Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Closed Joint Stock Company)

Interim Condensed Consolidated Financial Statements
For the three and nine months periods ended 30 September 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Dr. Sulaiman Al Habib Medical Services Group Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2019, and the related interim condensed consolidated statements of income and comprehensive income for the three and nine months periods ended 30 September 2019, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated 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 Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement 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 that are endorsed in the Kingdom of Saudi Arabia 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 with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

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Riyadh: 15 Rabi Al Thani 1441H
(12 December 2019)

Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Closed Joint Stock Company)
Interim condensed consolidated statement of financial position
As at 30 September 2019

	Notes	30 September 2019 SR (Unaudited)	31 December 2018 SR (Audited)
Assets			
Current assets			
Cash and cash equivalents		1,195,135,774	1,369,118,427
Accounts receivable		1,487,873,562	1,311,100,395
Advances to suppliers and contractors		25,457,580	17,671,064
Prepaid expenses and other assets		295,122,105	210,225,879
Inventories		306,048,895	302,536,655
Total current assets		**3,309,637,916**	**3,210,652,420**
Non-current assets			
Investments in associates		42,510,744	43,488,180
Property and equipment	6	4,817,676,764	4,287,022,999
Total non-current assets		**4,860,187,508**	**4,330,511,179**
Total assets		**8,169,825,424**	**7,541,163,599**
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable		500,210,438	531,610,946
Advances from customers		22,732,746	18,957,753
Divdends payable		135,843,929	103,360,353
Accrued expenses and other liabilities		507,364,746	399,877,012
Zakat payable		82,832,389	79,135,807
Current portion of government grant		2,180,004	2,706,944
Current portion of long-term loans	9	212,800,420	228,512,814
Current portion of lease liabilities		42,111,873	-
Total current liabilities		**1,506,076,545**	**1,364,161,629**
Non-current liabilities			
Government grant		66,527,103	47,433,151
Lease liabilities		131,434,268	
Long-term loans	9	1,675,190,991	1,338,257,068
Employees' end-of-service benefits		258,377,764	234,052,516
Total non-current liabilities		**2,131,530,126**	**1,619,742,735**
Total liabilities		**3,637,606,671**	**2,983,904,364**
Equity			
Issued share capital		3,500,000,000	3,500,000,000
Statutory reserve		380,849,457	380,849,457
Retained earnings		443,788,067	447,172,841
Equity attributable to equity holders of the parent		**4,324,637,524**	**4,328,022,298**
Non-controlling interests		207,581,229	229,236,937
Total equity		**4,532,218,753**	**4,557,259,235**
Total liabilities and equity		**8,169,825,424**	**7,541,163,599**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Closed Joint Stock Company)
Interim condensed consolidated statement of income
For the three and nine months periods ended 30 September 2019

		For the three months period ended		For the nine months period ended	
		30 September 2019 SR	30 September 2018 SR	30 September 2019 SR	30 September 2018 SR
	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue		1,230,356,072	1,145,347,321	3,622,682,526	3,383,061,911
Cost of revenue		(870,452,042)	(791,047,997)	(2,501,667,564)	(2,376,792,530)
Gross profit		**359,904,030**	**354,299,324**	**1,121,014,962**	**1,006,269,381**
General and administrative expenses		(116,065,902)	(101,354,430)	(372,596,103)	(300,671,474)
Selling and marketing expenses		(51,363,587)	(37,777,226)	(144,192,957)	(115,693,291)
Operating income		**192,474,541**	**215,167,668**	**604,225,902**	**589,904,616**
Share of income of associates		3,646	528,256	2,022,563	4,672,696
Finance costs		(5,119,740)	(5,426,334)	(16,557,592)	(14,995,926)
Other income		16,003,303	16,782,298	48,747,298	52,823,021
Income before zakat		**203,361,750**	**227,051,888**	**638,438,171**	**632,404,407**
Zakat		(15,867,315)	(19,533,890)	(60,478,427)	(57,576,714)
Net income for the period		**187,494,435**	**207,517,998**	**577,959,744**	**574,827,693**
Attributable to:					
Equity holders of the parent		198,002,061	207,932,084	600,054,042	575,970,562
Non-controlling interests		(10,507,626)	(414,086)	(22,094,298)	(1,142,869)
		187,494,435	**207,517,998**	**577,959,744**	**574,827,693**
Basic and diluted earnings per share:	8				
Basic and diluted earnings per share from operating income		**0.55**	**0.61**	**1.73**	**1.69**
Basic and diluted earnings per share from net income attributable to equity holders of the parent		**0.57**	**0.59**	**1.71**	**1.65**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

