

YIACO Medical Company K.S.C. P  
And its Subsidiaries  
State of Kuwait

Consolidated financial statements  
For the year ended December 31, 2017  
With  
Independent auditors' report

**YIACO Medical Company K.S.C. P**  
**And its Subsidiaries**  
**State of Kuwait**

**Consolidated financial statements**  
**For the year ended December 31, 2017**  
**With**  
**Independent auditors' report**

**AL- WAHA AUDITING OFFICE**  
**MEMBER OF NEXIA INTERNATIONAL (ENGLAND)**

AUDIT

YIACO Medical Company K.S.C.P

And its Subsidiaries

State of Kuwait

Consolidated financial statements for the year ended December 31, 2017

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## Independent auditors' report

**The Shareholders**  
**YIACO Medical Company K.S.C.P**  
**State of Kuwait**

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of YIACO Medical Company - K.S.C.P (the Parent Company) And its Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with those requirements and (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related To Going Concern

We draw attention to Note (20) in the consolidated financial statements, which indicates that the Group's incurred a net loss amounted to KD 9,587,611 during the year ended December 31, 2017 and the Group's accumulated losses amounted to KD 16,155,800. These events or conditions, along with other matters as set forth in Note (20), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other matter

The financial statements of the Group for the comparative figures, were audited by another auditor who expressed an unmodified opinion on his audit report dated on March 22, 2017.



### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matters:

- Impairment of trade receivables

The trade receivables is significant to the overall consolidated financial statements of the Group. The Group operates in the business of trading in medicines and medical equipment, managing medical centers, hospitals, dispensaries and laboratories and other related activities and services. Impairment of trade receivables is highly subjective due to the significant judgment applied by the management in determining the allowance for bad and doubtful debts, including the experience on the level of recovery from the customers. Also, the management is required to identify those trade receivables that are deteriorating, in addition to identify them through a process of ageing analysis, make an objective assessment for evidence of impairment and the assessment of the recoverable amount.

Further, there is a significant judgment involved in calculating the allowance for bad and doubtful debts, particularly regarding the estimation of future cash collection and allocation of cash collected towards outstanding invoices.

We evaluated the information used by the management to determine the allowance for bad and doubtful debts by considering cash collection performance against historical trends and the level debt charges over time. Specifically, for the slow paying customers we reviewed the historical performance to understand the collection of trade receivables. We also performed procedures to evaluate controls over ageing analysis provided by the management. We tested a sample of the trade receivables, and assessed the criteria for determining whether an impairment event had occurred, by focusing on those with the most significant potential for impairment due to increased uncertainty of recovery in the current market circumstances and specifically evaluated management's assessment of the recoverable amount.

Disclosures relating to the impairment provision and the management's assessment of the credit risk and their responses to such risks are presented in Note (3) to the consolidated financial statement.

- Allowances against inventories

The Group's inventories balance is significant to the overall consolidated financial statements of the Group and are carried at the lower of cost or net realizable value. These inventories mainly consist of medicines, which are subject to expiry and changes in customers' demands due to the competitive nature of the Group's business, and equipment, which are subject to technology obsolescence and changes to customers' demands. Significant judgment is involved in estimating and assessing the appropriate level of allowance for obsolete and slow moving inventories. In specific, with respect to medicines, the management determines the provisioning requirements based on the ageing analysis and also the remaining useful life after considering the existing contractual arrangements with the suppliers. With respect to equipment, the management circumstances, especially where there is technological obsolescence, by specific identification.



We assessed the management's basis for estimating the allowance for slow moving and obsolete inventories understanding and challenging the key assumptions used. In doing so, we evaluated the ageing profile of the inventory, identification of obsolete and damaged inventories and the process for identifying specific problem inventory.

We have also attended the physical inventory count performed by the management and assessed the appropriateness of the process of identifying the differences between the physical stock and the book inventory, that requires adjustment to the inventory provisions.

We have also evaluated the appropriateness of disclosures relating to inventory and relating to inventory and related allowances as given in Note (4) to the consolidated financial statement.

#### **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 consolidated financial statements does not cover the other information attached to it, 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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

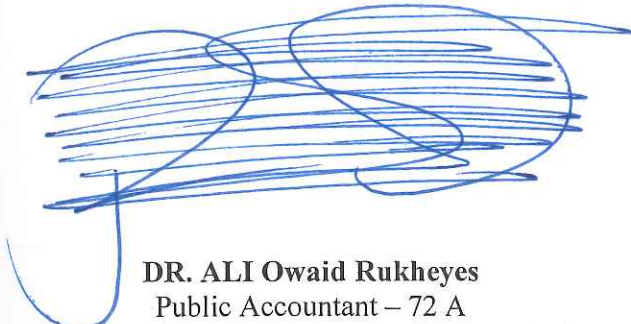
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 consolidated 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.

