DALLAH HEALTHCARE COMPANY

A SAUDI JOINT STOCK COMPANY

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

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
INDEX TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTH AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

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INDEPENDENT AUDITORS' REVIEW REPORT

To the shareholders of

Dallah Healthcare Company
A Saudi Joint Stock Company

Riyadh- Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Dallah Healthcare Company** "A Saudi Joint Stock Company" ("the Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2018 and the Interim condensed consolidated statement of profit or loss and other comprehensive income for the Three-month and Nine-month periods then ended and the Interim condensed consolidated 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 notes from (1) to (16).

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial statement in accordance with International Accounting Standard 34 – ("IAS 34") *"Interim Financial Reporting"* endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Condensed Financial Statements Performed by the Independent Auditor of the Entity"* endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated 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 interim condensed consolidated 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.

M. A. Al-Amri

Dr. Mohamed A. Al-Amri
Certified Public Accountant
License Number 60

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Safar 13, 1440 (H)
October 22, 2018 (G)

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2018 (Unaudited) SR	As at 31 December 2017 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment		**1,916,373,611**	1,771,525,773
Intangible assets		**18,919,332**	19,047,672
Investment in associate	5	**146,347,875**	140,978,759
Equity instruments at fair value through other comprehensive income	6, 13	**5,332,573**	-
Available-for-sale investments	6, 13	**-**	5,417,832
		2,086,973,391	1,936,970,036
Current assets			
Cash and cash equivalents		**43,771,014**	90,440,266
Inventories		**69,902,777**	79,931,847
Trade receivables	7, 13	**363,373,832**	282,037,364
Contract assets	13	**4,641,813**	-
Due from related parties		**352,269**	181,612
Prepayments and other assets	13	**91,441,858**	110,348,219
Available-for-sale investment	6	**-**	28,125,000
		573,483,563	591,064,308
TOTAL ASSETS		**2,660,456,954**	2,528,034,344
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the Company:			
Share capital	1	**590,000,000**	590,000,000
Statutory reserve - Share premium		**371,142,305**	371,142,305
Statutory reserve – transferred from net income		**27,109,010**	27,109,010
Retained earnings	13	**662,970,201**	703,980,924
Cumulative effect of valuation of equity instruments at fair value through other comprehensive income		**(367,253)**	(281,995)
Total Equity		**1,650,854,263**	1,691,950,244
Liabilities			
Non-current liabilities			
Long term murabaha finance	8	**544,179,838**	458,280,007
Net employee benefits liability		**116,142,621**	106,595,301
		660,322,459	564,875,308
Current liabilities			
Trade and other payables		**69,482,267**	89,835,217
Contract liabilities	13	**18,506,396**	-
Short term murabaha finance	8	**169,040,003**	70,056,876
Current portion of long term murabaha finance	8	**14,791,666**	35,500,000
Due to related parties		**754,907**	984,854
Accrued expenses and other credit balances		**69,581,749**	60,865,810
Zakat		**7,123,244**	13,966,035
		349,280,232	271,208,792
Total liabilities		**1,009,602,691**	836,084,100
Total equity and liabilities		**2,660,456,954**	2,528,034,344

