9) "financial instruments"

Impairment in financial instruments

The adoption of IFRS (9) "Financial Instruments" has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing losses incurred approach in IAS 39's "financial instruments disclosures" to use expected credit loss approach.

4. PLANT AND EQUIPMENT

During the period ended 30 September 2018, the Company has paid SR 18.5 million on developing its medical constructions (for the year ended 31 December 2017: SR 73.4 million).

During the period ended 30 September 2018, the Company has initially received the renovations of one of National Hospital buildings. Cost of the renovations amounted to SR 81 million.

During the period ended 30 September 2018, the Company has recognized a loss on write off works under progress amounted to SR 2.2 million (for year ended 31 December 2017: SR zero).

During the period ended 30 September 2018, the Company has capitalized SR 0.9 million from finance cost on plant and equipment (for year ended 31 December 2017: SR 1.2 million).

The Company has plots of land and building pledged to the Ministry of Finance against the loan granted to the Company, their net book values amount to SAR 355 million as at 30 September 2018 (31 December 2017: SR 279 million) (Note7).

NATIONAL MEDICAL CARE COMPANY A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THREE AND
NINE MONTH PERIODS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

5. TRADE RECEIVABLES AND OTHER DEBIT BALANCES, NET

	As of 30 September 2018	As of 31 December 2017
Trade receivables	505,565,648	414,293,734
Due from related parties (Note 6)	180,916,856	279,745,086
Total trade receivables and due from related parties	686,482,504	694,038,820
<u>Deduct:</u>		
Provision of expected credit losses (2017: Provision of doubtful debts)	(66,801,151)	(47,418,490)
Expected rejection for medical claims	(72,729,216)	(65,564,458)
Net of trade receivables	546,952,137	581,055,872
Suppliers advance payments	7,514,142	3,937,474
Letter of warrantee margin	8,724,332	8,832,279
Prepaid expenses	4,430,596	694,765
Other	4,039,203	2,057,892
	571,660,410	596,578,282

Trade receivables, due from related parties are non-interest bearing.

Total balance of trade receivables and due from related parties included amounts of SR 596 million as at September 30, 2018 (31 December 2017: SR 522 million) that are due from governmental and semi-governmental parties and represents as at 30 September 2018 percentage of 73% from total accounts receivables and due from related parties (31 December 2017: 75%).

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

Movements of Provision of expected credit losses (2017: Provision of doubtful debts) as follows:

	For period ended 30 September 2018	For year ended 31 December 2017
Balance at beginning of the period / year before adjustment	47,418,490	33,351,759
Adjustment (Note 13)	7,521,462	-
Balance at beginning of the period / year after adjustment	54,939,952	33,351,759
Charges	14,435,459	17,360,461
Used	(2,574,260)	(3,293,730)
Balance at the end of the period / year	66,801,151	47,418,490

Movements of expected rejection for medical claims as follows:

	For period ended 30 September 2018	For year ended 31 December 2017
Balance at beginning of the period / year	65,564,458	65,855,386
Charges	21,053,692	30,538,999
Used	(13,888,934)	(30,829,927)
Balance at the end of the period / year	72,729,216	65,564,458

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

NATIONAL MEDICAL CARE COMPANY A Saudi Joint Stock Company
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6. TRANSACTIONS WITH RELATED PARTIES

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

Due from related party

<u>Name of related party</u>	<u>Relation</u>	<u>Nature of transaction</u>	Transactions during period ended		Balance as of	
			<u>30 September 2018</u>	<u>30 September 2017</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
General Organization for Social Insurance (Note 5)	Share holder	Medical service	219,862,620	231,573,176	180,916,856	279,745,086