#### Report on Other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 1 of 2016, and its amendments, its Executive Regulations and the Parent Company's Articles of Association and Articles of Incorporation, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the financial year ended December 31, 2017 of either the Companies Law No. 1 of 2016, and its amendments, its Executive Regulations or the Parent Company's Articles of Association and Articles of Incorporation which might have materially affected the Group's financial position or results of its operations.



**DR. ALI Owaid Rukheyes**  
Public Accountant – 72 A  
Member of NEXIA international – ( England )  
AL- Waha Auditing Office




Kuwait - March 19 , 2018




**YIACO Medical Company K.S.C.P**  
**And its subsidiaries**  
**State of Kuwait**

**Consolidated statement of financial position as at 31 December 2017**

			Restated (Note 19) *
		2017	2016
	Note	K.D	K.D
<b><u>Assets</u></b>			
<b><u>Current assets</u></b>			
Cash on hand and at banks		2,546,599	9,180,423
Accounts receivable and other debit balances	3	46,228,627	47,872,372
Inventories	4	18,927,160	23,759,885
<b>Total current Assets</b>		<b>67,702,386</b>	<b>80,812,680</b>
<b><u>Non-current assets</u></b>			
Investments available for sale		79,380	79,380
Investments at fair value through profit or loss		190,120	209,720
Intangible assets	6	-	1,140,257
Property, Plant & Equipment	7	3,809,802	4,031,943
<b>Total non-current assets</b>		<b>4,079,302</b>	<b>5,461,300</b>
<b>Total assets</b>		<b>71,781,688</b>	<b>86,273,980</b>
<b><u>Liabilities and equity</u></b>			
<b><u>Current liabilities</u></b>			
Murabaha payables - current portion	8	28,268,489	32,774,834
Accounts payable and other credit balances	9	31,484,955	31,449,252
<b>Total current Liabilities</b>		<b>59,753,444</b>	<b>64,224,086</b>
<b><u>Non-current liabilities</u></b>			
Murabaha payables – non-current portion	8	1,702,540	1,928,610
Provision for end of service indemnity	10	1,724,644	1,915,263
<b>Total non-current liabilities</b>		<b>3,427,184</b>	<b>3,843,873</b>
<b>Total liabilities</b>		<b>63,180,628</b>	<b>68,067,959</b>
<b><u>Equity</u></b>			
Share capital	11	18,191,250	18,191,250
Statutory reserve	12	4,381,619	4,381,619
Voluntary reserve	13	1,314,665	1,314,665
General reserve	13	1,831,515	1,831,515
Foreign currency translation reserve		(929,658)	(913,365)
Accumulated losses		(16,155,800)	(6,561,440)
<b>Total equity attributable to Parent</b>		<b>8,633,591</b>	<b>18,244,244</b>
<b><u>Company's shareholders</u></b>			
Non-controlling interests		(32,531)	(38,223)
<b>Total equity</b>		<b>8,601,060</b>	<b>18,206,021</b>
<b>Total liabilities and equity</b>		<b>71,781,688</b>	<b>86,273,980</b>

  
 Dr. Arshid Abdulhadi AlHourri  
 Chairman

  
 Sheikh / Ahmed Salem Alali AlSabah  
 Chief Executive Officer

\* Certain amount shown here does not match with the consolidated financial statements for 31 December 2016 and reflect adjustments made as detailed in Note (19)

The accompanying notes from 1 to 25 are an integral part of the consolidated financial statements

YIACO Medical Company K.S.C.P

And its subsidiaries

State of Kuwait

Consolidated statement of profit or loss for the year ended 31 December 2017

	<u>Note</u>	<u>2017</u> <u>K.D</u>	<u>2016</u> <u>K.D</u>
Revenue from sales and services	14	75,644,610	90,550,141
Cost of revenue from sales and services		(62,676,539)	(74,266,902)
<b>Gross profit</b>		<b>12,968,071</b>	<b>16,283,239</b>
Distribution expenses		(4,801,404)	(6,171,421)
General and administrative expenses		(9,133,824)	(12,525,300)
Provisions	18	(6,866,279)	(4,430,228)
Impairment loss for intangible assets	6	(1,011,715)	-
<b>Loss from operating activities</b>		<b>(8,845,151)</b>	<b>(6,843,710)</b>
Gain on sale of Property, Plant & Equipment		398	5,628
Share of results from associate	5	-	1,502,819
Gain on sale of investment in an associate	5	-	7,708,772
Unrealized loss on investments at fair value through profit or loss		(19,600)	(38,220)
Finance cost		(1,284,511)	(2,019,377)
Other income		561,253	85,146
<b>(Loss) profit for the year before KFAS, NLST and Zakat</b>		<b>(9,587,611)</b>	<b>401,058</b>
KFAS		-	(3,912)
NLST		-	(113,566)
ZAKAT		-	(49,871)
<b>Net (loss) profit for the year</b>		<b>(9,587,611)</b>	<b>233,709</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		(9,594,360)	395,762
Non-controlling interests		6,749	(162,053)
<b>Net (loss) profit for the year</b>		<b>(9,587,611)</b>	<b>233,709</b>
<b>(Losses) earnings per share attributable to the Parent Company's shareholders - Fils</b>	15	<b>(52.74)</b>	<b>2.18</b>