The accompanying selected notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2018 (Unaudited)	**2017 (Unaudited)**	**2018 (Unaudited)**	**2017 (Unaudited)**
	Note	SR	SR	SR	SR
Revenue	9	**280,935,317**	295,250,452	**862,657,763**	886,204,790
Cost of revenue		**(179,568,908)**	(158,480,942)	**(537,183,523)**	(475,352,379)
Gross profit		**101,366,409**	136,769,510	**325,474,240**	410,852,411
Selling and marketing expenses		**(4,388,010)**	(953,610)	**(17,841,158)**	(7,965,879)
General and administrative expenses	13	**(63,535,805)**	(59,455,356)	**(195,078,234)**	(169,853,370)
Operating income		**33,442,594**	76,360,544	**112,554,848**	233,033,162
Other income , net		**3,642,480**	4,504,345	**7,946,578**	10,792,596
Finance charges		**(3,950,134)**	138,636	**(7,201,285)**	(38,215)
Share of loss from investment in associate	5	**(468,594)**	(471,317)	**(610,907)**	(829,943)
Net profit before Zakat		**32,666,346**	80,532,208	**112,689,234**	242,957,600
Zakat		**(184,122)**	(3,710,813)	**(3,395,308)**	(11,105,585)
Net profit		**32,482,224**	76,821,395	**109,293,926**	231,852,015
Net profit attributable to the Company's shareholders		**32,482,224**	76,821,395	**109,293,926**	231,852,015
Other comprehensive income:					
Items will not be reclassified subsequently to profit or loss					
Change in equity instruments at fair value through other comprehensive income		**(40,385)**	(4,359,920)	**(85,258)**	(5,641,228)
Other comprehensive income		**(40,385)**	(4,359,920)	**(85,258)**	(5,641,228)
Total comprehensive income		**32,441,839**	72,461,475	**109,208,668**	226,210,787
Comprehensive income attributable to the Company's shareholders		**32,441,839**	72,461,475	**109,208,668**	226,210,787
Basic and diluted earnings per share from net income	11	**0.55**	1,30	**1.85**	3,93

The accompanying selected notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital SR	Statutory reserve - Share premium SR	Statutory reserve - Transferred from net income SR	Retained earnings SR	Cumulative effect of valuation of equity instruments at fair value through other comprehensive income SR	Total equity SR
For period ended 30 September 2018 (Unaudited)							
As at 1 January 2018 after adjustment	13	**590,000,000**	**371,142,305**	**27,109,010**	**701,176,275**	**(281,995)**	**1,689,145,595**
Net profit		**-**	**-**	**-**	**109,293,926**	**-**	**109,293,926**
Other comprehensive income		**-**	**-**	**-**	**-**	**(85,258)**	**(85,258)**
Dividends	10	**-**	**-**	**-**	**(147,500,000)**	**-**	**(147,500,000)**
As at 30 September 2018		**590,000,000**	**371,142,305**	**27,109,010**	**662,970,201**	**(367,253)**	**1,650,854,263**
For period ended 30 September 2017 (Unaudited)							
As at 1 January 2017		590,000,000	371,142,305	27,109,010	532,547,117	(4,642,458)	1,516,155,974
Net profit		-	-	-	231,852,015	-	231,852,015
Other comprehensive income		-	-	-	-	(5,641,228)	(5,641,228)
Dividends	10	-	-	-	(118,000,000)	-	(118,000,000)
At 30 September 2017		590,000,000	371,142,305	27,109,010	646,399,132	(10,283,686)	1,624,366,761

The accompanying selected notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	For the nine month ended 30 September 2018 (Unaudited) SR	2017 (Unaudited) SR
OPERATING ACTIVITIES			
Net profit before zakat		**112,689,234**	242,957,600
Adjustments:			
Depreciation of property, plant and equipment		**52,073,033**	44,868,237
Amortization of intangible assets		**128,340**	128,335
Employees' benefits provision		**15,758,664**	16,516,302
Provision expected credit losses (2017: Provision for doubtful debts)	7	**1,575,100**	(2,230,917)
Loss / (Gain) from sale of property, plant and equipment		**39,786**	(397,979)
Provision for inventories		**1,519,720**	-
Share of loss from investments in associates	5	**610,907**	829,943
Financial charges		**7,201,285**	38,215
Loss from sale of financial assets at fair value through profit or loss	6	**373,123**	-
Changes in:			
Trade and other receivables		**(85,716,217)**	53,117,716
Inventories, net		**8,509,350**	(4,441,924)
Related parties		**(400,604)**	(906,905)
Prepayments and other assets		**18,906,362**	(7,864,816)
Contract assets		**(4,641,813)**	-
Trade and other payables		**(20,352,950)**	(21,451,424)
Contract liabilities		**18,506,396**	-
Accrued expenses and other liabilities		**8,715,939**	(9,893,033)
Cash generated from operations		**135,495,655**	311,269,350
Zakat paid		**(10,238,099)**	(9,439,540)
Employees' benefits paid		**(6,211,344)**	(13,514,430)
Net cash flows generated from operating activities		**119,046,212**	288,315,380
INVESTING ACTIVITIES			
Additions to investment in associate	5	**(5,980,023)**	-
Proceeds from sale of financials assets at fair value through profit or loss	6	**27,751,877**	-
Proceeds from sale of available-for-sale investments			50,000
Additions to property, plant and equipment		**(196,960,657)**	(286,212,502)
Proceeds from sale of property, plant and equipment		**-**	569,965
Net cash flows used in investing activities		**(175,188,803)**	(285,592,537)
FINANCING ACTIVITIES			
Proceeds from short-term murabaha finance		**179,500,000**	394,500,000
Short-term murabaha finance Paid		**(80,516,873)**	(391,000,000)
Proceeds from long-term murabaha finance		**1,560,621,512**	900,736,471
Long-term murabaha finance Paid		**(1,495,430,015)**	(880,525,094)
Dividend paid	10	**(147,500,000)**	(118,000,000)
Financial cost paid		**(7,201,285)**	(38,215)
Net cash flows generated from (used in) financing activities		**9,473,339**	(94,326,838)
Net changes in cash and cash equivalents		**(46,669,252)**	(91,603,995)
Cash and cash equivalents at beginning of the period		**90,440,266**	186,556,641
Cash and cash equivalents at end of the period		**43,771,014**	94,952,646