Due to related parties

<u>Name of related party</u>	<u>Relation</u>	<u>Nature of transaction</u>	Transactions during period ended		Balance as of	
			<u>30 September 2018</u>	<u>30 September 2017</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
Arabian medical supplies Co.	Owned by a shareholder	Purchases	-	113,570	-	-
Drager Arabian Co. ltd.	Owned by a shareholder	Purchases	48,856	135,594	11,461	1,125,360
					11,461	1,125,360

Key management personnel

	Charged to comprehensive income during period ended		Balance as of	
	<u>30 September 2018</u>	<u>30 September 2017</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
Short-term benefits	9,212,788	4,241,885	-	-
Post-employment benefits	346,987	278,323	2,148,738	2,169,447
	9,559,775	4,520,208	2,148,738	2,169,447

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7. LOANS

	As of 30 September 2018	As of 31 December 2017
Long term loans		
Total liability of long term loans	193,164,855	204,129,537
<u>Deduct</u>		
Future unamortized finance cost	(7,536,272)	(9,410,045)
	185,628,583	194,719,492
<u>Classified between</u>		
Current portion of long term loans	24,123,992	24,123,992
Noncurrent portion of Long term loans	161,504,591	170,595,500
	185,628,583	194,719,492

During the period ended 30 September 2018, the Company paid an installment of SR 9 million from long term loan to a local bank (30 September 2017: an installment of SR 9 million from long term loan to a local bank and received short term loan of SR 30 million from the same bank).

8. REVENUES, NET

	For period ended 30 September 2018	For period ended 30 September 2017
<u>Revenues category</u>		
Rendering of clinical services	514,999,201	551,240,033
Sale of medicine	67,134,413	76,084,457
	582,113,614	627,324,490
<u>Revenue time recognition</u>		
Over time	418,995,524	430,060,238
At a point in time	163,118,090	197,264,252
	582,113,614	627,324,490

9. SEGMENT REPORTING

The reporting segments of the Company are as follows:

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

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	Inpatient and surgeries department	Outpatient clinics department	Other medical departments	Pharmacies	General Services, Pharmaceutical and Medical Distribution and Family Health Care Center	Total
<u>30 September</u>						
<u>2018</u>						
Net revenues						
Rendering of clinical services	188,572,429	52,611,871	269,133,525	-	4,681,376	514,999,201
Sale of medicine	-	-	-	67,134,413	-	67,134,413
	<u>188,572,429</u>	<u>52,611,871</u>	<u>269,133,525</u>	<u>67,134,413</u>	<u>4,681,376</u>	<u>582,113,614</u>
Net profit	27,412,450	7,589,637	38,609,371	18,596,275	(34,897,185)	57,310,548
Total assets	394,690,288	108,841,104	552,092,415	138,358,214	200,227,331	1,394,209,352
Total liabilities	46,915,492	13,211,575	68,021,348	16,908,700	258,588,470	403,645,585
<u>30 September</u>						
<u>2017</u>						
Net revenue						
Rendering of clinical services	194,426,125	54,414,553	288,521,042	-	13,878,313	551,240,033
Sale of medicine	-	-	-	76,084,457	-	76,084,457
	<u>194,426,125</u>	<u>54,414,553</u>	<u>288,521,042</u>	<u>76,084,457</u>	<u>13,878,313</u>	<u>627,324,490</u>
Net profit	23,733,342	6,409,035	34,468,093	25,583,615	(28,156,920)	62,037,165
Total assets	405,830,845	110,505,246	592,037,932	153,706,510	187,410,112	1,449,490,645
Total liabilities	46,659,901	13,380,968	70,309,815	18,794,190	335,336,290	484,481,164

All revenues for the Company's different segments are from external customers

10. BASIC AND DILUTED EARNING PER SHARE

	For three months period ended 30 September		For nine months period ended 30 September	
	2018	2017	2018	2017
Net profit for the period	<u>11,443,522</u>	26,996,119	<u>57,310,548</u>	62,037,165
Weighted average number of shares	<u>44,850,000</u>	44,850,000	<u>44,850,000</u>	44,850,000
Basic and diluted earnings per share from period's net profit	<u>0.26</u>	0.60	<u>1.28</u>	1.38

11. CONTINGENT LAIBILITIES AND CAPITAL COMMITMENTS

The Company has capital commitments resulting from the expansion and renewal of National Care Hospital as of 30 September 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 30 September 2018 amounting SR 8.7 million (31 December 2017: SR 8.8 million).