The accompanying notes from 1 to 25 are an integral part of the consolidated financial statements



YIACO Medical Company K.S.C.P  
And its subsidiaries  
State of Kuwait

Consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 31, 2017

	<u>2017</u>	<u>2016</u>
	<u>K.D</u>	<u>K.D</u>
Net (loss) profit for the year	<u>(9,587,611)</u>	<u>233,709</u>
<b><u>Other comprehensive loss:</u></b>		
<u>Items that may be reclassified subsequently to consolidated profit or loss:</u>		
Exchange differences arising on translation of foreign operations	<u>(17,350)</u>	<u>(875,784)</u>
<b>Other comprehensive loss for the year</b>	<u>(17,350)</u>	<u>(875,784)</u>
<b>Total comprehensive loss for the year</b>	<u><u>(9,604,961)</u></u>	<u><u>(642,075)</u></u>
<b>Attributable to:</b>		
Shareholders of the parent company	(9,610,653)	(351,639)
Non-controlling interests	<u>5,692</u>	<u>(290,436)</u>
<b>Total comprehensive loss for the year</b>	<u><u>(9,604,961)</u></u>	<u><u>(642,075)</u></u>

The accompanying notes from 1 to 25 are an integral part of the consolidated financial statements

Consolidated statement of changes in equity for the year ended 31 December 2017

Equity attributable to Parent Company's shareholders

	Share Capital	Statutory Reserve	Voluntary reserve	General reserve	Foreign currency translation reserve	Retained earnings (accumulated losses)	Subh. Total	Non-controlling interests	Total equity
	K.D.	K.D.	K.D.	K.D.	K.D.	K.D.	K.D.	K.D.	K.D.
Balance at 1 January 2016	18,191,250	4,325,308	1,258,354	1,775,204	(165,964)	3,586,839	28,970,991	252,213	29,223,204
Total comprehensive (loss) income for the year	-	-	-	-	(747,401)	395,762	(351,639)	(290,436)	(642,075)
Transfer to reserves	-	56,311	56,311	56,311	-	(168,933)	-	-	-
Balance at 31 December 2016 (As previously reported)	18,191,250	4,381,619	1,314,665	1,831,515	(913,365)	3,813,668	28,619,352	(38,223)	28,581,129
Effect of restatement (Note 19)	-	-	-	-	-	(10,375,108)	(10,375,108)	-	(10,375,108)
Balance at 1 January 2017 (restated) *	18,191,250	4,381,619	1,314,665	1,831,515	(913,365)	(6,561,440)	18,244,244	(38,223)	18,206,021
Total comprehensive (loss) income for the year	-	-	-	-	(16,293)	(9,594,360)	(9,610,653)	5,692	(9,604,961)
Balance at 31 December 2017	18,191,250	4,381,619	1,314,665	1,831,515	(929,658)	(16,155,800)	8,633,591	(32,531)	8,601,060

\* Certain amount shown here does not match with the consolidated financial statements for 31 December 2016 and reflect adjustments made as detailed in Note (19)

The accompanying notes from 1 to 25 are an integral part of the consolidated financial statements



Consolidated statement of cash flows for the year ended 31 December 2017

	<u>2017</u> <u>K.D</u>	<u>2016</u> <u>K.D</u>
<b><u>Cash flows from operating activities</u></b>		
Net (loss) profit for the year	(9,587,611)	233,709
<b><u>Adjustments</u></b>		
Depreciation and amortization	894,226	1,166,284
Provision for end of service indemnity	422,023	629,979
Gain on sale of Property, Plant & Equipment	(398)	(5,682)
Finance cost	1,284,511	2,019,377
Provision for slow moving, obsolete and expired inventories	4,747,567	4,105,420
Provision for doubtful debts	1,318,712	324,808
Other provision	800,000	-
Impairment loss for intangible assets	1,011,715	-
Share of results from associate	-	(1,502,819)
Unrealized loss on investments at fair value through profit or loss	19,600	38,220
Gain on sale of investment in an associate	-	(7,708,772)
	<u>910,345</u>	<u>(699,476)</u>
<b><u>Changes in operating assets &amp; liabilities</u></b>		
Inventories	85,158	33,071
Accounts receivable and other debit balances	325,033	1,407,143
Accounts payable and other credit balances	(764,297)	(1,505,835)
Payment of end of service indemnity	(612,642)	(1,218,325)
Income taxes for overseas subsidiaries	-	(34,854)
<b>Net cash used in operating activities</b>	<u>(56,403)</u>	<u>(2,018,276)</u>
<b><u>Cash flows from investing activities</u></b>		
Proceeds from sale of property, plant and equipment	4,086	57,773
Paid for purchase of property, plant and equipment	(542,634)	(913,102)
Intangible assets	-	(615,765)
Proceeds from sale of investment in an associate	-	20,000,000
Investments at fair value through profit or loss	-	15,680
Dividend received	-	409,518
<b>Net cash (used in) generated from investing activities</b>	<u>(538,548)</u>	<u>18,954,104</u>
<b><u>Cash flows from financing activities</u></b>		
Finance cost paid	(1,284,511)	(2,125,634)
Murabaha payable	(4,732,415)	(11,113,456)
<b>Net cash flows used in financing activities</b>	<u>(6,016,926)</u>	<u>(13,239,090)</u>
Net (decrease) increase in cash on hand and at banks	(6,611,877)	3,696,738
Net impact of foreign currency translation adjustments	(21,947)	(923,836)
Cash on hand and at banks at the beginning of the year	9,180,423	6,407,521
<b>Cash on hand and at banks at the end of the year</b>	<u>2,546,599</u>	<u>9,180,423</u>