The accompanying selected notes from 1 to 16 form an integral part of these condensed consolidated interim financial statements.

1. LEGAL STATUS AND NATURE OF OPERATIONS

Dallah Healthcare Company (the "Company") was established in the Kingdom of Saudi Arabia as a limited liability company under commercial registration No. 1010128530 dated 13 Rabi II 1415H (corresponding to September 18, 1994) in Riyadh.

The Company's board of directors declared Dallah Healthcare Company as a Saudi Closed Joint Stock Company on 14 Jumad I 1429H (corresponding to May 20, 2008). On 28 Dhu Al Qa'dah 1433H (corresponding to October 14, 2012), the Company obtained an approval to be transferred to a public joint stock company by issuing 14.2 million shares in an initial public offering with a nominal value of SR 142 million, as a result of the offering, a share premium of SR 371 million was included in the Company's statutory reserve. The Company became a listed company in the Saudi Capital Market on 4 Safar 1434H (corresponding to December 17, 2012). The Company changed its trading name from Dallah Healthcare Holding Company to Dallah Healthcare Company according to approval of an extraordinary annual general meeting held on 16 Safar 1438H (corresponding to 16 November 2016).

These condensed consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

The Group holds investments in the following subsidiaries, and the financial results of these subsidiaries are included in these consolidated financial statements and as follows a brief about the subsidiaries.

Name of subsidiary	Proportion of ownership interest held by Company (%) 30 September	31 December	Country of operation and incorporation	Principal activity
	2018	**2017**		
Dallah Pharma Company	**100%**	100%	Kingdom of Saudi Arabia	Pharmaceutical, herbal & cosmetic distribution & manufactory.
Afyaa Al-Nakheel for Supporting Services Co. Limited	**99%**	99%	Kingdom of Saudi Arabia	Provide manpower & Support services to hospitals and medical centres.
Dallah Namar Hospital Health Co.	**100%**	100%	Kingdom of Saudi Arabia	Operating, managing, equipping and developing hospitals and healthcare facilities, medical polyclinics and compounds, owning lands.

The Company effectively owns 100% of Afyaa Al-Nakheel for Supporting Services Co. where the remaining percetgae of 1% is indirectly owned by other parties on behalf of the Company and therefore effectively non-controlling interests do not exist in these consolidated financial statements.

The objectives of the Company are to operate, manage and maintain the healthcare facilities, wholesale and retail of medicals, surgical equipment, artificial parts, handicapped and hospital equipment and manufacturing medicines, pharmaceuticals, herbals, health, cosmetics, detergents, disinfectants and packaging in the Kingdom of Saudi Arabia.

These condensed consolidated interim financial statements are prepared in Saudi Riyals, which is the functional currency of the Group.

Share capital

The share capital of the Company as of 30 September 2018 and 31 December 2017 amounted to SR 590 million comprising of 59 million shares stated at SR 10 per share.