There are some legal cases against the Company, and is currently the company worked to settle them, but the final outcome of these cases is not certain yet. The management does not expect the outcome of these cases to be material.

12. GENERAL ASSEMBLY MEETING AND BOARD OF DIRECTOR AND SPECIAL DELIBERATIONS FOR THE SALE OF SHAREHOLDERS' SHARES

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 of 2017. Dividends were already distributed during the second quarter of 2018.

The Company's board of directors decided on Augusts 2, 2017 to start non-binding discussions with Al-Hammadi Development and Investment Company (Al-Hammadi) to study the possibility of merge between two companies. 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 June 7, 2018, the Company has received a letter from Hassana Investment Company, a subsidiary of the General Organization for Social Insurance (GOSI), for its-self and on behalf of GOSI, reached a non-binding agreement with NMC Saudi Arabia for Health Care to enter into a private sale transaction. In this transaction Hassana Investment Company and GOSI will sell their stake in the National Medical Care Company to NMC Saudi Arabia Healthcare, a company owned by NMC Health PLC, according to the evaluation of the shares of the National Medical Care Company (SR 70 per share). If this sale transaction is concluded, NMC Saudi Arabia for Health Care will become a shareholder in the National Healthcare Care Company with percentage of 38% instead of Hassana Investment Company and GOSI.

13. IMPACT OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company adopted IFRSs (15) "Revenue from contracts with Customers" and (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

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

Impact on statement of financial position as at 30 September 2018

	Without application of new standards	Impact for IFRS 15	Impact for IFRS 9	With application of new standards
Trade receivables and other debit balances (b)	573,470,376	(1,217,033)	(592,933)	571,660,410
Contract assets with customers (b)	-	1,217,033	-	1,217,033
Retained earnings (a)	356,634,753	-	(592,933)	356,041,820

Impact on statement of comprehensive income for period ended 30 September 2018

	Without application of new standards	Impact for IFRS 15	Impact for IFRS 9	With application of new standards
General and administrative expenses (a)	68,513,882	-	592,933	69,106,815

The impact of applying new IFRSs described as follows:

(a) In accordance with the requirements of IFRS (9) "Financial Instruments", the Company has re-measured the provision in accordance with the expected credit loss method, resulting a reduction in retained earnings. The application of the expected credit loss method resulted an increase of the provision, increase of general and administrative expenses in the period ended 30 September 2018.

(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, reducing trade receivables and establishing a contractual asset with customers as a split item in the statement of financial position.

14. FINANCIAL INSTRUMENTS – FAIR VALUE AND CATEGORIES

Financial instruments recorded in the Company's statement of financial position consist of cash and cash equivalents, trade receivables and other debit balances, loans, trade payables and other credit balances.

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.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is 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

Management is of the opinion that the fair value of the financial instruments is substantially close to its book value. There were no reclassifications between the above three levels during the reporting period.

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Classification of financial instruments

	As of 30 September 2018	As of 31December 2017
	As of 30 September 2018	As of 31December 2017
<u>Financial assets</u>		
Financial assets at amortized cost		
Trade receivables	505,565,648	414,293,734
Due from related parties	180,916,856	279,745,086
Letters of guarantee	8,724,332	8,832,279
Cash and cash equivalents	145,739,201	117,350,808
	As of 30 September 2018	As of 31December 2017
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Loans	185,628,583	194,719,492
Trade and other payable	110,438,945	144,119,953

15. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by management on 26 Safar 1440H (corresponding to 4 November 2018).