The accompanying notes from 1 to 25 are an integral part of the consolidated financial statements

**1 - Incorporation and activities**

- YIACO Medical Company - K.S.C.P - is incorporated at state of Kuwait dated 15 January 1969 and is governed by the Islamic Shareea in its activities.
  - The Parent Company is a Kuwaiti shareholding Company and its share are listed on the Kuwait Stock Exchange.
  - The Parent Company is principally engaged in the following activities:
    - Trading in medicines and medical equipment and taking part in the government and private tenders,
    - Establishing and managing of medical centers and hospitals,
    - Establishing and managing of medical dispensaries and laboratories,
    - Providing home medical services,
    - Assisting medical services for senior citizens and residents,
    - Conduction of studies and researches related to the medical industry and provide medical consultations,
    - Contracting with doctors, nurses, pharmacists and technicians to work in the clinics, pharmacies and laboratories and with others in or out the country,
    - Maintain works for the medical equipment and apparatus,
    - Possession of real estates and the necessary means of transport to perform the Parent Company's objectives,
    - Utilizing the surplus funds available by investing it in the financial and real estate's portfolios managed by specialized bodies and companies.
- Further, the Parent Company may have interest in or enter in any respect with entities that carry on works similar to its works or those that may assist the Parent Company to achieve its objectives in Kuwait or abroad, and it may establish, participate in or purchase such entities or having them affiliated thereto.

- The Parent Company's address : P.O.Box. 435 Safat 13005 - State of Kuwait.
- The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on March 19, 2018. The Parent Company's Ordinary Shareholders' Annual General Assembly has the final authority to approve these consolidated financial statements and has the power to amend these consolidated financial statements after issuance.

**2 - Significant accounting policies**

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

**- Basis of preparation**

- The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for some items that are stated at their fair value.
- Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies.



**- Standards and Interpretations issued and effective**

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2017:

Standards or amendments or revisions	Effective date
Amendment to IAS 7 – Disclosure Initiative	January 1, 2017

**Amendment to IAS 7 – Disclosure Initiative**

The amendment to this standard require an entity to provide disclosures that enable users of financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes, early application of this amendment is permitted.

- These amendments are not expected to have any material impact on the consolidated financial statements.

**- Standards and Interpretations issued but not effective**

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

Standards or amendments or revisions	Effective date
IFRS 9 - Financial Instruments	January 1, 2018
IFRS 15 - Revenue from contracts with customers	January 1, 2018
IFRS 16 - Leases	January 1, 2019

**- IFRS 9 - Financial Instruments**

The standard replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

**- IFRS 15 - Revenue from contracts with customers**

The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

IAS 18 – Revenue,  
IAS 11 – Construction Contracts,  
IFRIC 13 – Customer Loyalty Programs,  
IFRIC 15 – Agreements for the Construction of Real Estate,  
IFRIC 18 – Transfers of Assets from Customers, and,  
SIC 31 – Revenue-Barter Transactions Involving Advertising Services

**- IFRS 16 - Leases**

This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

- These standards are not expected to have any material impact on the consolidated financial statements.

YIACO Medical Company K.S.C.P

And its subsidiaries

State of Kuwait

Notes to the consolidated financial statements for the year ended December 31, 2017

- Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (the Group):

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Main activities</u>	<u>Percentage of holding</u>	
			<u>2017</u>	<u>2016</u>
Al Kamal Import and Marketing Company W.L.L *	Egypt	Import, marketing and manufacture of medical raw material and medical and chemical equipment	85.40%	85.40%
Al Raya Health Care Company W.L.L	Kuwait	Medical services	99%	99%

- \* Al Kamal is registered in the name of nominees on behalf of the parent Company. The nominees have confirmed in writing that the parent Company is the primary beneficial of this subsidiary. In accordance with the Board of Directors meeting held on October 26, 2017, the Board of Directors decided to getting out from Al Kamal Import and Marketing Company W.L.L.

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- Has power over the investee;
- Is exposed, or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.