Construction in progress

The Company has started the construction of Dallah Hospital -Namar project, with a maximum capacity of 400 beds and 200 clinics with an estimated total cost of SR 920 million. The first stage's operation started on 8 April 2018 with a capacity power of 150 beds and 100 clinics.

The Group has announced the start of construction work for the Western expansion of Dallah Hospital in Al-Nakheel district on 25 September 2017, with a capacity of 150 beds and 30 clinics. The work is scheduled to be completed in the second quarter of 2019 at an estimated cost of SR 270 million.

2. STATEMENT OF COMPLIANCE WITH IFRSs

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, as endorsed in the Kingdom of Saudi Arabia. The accompanying condensed consolidated interim financial statements should be read in conjunction with the Group's consolidated 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, IMPROVEMENTS AND INTERPRETATIONS

3.1 ISSUED STANDARDS, AMENDMENTS, IMPROVEMENTS , INTERPRETATIONS AND NOT EFFECTIVE

IFRS (16) "Leases" - New (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 IAS (28) "Investments in Associates and Joint Ventures" related to Long-term Investments in Associates and Joint Ventures (Effective date 1 January 2019).
- Amendments to IAS (19) "Employee Benefits "related to Plan Amendment, Curtailment or Settlement (Effective date 1 January 2019).
- 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 Group except for IFRS (9) “Financial Instruments” and

IFRS (15) “Revenues from Contracts with Customers” as mentioned bellow.

4. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Except as stated below, the significant accounting policies and estimates applied to the condensed consolidated interim financial statements is the same of those accounting policies applied for annual financial statements as at 31 December 2017.

IFRS (15) "Revenue from Contracts with Customers"

The Group 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 Group 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 goods or services 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 goods or services being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Group transfers a 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 judgements of the principal activities from which the Group 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 Group concluded that revenue from bundled services will be recognized over time.

(b) Sale of goods – Distribution

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 Group is primarily responsible for fulfilling the promise to provide the specified pharmaceutical and other specific products. The Group bears inventory risk before the pharmaceutical and other products has been transferred to the customer. In addition, the Group 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"

In the comparative figures for the year 2017 the Group applied IAS 18 "Revenue" and 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".

IFRS (9) "Financial Instruments"

The Group 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.

Financial instruments accounting policy

The Group 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 Group 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) Financial assets 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 Group considers:

- Management's stated policies and objectives for the group 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.

(b) Debt instruments at fair value through other comprehensive income (with recycling to profit or loss)

Debt instruments that meet the following conditions are measured fair value through other comprehensive income:

1. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at fair value through other comprehensive income, commission income and impairment losses or reversals are recognized in statement of income and computed in the same manner as for financial assets measured at amortized cost.

All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated of it under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss.

(c) Financial assets as fair value through profit or loss (FVPL)

Investments in equity instruments are classified as at FVPL, unless the Group designates an investment that is not held for trading as at FVOCI.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in income statement.

Dividend income on investments in equity instruments at FVPL is recognized in statement of income when the Group's right to receive the dividends is established in accordance with IFRS (15) "Revenue from Contracts with Customers".

(d) Equity instruments as fair value through other comprehensive income (FVOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the short term;
- Investment being part of a portfolio for short-term profit-taking; or
- If It was a derivatives

Equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently, it is measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Gain and losses on such equity instruments are never reclassified to income statement and no impairment is recognized in income statement.

Dividends on these investments are recognized in statement of income when the Group's right to receive the dividends is established in accordance with IFRS (15) "Revenue from contracts with customer".

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) for financial asstes that are measured at amortized cost or at FVOCI. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on financial assets. The (ECL) on these financial assets are estimated based on the Group'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.

Measurement and recognition of expected credit losses

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

Derecognition of financial assets

The Group 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 Group neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group 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 Group has no financial liabilities at fair value through profit or loss.

Derecognition of financial liabilities

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

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

Reclassification from loans and receivables to financial assets at amortized cost

Financial assets classified as loans and receivables under IAS (39) "Financial Instruments: Recognition and Measurement " that were measured at amortised cost continue to be measured at amortised cost under IFRS (9) " Financial Instruments " as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;

Reclassification from available to sale to fair value through other comprehensive income

The Group elected to present in other comprehensive income all changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are not held for trading.