	For the three months period ended		For the nine months period ended	
	30 September 2019 SR (Unaudited)	**30 September 2018 SR (Unaudited)**	**30 September 2019 SR (Unaudited)**	**30 September 2018 SR (Unaudited)**
Net income for the period	**187,494,435**	**207,517,998**	**577,959,744**	**574,827,693**
Other comprehensive (loss) income				
Items that will not to be reclassified to consolidated statement of income in subsequent periods:				
Remeasurement gain (loss) on employees' end-of-service benefits	522,834	2,020,302	(3,438,816)	5,955,771
Other comprehensive income (loss) for the period	**522,834**	**2,020,302**	**(3,438,816)**	**5,955,771**
Total comprehensive income for the period	**188,017,269**	**209,538,300**	**574,520,928**	**580,783,464**
Attributable to:				
Equity holders of the parent	198,524,895	209,952,386	596,176,636	581,926,333
Non-controlling interests	(10,507,626)	(414,086)	(21,655,708)	(1,142,869)
	188,017,269	**209,538,300**	**574,520,928**	**580,783,464**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Dr. Sulaiman Al Habib Medical Services Group Company and its Subsidiaries
(Saudi Closed Joint Stock Company)
Interim condensed consolidated statement of changes in equity
For the nine months period ended 30 September 2019

	Attributable to equity holders of the parent					
	Issued share capital SR	**Statutory reserve SR**	**Retained earnings SR**	**Total SR**	**Non-controlling interests SR**	**Total equity SR**
As at 1 January 2018	**3,500,000,000**	**300,718,722**	**517,892,452**	**4,318,611,174**	**230,470,315**	**4,549,081,489**
Net income (loss) for the period	-	-	575,970,562	575,970,562	(1,142,869)	574,827,693
Other comprehensive income	-	-	5,955,771	5,955,771	-	5,955,771
Total comprehensive income (loss)	-	-	581,926,333	581,926,333	(1,142,869)	580,783,464
Dividends (note 7)	-	-	(400,000,000)	(400,000,000)	-	(400,000,000)
As at 30 September 2018 (Unaudited)	**3,500,000,000**	**300,718,722**	**699,818,785**	**4,500,537,507**	**229,327,446**	**4,729,864,953**
As at 1 January 2019	**3,500,000,000**	**380,849,457**	**447,172,841**	**4,328,022,298**	**229,236,937**	**4,557,259,235**
Net income (loss) for the period	-	-	600,054,042	600,054,042	(22,094,298)	577,959,744
Other comprehensive loss	-	-	(3,438,816)	(3,438,816)	438,590	(3,000,226)
Total comprehensive income (loss)	-	-	596,615,226	596,615,226	(21,655,708)	574,959,518
Dividends (note 7)	-	-	(600,000,000)	(600,000,000)	-	(600,000,000)
As at 30 September 2019 (Unaudited)	**3,500,000,000**	**380,849,457**	**443,788,067**	**4,324,637,524**	**207,581,229**	**4,532,218,753**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