- **Business combinations and Goodwill**

a) **Business Combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39: Financial Instruments: Recognition and Measurement. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement year, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

b) **Goodwill**

Goodwill represents the excess of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

- **Accounts receivable**

Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

- **Inventories**

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

- **Investments**

**Initial recognition**

The Group classifies its investments in the following categories: Investments at fair value through profit or loss and investments available for sale. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

- **Investments at fair value through profit or loss**

This category has two sub-categories: investments held for trading, and those designated at fair value through profit or loss at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

- **Investments available for sale**

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on settlement date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement

After initial recognition, investments at fair value through profit or loss and investments available for sale are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through profit or loss are included in the consolidated statement of profit or loss. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in other consolidated comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition

An investment (in whole or in part) is derecognized either when:

- A) The contractual rights to receive the cash flows from the investment have expired; or
- B) The Group has transferred its rights to receive cash flows from the investment and either:
  - 1. Has transferred substantially all the risks and rewards of ownership of the investment, or
  - 2. Has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in consolidated profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.



- **Investment in associates**

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

- **Property, plant and equipment**

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified in the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

	<u>Years</u>
Buildings	10 - 50
Motor vehicles	3
Furniture and office equipment	6 - 10
Machinery and equipment	3 - 10

Certain property, plant and equipment used in certain projects are depreciated over the period of the respective contracts.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of Property, plant and equipment.

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.

- **Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the original carrying amount. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

- **Murabaha**

Murabaha represents the amounts due to pay for purchased assets for others on deferred basis as per Murabaha facility agreements. Murabaha balances are reported with full credit balances after deducting finance charges pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

- **Accounts payable**

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

- **End of service indemnity**

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employee contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

- **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

- **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**Sale of goods**

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

**Rendering of services**

Revenue from rendering of services, included in sales, is initially deferred and included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sale service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

**Other income**

Other income are recognized on accrual basis.

- **Provisions**

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.



- **Foreign currencies**

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

- **Contingencies**

Contingent liabilities are not recognized in the financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

- **Segment reporting**

A segment is a distinguishable component of the Group 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. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

- **Critical accounting estimates and judgments**

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

- **Revenue Recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

- Provision for doubtful debts and inventory

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

- Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through profit or loss", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. The Group classifies investments as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other investments are classified as "available for sale".

- Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

- Provision for doubtful debts and inventory

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

YIACO Medical Company K.S.C.P

And its subsidiaries

State of Kuwait

Notes to the consolidated financial statements for the year ended December 31, 2017

3 - Accounts receivable and other debit balances

	<u>2017</u>	<u>Restated</u> <u>(Note 19)</u> <u>2016</u>
	<u>K.D</u>	<u>K.D</u>
Trade receivables (a)	41,071,144	45,943,343
Post dated cheques	1,833,529	1,642,667
Other receivables	7,007,956	3,161,172
Reimbursable expenses	5,337,627	5,018,548
Staff Receivables	85,849	136,553
Advances to suppliers	272,422	263,869
Prepaid expenses	617,153	578,904
	<u>56,225,680</u>	<u>56,745,056</u>
Less: Provision for doubtful debts (b)	<u>(9,997,053)</u>	<u>(8,872,684)</u>
	<u>46,228,627</u>	<u>47,872,372</u>

(a) Trade receivables

The aging analysis of these trade receivables is as follows:

	<u>2017</u>	<u>Restated</u> <u>(Note 19)</u> <u>2016</u>
	<u>K.D</u>	<u>K.D</u>
1 to 3 months	19,559,523	23,012,878
3 to 12 months	11,745,234	14,000,297
More than 12 months	3,524,328	3,367,696
Impaired	6,242,059	5,562,472
	<u>41,071,144</u>	<u>45,943,343</u>

As of December 31, 2017, trade receivables amounting to KD 3,524,328 (2016 - KD 3,367,696) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

b) Provision for doubtful debts:

- Provision for doubtful debts presented as follows:

	<u>2017</u>	<u>Restated</u> <u>(Note 19)</u> <u>2016</u>
	<u>K.D</u>	<u>K.D</u>
Provision for trade receivables	6,242,059	5,562,472
Provision for post dated cheques	376,280	321,040
Provision for refundable expenses	3,378,714	2,989,172
	<u>9,997,053</u>	<u>8,872,684</u>



YIACO Medical Company K.S.C.P

And its subsidiaries

State of Kuwait

Notes to the consolidated financial statements for the year ended December 31, 2017

- The movement on the provision for doubtful debts is as follows:

		Restated (Note 19)
	2017	2016
	K.D	K.D
Balance at the beginning of the year	8,872,684	6,135,386
Charge for the year (Note 18)	1,318,712	324,808
Effect of restatement (Note 19)	-	3,486,198
Utilized during the year	(194,343)	(1,073,708)
Balance at the end of the year	9,997,053	8,872,684

- c) 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.