Other changes in accounting estimates

Useful life of buildings

The Group has restudied Useful life of the buildings by re-estimating the useful life of it. The group used for this propos an independent expert. The useful life of the buildings as of 30 September 2018 estimated to fifty-five years (31 December 2017 from 16 to 33 years)

The re-estimation of the useful life of the buildings resulted in a reduction of depreciation expense charged to profit or loss during the period ended 30 September 2018 by SR. 4.25 million. The Group's management estimates that the impact will be reducing the depreciation annually by SR. 17 million.

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

5. INVESTMENT IN ASSOCIATE

Investment in associate comprises of investments in Dr. Mohammed Rashed Al-Faqeeh Company "A closed Joint Stock Company" which is constructing a general hospital east of Riyadh city. The Group's share is accounted for using the equity method as follows:

Name of associate	Proportion of ownership interest (%) 30 September 2018	31 December 2017	Country of operation and incorporation	Principal activity
Dr. Mohammed Rashed Al-Faqeeh Company	**31.21%**	30%	Kingdom of Saudi Arabia	Owning, operating and maintaining the hospital and health centres

During the period ended 31 March 2018, the Company increased its share in the associated company to be 31.21% as of 30 September 2018 (31 December 2017: 30%).

The movement of the investment can be summarized as follows:

	As at 30 September 2018	As at 31 December 2017
Opening balance	**140,978,759**	142,814,086
Additions	**5,980,023**	-
Adjustment	**-**	(881,805)
Share of loss from associate	**(610,907)**	(953,522)
Closing balance	**146,347,875**	140,978,759

The aggregate amounts of certain financial information of the associate can be summarized as follows:

	As at 30 September 2018	As at 31 December 2017
Assets	**564,970,979**	440,598,634
Liabilities	**139,419,852**	13,090,097
Revenues	**141,957**	2,647,530
Loss for the period / year	**(1,957,409)**	(2,716,049)

6. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (2017 : INVESTMENTS AVAILABLE FOR SALE)

Equity investments	Country	Ownership %	As at 30 September 2018	As at 31 December 2017
Quoted:				
Jordanian Pharmaceutical Manufacturing Company	Jordan	0.4%	**136,308**	221,567
Unquoted investments				
Makkah Medical Canter Company	Saudi Arabia	7.5%	**3,448,120**	3,448,120
Al Ehsa Medical Services Company	Saudi Arabia	1.1%	**1,748,145**	1,748,145
			5,332,573	5,417,832
Available for sale investment - current			**-**	28,125,000

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

Unquoted equity investments

According to management, the unquated equity instruments have not met any of the indicators according to IFRS (9) "Financial Instruments" paragraph 5-4-2 which indicates that when cost may not represent the fair value of these instruments, as a result the cost of these instruments has been considered as the best estimate of their fair value.

Available-for-sale financial investments

On the date of application of IFRS (9) “Financial Instruments ", available for sale investments are reclassified as financial assets are fair value through profit or loss. On 4 January 2018, were sold for SR 27,751,877, and result in a loss of SR 373,123 recognized in profit or loss.

7. TRADE RECEIVABLES

	As of 30 September 2018	As of 31 December 2017
Accounts receivable	**391,646,908**	309,080,891
Less:		
Provision for expected credit losses (2017: Provision for doubtful debts)	**(28,273,076)**	(27,043,527)
	363,373,832	282,037,364

The summary of movement for Provision for expected credit losses (2017: Provision for expected credit losses) is as follows:

	For period / year ended 30 September 2018	31 December 2017
Balance as at 1 January before adjustments	**27,043,527**	46,005,356
Adjustment due to application of IFRS 9 (note15)	**2,804,649**	-
Opening balance after adjustments	**29,848,176**	46,005,356
Charge for the period / year	**3,654,916**	3,283,874
Reversal during the period / year	**(5,230,016)**	(5,828,621)
Written off during the period / year	**-**	(16,417,082)
Closing balance	**28,273,076**	27,043,527