	2019 SR (Unaudited)	2018 SR (Unaudited)
Operating activities		
Income before zakat	**638,438,171**	**632,404,407**
Non-cash adjustments to reconcile profit before zakat to net cash flows:		
Depreciation	184,672,749	149,743,659
Share of income of associates	(2,022,563)	(4,672,696)
Loss on disposal of property and equipment	332,199	250,317
Allowance for doubtful debts	75,506,428	61,176,758
Provision for inventories	1,725,000	3,727,462
Finance costs	11,416,376	14,995,926
Employees' end-of-service benefits	41,938,766	37,826,009
	952,007,126	**895,451,842**
Working capital adjustments:		
Accounts receivable	(274,094,884)	(55,575,049)
Advances to suppliers and contractors	(11,231,839)	(66,684,971)
Inventories	(39,933,220)	4,540,849
Prepaid expenses and other assets	(53,308,907)	(274,651,898)
Accounts payable	(16,655,520)	2,474,508
Advances from customers	4,385,051	202,787
Accrued expenses and other liabilities	109,229,330	88,148,320
Cash generated from operations	**670,397,137**	**593,906,388**
Zakat paid	(56,781,845)	(84,582,617)
Employees' end-of-service benefits paid	(22,826,960)	(20,813,141)
Net cash from operating activities	**590,788,332**	**488,510,630**
Investing activities		
Purchase of property and equipment	(499,686,157)	(448,833,740)
Proceeds from sale of property and equipment	2,304,256	3,668,912
Cash flows arising on transfer of a subsidiary	(2,772,641)	-
Dividends from associates	3,000,000	-
Net cash used in investing activities	**(497,154,542)**	**(445,164,828)**
Financing activities		
Proceeds from long-term loans, net	321,221,529	344,719,905
Government grant	18,567,012	-
Lease obligation paid	(28,381,251)	-
Finance costs paid	(11,507,310)	(11,076,461)
Dividends paid	(567,516,423)	(464,211,672)
Net cash used in financing activities	**(267,616,443)**	**(130,568,228)**
Net decrease in cash and cash equivalents	(173,982,653)	(87,222,426)
Cash and cash equivalents at the beginning of the period	1,369,118,427	1,140,536,949
Cash and cash equivalents at the end of the period	**1,195,135,774**	**1,053,314,523**
Non-cash transactions:		
Recognition of right-of-use assets	232,866,131	-
Recognition of lease liabilities	211,686,481	-

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

1. Corporate information and activities

Dr. Sulaiman Al Habib Medical Services Group Company (the "Company") (a Saudi closed joint stock company) is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993). The registered office is located at Olaya District, P.O. Box 91877, Riyadh 11643, KSA.

The Company operates under medical license no. 014-101-012-012-00129 dated 26 Jumad Thani 1428H (corresponding to 11 July 2007) issued by the Ministry of Health. The Company also operates its drug stores under license No. 6375/P dated 13 Rabi Awal 1432H (corresponding to 16 February 2011) issued by Food and Drugs Administration organization.

The Company objectives include establishing and managing hospitals, medical centres, laboratories and radiology, purchasing of lands for the purpose of constructing buildings and investing in these buildings by selling and leasing for the benefit of the Company and invest in other companies through holding a controlling position. In addition, the Company also does trading in wholesale and retail of medicines, cosmetics, medical equipment and beauty products.

The Company operates a branch in Riyadh, Kingdom of Saudi Arabia "Branch of Dr. Sulaiman Al Habib Medical Services Group Company" ("the Branch") under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The objectives of the Branch include trading in wholesale and retail of cosmetics and maintenance of medical equipment. The Branch operates its drug store under license no. 06-01-00231 dated 24 Muharram 1435H (corresponding to 27 November 2013) issued by Food and Drugs Administration organization.

The Company operates a branch in the Kingdom of Bahrain "Dr. Sulaiman Al-Habib Medical Services Group Holding Company - Foreign Branch" ("the Foreign Branch") under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the Foreign Branch include management and development of medical units in addition to providing medical supplies.

The interim condensed consolidated financial statements include the financial information of the branches mentioned above and subsidiaries mentioned in note 3.

2. Basis of preparation

These interim condensed consolidated financial statements for the three and nine months periods ended 30 September 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the KSA.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

An interim period is considered as integral part of the whole fiscal year, however, the results ot operations for the interim periods may not be a fair indication of the results of the full year operations.

These interim condensed consolidated financial statements are prepared on a historical cost basis except for government grants and long-term loans from Ministry of Finance, which are presented on a fair value basis. The interim condensed consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.

3. Basis of consolidation

These interim condensed consolidated financial statements comprise the interim condensed financial statements of the Company and its following subsidiaries (collectively referred to as "the Group"), mainly domiciled in Kingdom of Saudi Arabia ("KSA") and United Arab Emirates ("UAE") as at 30 September 2019 & 31 December 2018:

	Country of incorporation and business	Activities	Ownership %	
			30 September 2019	31 December 2018
Sehat Al Olaya Medical Complex Company	KSA	Hospital	100%	100%
Asharq Alawsat Pharmacies Company[a]	KSA	Pharmacy	100%	100%
Dr. Sulaiman Al Habib Hospital FZ – LLC	UAE	Hospital	100%	100%
Al Mustaqbal for Hospitals Development Company[d]	KSA	Hospital	-	100%
Buraidah Al Takhassusi Hospital for Healthcare Company	KSA	Hospital	100%	100%
Al Rayan Hospital for Healthcare Company	KSA	Hospital	100%	100%
Home Healthcare Company	KSA	Home Healthcare services	100%	100%
Antab Al Riyadh for Operation and Maintenance Company	KSA	Anciliary services	100%	100%
Al Gharb Al Takhassusi Hospital For Healthcare Company	KSA	Hospital	100%	100%
Al Mokhtabarat Diagnostic Medical Company	KSA	Laboratory Services	100%	100%
Sehat Al Suwaidi Medical Company	KSA	Hospital	100%	100%
Hulool Al Sahabah for IT & Communication Company	KSA	IT Support Services	100%	100%
Al Rayan for Maintenance and Operation Company	KSA	Anciliary services	100%	100%
Rawafed Al Seha International Company[b]	KSA	Trading services	-	100%
Al Afia Pharmacies for Medicines Company[a]	KSA	Pharmacy	100%	100%
Intensive Healthcare Company [c]	KSA	Hospital	100%	100%
Sehat Al Sharq Medical Limited Company	KSA	Hospital	50%	50%
Al Wosta Medical Limited Company	KSA	Hospital	50%	50%
Gharb Jeddah Hospital Company	KSA	Hospital	50%	50%
Shamal Al Riyadh for Healthcare Company	KSA	Hospital	100%	100%
Al Muhammadiya Hospital for Healthcare Company	KSA	Hospital	100%	100%

a) The other partner has assigned his shares for the benefit of the Company.
b) On 1 January 2019, the Company has transferred Rawafed Al Seha International Company to a related party at net book value.
c) On 1 January 2019, Dar Al Sehah Investment Company has changed the name to Intensive Healthcare Company.
d) During the period, Al Mustaqbal for Hospitals Development Company has become branch of Sehat Al Olaya Medical Complex Company.

3. Basis of consolidation (continued)

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- 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;
- Reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

4. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of International Financial Reporting Standard 16 ‘Leases’ (“IFRS 16”) at its effective date 1 January 2019.

IFRS 16 replaces IAS 17 ‘Leases’ (“IAS 17”), IFRIC 4 ‘Whether an arrangement contains a lease’ (“IFRIC 4”), SIC-15 ‘Operating leases - Incentives’ and SIC-27 ‘Evaluating the substance of transactions involving the legal form of a lease’. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective.

5. Changes in accounting policies

IFRS 16 - Leases

The Group has adopted IFRS 16 from its mandatory adoption date 1 January 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives have not been restated.

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value (i.e., below SR 20,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

5. Changes in accounting policies (continued)

IFRS 16 - Leases (continued)

Impact on adoption of IFRS 16 "Leases"

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

In the current period, the Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019.

The Group elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
(b) Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019.
(c) Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Nature of the effect of adoption of IFRS 16

Prior to adoption of IFRS 16:
The Group has lease contracts for renting commercial buildings, accommodations and offices. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liabilities.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as operating expense in the interim condensed consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognised under prepayments and other payables, respectively.

After adoption of IFRS 16:
Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Accordingly, the comparative information is not restated.

5. Changes in accounting policies (continued)

IFRS 16 - Leases (continued)

The change in accounting policy affected the following items in the interim condensed consolidated statement of financial position on 1 January 2019:

- Right-of-use assets of SR 227,616,107 were recognised and presented under property and equipment in the interim condensed consolidated statement of financial position.
- Lease liabilities of SR 209,036,772 were recognised and included under lease liabilities.
- Prepaid expenses and other assets of SR 18,579,335 related to previous operating leases were reclassified to the right-of-use assets.

Impact on the interim condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	SR
Assets	
Property and equipment – right-of-use assets	227,616,107
Prepaid expenses and other assets	(18,579,335)
Total assets	**209,036,772**
Liabilities	
Lease liabilities	209,036,772
Total liabilities	**209,036,772**

Reconciliation of lease liabilities pursuant to IFRS 16:

	SR
Minimum lease payments under operating leases as of 31 December 2018	**222,911,230**
Recognition exemption:	
For short-term leases	(2,181,430)
For leases of low-value assets	(17,000)
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(11,676,028)
Liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 2019	**209,036,772**
Liabilities from finance leases as of 31 December 2018	-
Liabilities from leases as of 1 January 2019	**209,036,772**

6. Property and equipment

	As at 30 September 2019 SR	As at 31 December 2018 SR
Property and equipment	4,633,736,526	4,287,022,999
Right-of-use assets	183,940,238	-
	4,817,676,764	**4,287,022,999**

7. Dividend distribution

The Board of Directors in their meeting during the period ended 30 September 2019 resolved to distribute interim dividends of SR 1.71 per share totaling to SR 600,000,000 (2018: SR 1.14 totalling to SR 400,000,000) which is subject to the ratification of the Company's upcoming general assembly.