4 - Inventories

		Restated (Note 19)
	2017	2016
	KD	KD
Medicines	21,104,249	25,955,961
Equipment	12,493,130	10,258,850
	33,597,379	36,214,811
Less: provision for slow moving, obsolete and expired inventories *	(14,670,219)	(12,454,926)
	18,927,160	23,759,885

\* Provision for slow moving, obsolete and expired inventories

- Provision for slow moving, obsolete and expired inventories presented as follows:

		Restated (Note 19)
	2017	2016
	K.D	K.D
Provision for medicines	7,836,422	7,233,229
Provision for equipment	6,833,797	5,221,697
	14,670,219	12,454,926

- The movement on the provision for for slow moving, obsolete and expired inventories is as follows:

		Restated (Note 19)
	2017	2016
	K.D	K.D
Balance at the beginning of the year	12,454,926	3,255,891
Charge for the year (Note 18)	4,747,567	4,105,420
Effect of restatement (Note 19)	-	6,102,099
Utilized during the year	(2,532,274)	(1,008,484)
Balance at the end of the year	14,670,219	12,454,926

**YIACO Medical Company K.S.C.P**

And its subsidiaries

State of Kuwait

Notes to the consolidated financial statements for the year ended December 31, 2017

**5 - Investments in associate**

	<u>2017</u>	<u>2016</u>
	<u>KD</u>	<u>KD</u>
Balance at the beginning of the year	-	11,177,916
Share of results from associate	-	1,502,819
Cash dividend received	-	(409,518)
Disposal	-	(12,271,217)
Balance at the end of the year	-	-

- During the year ended December 31, 2016, the Parent Company sold its interest in Al Salam (the associate Company) to a related party for a total consideration of KD 20,000,000 resulting in a net gain on sale amounting to KD 7,708,772 consecutive to deduction of certain transaction related expenses of KD 20,011.

- The Parent Company shareholder's Ordinary Annual General Assembly meeting did not agree the decision for selling Al Salam. Certain shareholders of the Parent Company filed a legal case. The case are still within the courts.

**6- Intangible assets**

	<u>2017</u>	<u>2016</u>
	<u>KD</u>	<u>KD</u>
<b><u>Cost:</u></b>		
At 1 January	2,049,110	1,226,620
Transfer from Property, Plant & Equipment (Note 7)	189,000	375,000
Additions	-	615,765
Write off	-	(168,275)
At 31 December	2,238,110	2,049,110

**Accumulated amortization and impairment loss:**

At 1 January	908,853	751,717
Charge for the year	317,542	325,411
Impairment loss	1,011,715	-
Write off	-	(168,275)
At 31 December	2,238,110	908,853
Net book value at 31 December	-	1,140,257

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Notes to the consolidated financial statements for the year ended December 31, 2017

7- Property, Plant & Equipment

	land KD	Buildings on freehold land and leasehold land KD	Motor vehicles KD	Furniture and office equipment KD	Machinery and equipment KD	Capital work in progress KD	Total KD
<u>Cost:</u>							
At 31 December 2016	2,208,068	1,109,514	380,486	3,884,845	2,548,563	29,435	10,160,911
Additions	-	-	10,550	91,009	55,476	385,599	542,634
Transfer	-	75,200	-	150,785	49	(226,034)	-
Transfer to intangible assets (Note 6)	-	-	-	-	-	(189,000)	(189,000)
Disposals	-	(6,502)	(52,028)	-	-	-	(58,530)
Foreign currency translation adjustments	-	1,564	3,213	887	-	-	5,664
At 31 December 2017	2,208,068	1,179,776	342,221	4,127,526	2,604,088	-	10,461,679
<u>Accumulated depreciation:</u>							
At 31 December 2016	-	408,092	320,064	3,218,616	2,182,196	-	6,128,968
Charge for the year	-	69,451	39,925	284,259	183,049	-	576,684
Related to disposals	-	(2,814)	(52,028)	-	-	-	(54,842)
Foreign currency translation adjustments	-	470	25	572	-	-	1,067
At 31 December 2017	-	475,199	307,986	3,503,447	2,365,245	-	6,651,877
<u>Net book value:</u>							
At December 31, 2017	2,208,068	704,577	34,235	624,079	238,843	-	3,809,802
At December 31, 2016	2,208,068	701,422	60,422	666,229	366,367	29,435	4,031,943

The depreciation charge for the year is included in general and administrative expenses in the consolidated statement of profit or loss.



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**8- Murabaha payable**

	<u>2017</u>	<u>2016</u>
	<u>KD</u>	<u>KD</u>
Gross amount of murabaha payments	30,234,237	34,980,645
Less: Unamortized future finance charge	(263,208)	(277,201)
	<u>29,971,029</u>	<u>34,703,444</u>
Analyzed as:		
Current portion	28,268,489	32,774,834
Non-current portion	1,702,540	1,928,610
	<u>29,971,029</u>	<u>34,703,444</u>

It represent the commodities purchased on a deferred settlement basis from a local Islamic banks and the effective rates of profit payable attributable to murabaha payables range between 4% to 4.75% (December 31, 2016 : 3.5% to 4%) per annum.