8. MURABAHA FINANCING

	As of 30 September 2018	As of 31 December 2017
Non-current		
Long -term Murabaha Finance	**544,179,838**	458,280,007
Current		
Short-term bank Murabah Finance	**169,040,003**	70,056,876
Current portion of long-term Murabaha	**14,791,666**	35,500,000
Total Ccurrent Murabaha	**183,831,669**	105,556,876
Total Murabaha	**728,011,507**	563,836,883

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

The Group has murabaha finance contracts with local banks for the purpose of financing the expansion operations of the Company. These murabaha generally bear financial charges based on prevailing finance cost in the market. The murabha contracts guaranteed by promissory notes.

As of September 30, 2018, Murabaha financing being granted to the Group amounted to SR 2,783 million (31 December 2017: SR 1,662 million). Of which SR 728 has been used as at 30 September 2018 (31 December 2017: SR 564 million, and guaranteed by promissory notes amounting to SAR 2,783 million.

On 22 Rabi II 1439 (corresponding to January 8, 2018) The Group signed an Islamic financing agreement with a local bank for SR 1,300 million for eight years in purpose to finance facility for the new and ongoing medical projects, hospitals under construction, new hospitals and financing working capital. The used amount as at 30 September, 2018 amounted to SR 147.5 million

The Group has an Islamic financing contract with a local bank amounting SR 640 million for 8 years, in purpose to finance the expansion of Dallah Hospital – Namaar , the used amount as at 30 September 2018 amounted to SR 372.5 million (31 December 2017 : SR 340 million).

The Group has an Islamic Murabaha financing contract with a local bank amounted SR 550 million, in purpose to finance for the current expansions. The used amount as at 30 September 2018 was SR 208 million (31 December 2017: SR 176 million).

During the period ended 30 September 2018, the Group capitalized financial charges amounted to SR 8.9 million (30 September 2017: SR9.8 million). And the Group recorded finance charges for the period ended 30 September 2018 amounting to SR 7.2 million (30 September 2017: SR 0.4 million) in statement of profit or loss and other comprehensive income.

9. REVENUE

	For Nine months period ended	
	30 September 2018	**30 September 2017**
Revenues classification		
Revenue from services	**660,920,888**	704,334,417
Revenue from sale of medicine	**201,736,875**	181,870,373
	862,657,763	886,204,790
Timing of Revenue recognition		
over time	**303,941,702**	333,841,733
At point in time	**558,716,061**	552,363,057
	862,657,763	886,204,790

10. DIVIDENDS

On 06 Ramadan 1439H (corresponding to May 22, 2018), the shareholders of the Company approved a cash dividend for the financial year 2017 amounting SR 147.5 million (SR 2.5 per share) which was distributed during the second quarter of 2018. Also has delegated the Board of Directors to approve the interim and Simi-annual dividends for 2018 and determine the due dates in accordance with the regulatory regulations and according to the Company's financial position and its cash flows.

On 30 Rajab 1438H (corresponding to April 26, 2017), the shareholders of the Company approved a cash dividend for the financial year ended 31 December 2016 amounting SR 118 million (SR 2 per share) which was distributed during the second quarter of 2017.

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11. BASIC AND DILUTED EARNINGS PER SHARE FROM NET PROFIT

Earnings per share are calculated based on the weighted average number of shares outstanding. The diluted earnings per share are the same as the basic earnings per share because the Company does not have any issued diluted instruments.

	For Three month period ended		For Nine month period ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Net income	**32,482,224**	76,821,395	**109,293,926**	231,852,015
Weighted average of outstanding shares	**59,000,000**	59,000,000	**59,000,000**	59,000,000
Basic and diluted earnings per share	**0.55**	1.30	**1.85**	3.93

The net loss of Dallah Namar Hospital Company amounted to SR 66.5 million for the period ended September 30, 2018(2017: zero).

12. CONTINGENCIES AND COMMITMENTS

Capital commitments

As at 30 September 2018, the Group had capital commitments that mainly relate to the construction contracts of the expansion of Dallah Nakheel and the construction of Dallah Namar amounting to SR 212 million (31 December 2017: SR 173 million).