**9- Accounts payable and other credit balances**

	<u>2017</u>	<u>Restated</u>
	<u>KD</u>	<u>(Note 19)</u>
	<u>KD</u>	<u>2016</u>
	<u>KD</u>	<u>KD</u>
Trade payables	25,449,475	25,959,396
Other payables	4,066,780	3,259,482
Accrued expenses	1,910,592	2,095,120
Advances from customers	58,108	135,254
	<u>31,484,955</u>	<u>31,449,252</u>

**10- Provision for end of service indemnity**

	<u>2017</u>	<u>2016</u>
	<u>KD</u>	<u>KD</u>
Balance at beginning of the year	1,915,263	2,503,609
Charge for the year	422,023	629,979
Paid during the year	(612,642)	(1,218,325)
Balance at end of the year	<u>1,724,644</u>	<u>1,915,263</u>

**11- Share capital**

Authorized, issued and paid up capital consists of 181,912,500 shares of 100 fils each and all shares are in cash.

**12- Statutory reserve**

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

Since there is a net loss for the year, there was no transfer to statutory reserve during the year.

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**13- Voluntary and general reserve**

As required by the Parent Company's Articles of Association, a certain percentage that does not exceed 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary and general reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. Since there is a net loss for the year, there was no transfer to voluntary reserve and general during the year.

**14- Revenue from sales and services**

	<u>2017</u>	<u>2016</u>
	<u>KD</u>	<u>KD</u>
Pharmaceutical supplies	61,155,422	74,298,446
Medical, scientific and dental equipment and services	11,484,220	12,182,304
Medical centers	3,004,968	4,069,391
	<u>75,644,610</u>	<u>90,550,141</u>

**15- (Losses) earnings per share attributable to the Parent Company's shareholders**

The information necessary to calculate basic (losses) earnings per share based on the weighted average number of shares outstanding during the period is as follows:

	<u>2017</u>	<u>2016</u>
Net (loss) profit for the year attributable to the Parent Company's shareholders (KD)	<u>(9,594,360)</u>	<u>395,762</u>
<u>Number of shares outstanding:</u>		
Weighted average number of shares outstanding at ending of the year (Share)	<u>181,912,500</u>	<u>181,912,500</u>
(Losses) earnings per share attributable to the parent Company's shareholders (Fils)	<u>(52.74)</u>	<u>2.18</u>

**16- Related party disclosures**

Related parties represent shareholders, board of directors, key management personnel, associates entities under common control and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management.

Significant related party transactions are as follows:

	<u>2017</u>	<u>2016</u>
	<u>K.D</u>	<u>K.D</u>
<u>Transactions included in the consolidated statement of profit or loss:</u>		
Gain on sale of investment in an associate (note 5)	-	7,708,772
Sales to associate	-	1,132,950
Other income *	303,368	-
<u>Compensation to key management personnel:</u>		
Salaries and short term benefit	337,776	381,607
Employees' end of service benefits	21,491	18,421
	<u>359,267</u>	<u>400,028</u>

\* Represents the refund of certain finance costs from a related party which is a financial institution as a result of full and final settlement of murabaha payable. Those finance costs were incurred during the year ended December 31, 2016.

**17- Contingent assets and liabilities and legal claims****- Contingent assets and liabilities**

- The parent company has submitted certain claims of KD 29,067,639 ( December 31, 2016 KD 29,067,639) related to additional services provided to one of the projects with the Ministry of Health. However, these claims were not yet approved and the contract has ended during the year end December 31, 2015.
- At December 31,2017, the Group had contingent liabilities in respect of outstanding letters of guarantees arising in the ordinary course of business amounting to KD 17,573,881 (December 31,2016 KD 21,773,787).

**- legal claims**

There are certain lawsuits raised by / against the Group. In the opinion of the Group's Legal counsel, the results of lawsuits cannot be assessed till being finally cleared by the court and there will be no material adverse impact on the Group consolidated financial statements.

**18- Provisions**

	<u>2017</u>	<u>2016</u>
	<u>K.D</u>	<u>K.D</u>
Provision for doubtful debts (Note 3)	1,318,712	324,808
Provision for slow moving, obsolete and expired inventories (Note 4)	4,747,567	4,105,420
Other provision	800,000	-
	<u>6,866,279</u>	<u>4,430,228</u>

**19- Comparative figures**

- In accordance with IAS 8, certain items in the consolidated statements of financial position for the comparative information for the previous year ended 31 December 2016 has been restated.
- The comparative has been restated to reflect the necessary adjustments and provisions that necessary to the financial statements correction of accounting errors as explained below. The effect of the changes are as follows:

	<u>As previously reported</u>	<u>Effect of restatement</u>	<u>After restatement</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Accounts receivable and other debit balances	51,358,570	(3,486,198)	47,872,372
Inventory	29,861,984	(6,102,099)	23,759,885
Accounts payable and other credit balances	30,662,441	786,811	31,449,252
Retained earnings (accumulated loss)	3,813,668	(10,375,108)	(6,561,440)

**20- Going concern**

- The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that might arise due to uncertainty of the Group's ability to continue as a going concern.
- As of December 31, 2017, The Group's net loss for the year amounted to KD 8,587,611, the Group's accumulated losses amounted to KD 16,155,800 and the accumulated losses reach to 89% of the Parent Company share capital
- As per article 271 of the Law No. 1 of 2016, when the Company's accumulated losses reach 75% of its paid up share capital, the board of directors has to call for an extraordinary shareholders' general assembly meeting to decide about either the Company's continuity, early dissolution, or otherwise taking other necessary actions in that regard.



**21- General assembly**

The Parent Company shareholder's Ordinary Annual General Assembly meeting held on September 10, 2017 and did not approve the financial statement for the year ended December 31, 2016. During the year, the Group management has restated the comparative figures (Note 19).

**22- Financial risk management**

In the normal course of business, the Group uses primary financial instruments such as Cash on hand and at banks, receivables, investments, murabaha payables and payables and as a result, it is exposed to the risks indicated below.

**a) Interest rate risk**

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets liabilities carrying floating interest rates.

The Group is not currently exposed significantly to such risk.

**b) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, receivables. The Group's cash at banks are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks and receivables.

**c) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between other currencies and Kuwaiti Dinar.

	<u>Increase / (Decrease) against Kuwaiti Dinar</u>	<u>Effect on consolidated statement of profit or loss KD</u>
<u>2017</u>		
US Dollar	%5 ±	849,959 ±
Euro	%5 ±	147,113 ±
Others	%5 ±	6,416 ±
<u>2016</u>		
US Dollar	%5 ±	815,348 ±
Euro	%5 ±	164,564 ±
Others	%5 ±	22,895 ±

d) Liquidity risk

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

Maturity table for financial liabilities:

	<u>1-12 months</u> <u>KD</u>	<u>More than 12</u> <u>months</u> <u>KD</u>	<u>Total</u> <u>KD</u>
<u>2017</u>			
Murabaha	28,268,489	1,702,540	29,971,029
Accounts payable and other credit balances	31,426,847	-	31,426,847
	<u>59,695,336</u>	<u>1,702,540</u>	<u>61,397,876</u>
<u>2016</u>			
Murabaha	32,774,834	1,928,610	34,703,444
Accounts payable and other credit balances	31,313,998	-	31,313,998
	<u>64,088,832</u>	<u>1,928,610</u>	<u>66,017,442</u>

e) Equity price risk

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as "at fair value through profit or loss" and "available for sale". To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as of the reporting date:

	<u>Change in</u> <u>equity</u> <u>instrument</u> <u>price</u> <u>KD</u>	<u>Effect on</u> <u>consolidated</u> <u>statement of</u> <u>profit or loss</u> <u>KD</u>
<u>2017</u>		
Kuwait	%5 ±	9,506 ±
<u>2016</u>		
Kuwait	%5 ±	10,486 ±

**23- Fair value measurement**

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 following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

	<u>2017</u>	<u>2016</u>	<u>Last</u>	
	<u>KD</u>	<u>KD</u>	<u>evaluation</u>	<u>Level</u>
			<u>date</u>	
Investments at fair value through profit or loss	190,120	209,720	30 June 2017	3
			Based on the net book value	

At December 31, the fair values of financial instruments approximate their carrying amounts.

**24- Capital Risk Management**

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	<u>2017</u>	<u>2016</u>
	<u>K.D</u>	<u>K.D</u>
Murabaha	29,971,029	34,703,444
Total borrowings	29,971,029	34,703,444
<u>Less: Cash on hand and at banks</u>	<u>(2,546,599)</u>	<u>(9,180,423)</u>
Net debt	27,424,430	25,523,021
Total equity	8,633,591	18,244,244
Total capital resources	36,058,021	43,767,265
Gearing Ratio	76%	58%



**25- Segment information**

The Group's primary basis of segment reporting is by business segments, which consist of medical and related activities and investments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment, Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Information related to each reportable operating segment is set out below:

	<u>Medical and related activities</u> <u>K.D</u>	<u>Investments</u> <u>K.D</u>	<u>Unallocated</u> <u>K.D</u>	<u>Total</u> <u>K.D</u>
- <u>2017</u>				
Revenue	75,644,610	(19,600)	561,651	76,186,661
Gross profit	12,968,071	-	-	12,968,071
Net loss for the year	(9,568,011)	(19,600)	-	(9,587,611)
Total assets	71,512,188	269,500	-	71,781,688
Total liabilities	63,180,628	-	-	63,180,628
- <u>2016</u>				
Revenue	90,550,141	9,173,371	90,774	99,814,286
Gross profit	16,283,239	-	-	16,283,239
Net (loss) profit for the year	(8,772,313)	9,173,371	(167,349)	233,709
Total assets	85,984,880	289,100	-	86,273,980
Total liabilities	68,067,959	-	-	68,067,959