Contingent liabilities

As at September 30, 2018, the Group has a contingent liability represented in letters of guarantee amounting to 3 million in the normal course of business (31 December 2017: SR 4.6 million).

There are some legal cases filed against the Company, in the normal course of business, and is currently settling them, but the final outcome of such cases is not certain yet. Management does not expect the outcome of these cases to be material to the consolidated financial statements of the Group.

13. IMPACT OF NEW INTERNATION FINANCIAL REPORTING STANDARDS

The Group adopted IFRSs (9) "Financial Instruments", (15) "Revenue from Contracts with Customers" using the modified retrospective method. The Group recognized the cumulative effect of initially applying the new revenue and financial instrument standard 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 9	Impact for IFRS 15	With application of new standards
Retained Earnings (a)	703,980,924	(2,804,649)	-	701,176,275

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

Impact on statement of financial position as at 30 September 2018

	Without application of new standards	Impact for IFRS 9	Impact for IFRS 15	With application of new standards
Equity instruments at fair value through other comprehensive income (b)	**-**	**5,332,573**	**-**	**5,332,573**
Available for sale investments (b)	**5,332,573**	**(5,332,573)**	**-**	**-**
Trade receivables, net (a) (c)	**346,477,026**	**(1,609,590)**	**18,506,396**	**363,373,832**
Prepayments and other assets (d)	**96,083,671**	**-**	**(4,641,813)**	**91,441,858**
Contract assets with customers (d)	**-**	**-**	**4,641,813**	**4,641,813**
Contract liabilities with customers (c)	**-**	**-**	**18,506,396**	**18,506,396**
Retained earnings (a)	**664,579,791**	**(1,609,590)**	**-**	**662,970,201**

Impact on statement of profit or loss and other comprehensive income for period ended 30 September 2018

	Without application of new standards	Impact for IFRS 9	Impact for IFRS 15	With application of new standards
General and administrative expenses (a)	**(193,468,644)**	**(1,609,590)**	**-**	**(195,078,234)**

The impact of applying IFRS to the new financial reporting standards can be described as follows:

(A) In accordance with the requirements of IFRS (9) "Financial Instruments" , the Company has re-measured the provision for doubtful debts in accordance with the expected credit loss method, resulting in a reduction in retained earnings on initial application. The application of the expected credit loss method resulted in the reduction of trade and other receivables and increased administrative expenses in the period ended 30 September 2018.

(B) In accordance with the requirements of IFRS (9) "Financial Instruments", available-for-sale investments are reclassified as equity instruments at fair value through other comprehensive income, resulting in the derecognition of investments available for sale and the recognition of equity instruments at fair value through other comprehensive income.

(C) In accordance with the requirements of IFRS (15) "Revenue from Contracts with Customers", the volume discount has been reclassified as a contract liabilities with customers, resulting in the increase the balance of trade receivables and the recognition of contract liabilities with customers.

(D) In accordance with the requirements of IFRS (15) "Revenue from Contracts with Customers", the income due from unearned income resulted from unbilled revenues reclassified to as contract assets with customers, reducing prepayments and other assets and the recognition contract asset with customers.

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

14. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

Classification of financial liabilities

	As at 30 September 2018	**As at 31December 2017**
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	**43,771,014**	90,440,266
Trade receivables and other assets, net	**363,373,832**	282,037,364
Due from related parties	**352,269**	181,612
Financial assets at fair value through other comprehensive income		
Equity instruments at fair value through other comprehensive income	**5,332,573**	-
Available for sale investments		
Available for sale investment - current	**-**	28,125,000
Available for sale investment	**-**	5,417,832
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	**69,482,267**	89,835,217
Murabaha Financing	**728,011,507**	563,836,883
Due to related parties	**754,907**	984,854

Fair value measurement

The Group measures financial instruments, such as Equity instruments at fair value through other comprehensive income at fair value at each statement of financial position date.

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 Group. 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 utilise the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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

There was no reclassification between the three levels above during the period

In management opinion that the fair value of the financial instruments is substantially close to its book value.

15. SEGMENTAL INFORMATION

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

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the board of directors on 22 October 2018 (G) corresponding to 13 Safar 1440 (H).