8. Earnings per share

Basic and diluted earnings per share ("EPS") is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the operating income, net income and share data used in the basic and diluted EPS computations:

Basic and diluted earning per share from operating income.

	For the three months period ended		For the nine months period ended	
	30 September 2019 SR	30 September 2018 SR	30 September 2019 SR	30 September 2018 SR
Operating income for the period	192,474,541	215,167,668	604,225,902	589,904,616
Weighted average number of ordinary shares	350,000,000	350,000,000	350,000,000	350,000,000
Basic and diluted earnings per share	**0.55**	**0.61**	**1.73**	**1.69**

Basic and diluted earnings per share from net income attributable to equity holders of the parent.

	For the three months period ended		For the nine months period ended	
	30 September 2019 SR	30 September 2018 SR	30 September 2019 SR	30 September 2018 SR
Net income for the period attributable to equity holders of the parent	198,002,061	207,932,084	600,054,042	575,970,562
Weighted average number of ordinary shares	350,000,000	350,000,000	350,000,000	350,000,000
Basic and diluted earnings per share	**0.57**	**0.59**	**1.71**	**1.65**

9. Long-term loans

	As at 30 September 2019 SR	As at 31 December 2018 SR
Current-poriton of long-term loans:		
Loans from local banks (i)	188,597,013	214,309,407
Loans from Ministry of Finance (ii)	24,203,407	14,203,407
	212,800,420	**228,512,814**
Non-current portion of long-term loans:		
Loans from local banks (i)	1,285,835,669	951,735,826
Loans from Ministry of Finance (ii)	389,355,322	386,521,242
	1,675,190,991	**1,338,257,068**

i) Loans from local banks

The Group is financed through Islamic facilities in the form of long-term loans from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate “SIBOR” plus an agreed margin. The facilities are secured by corporate promissory notes. The Group is subject to compliance with certain financial covenants, such as maintenance of leverage ratio, with which the Group is in compliance with the financial covenants. Aggregate maturities of loans from local banks are as follows:

	As at 30 September 2019 SR	As at 31 December 2018 SR
Within one year	188,597,013	214,309,407
One to five years	710,939,811	606,407,159
More than five years	574,895,858	345,328,667
	1,474,432,682	**1,166,045,233**

ii) Loans from Ministry of Finance (MoF)

The Group’s long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the Group and its subsidiaries. The loan repayment instalments are settled on equal yearly installments. Certain assets are pledged against the loans obtained from the MoF. Aggregate maturities of loans from MoF are as follows:

	As at 30 September 2019 SR	As at 31 December 2018 SR
Within one year	24,203,407	14,203,407
One to five years	106,968,292	111,015,387
More than five years	282,387,030	275,505,855
	413,558,729	**400,724,649**

10. Segment Information

Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Financial Officer as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments.

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Group.

The identified key segments are Hospitals, Pharmacies, and others.

The segment results for the period ended 30 September 2019 (as at 31 December 2018 and for the period ended 30 September 2018) and the reconciliation of the segment measures to the respective statutory items included in the interim condensed consolidated financial information are as follows:

As at 30 September 2019 (unaudited)	**Hospitals**	**Pharmacies**	**Others**	**Total**
		SR' millions		
Saudi Arabia:				
Total assets	6,155	223	1,194	7,572
Total liabilities	2,453	227	887	3,567
Outside Saudi Arabia				
Total assets	557	7	34	598
Total liabilities	63	7	1	71
Total				
Total assets	6,712	230	1,228	8,170
Total liabilities	2,516	234	888	3,638
For the period ended 30 September 19 (unaudited)				
Saudi Arabia:				
Revenue	2,591	607	88	3,286
Gross profit	832	204	39	1,075
Outside Saudi Arabia:				
Revenue	319	5	13	337
Gross profit	40	1	5	46
Total				
Revenue	2,910	612	101	3,623
Gross profit	872	205	44	1,121
Unallocated income (expenses)				
General and administrative				(373)
Selling and marketing				(144)
Operating income				604
Share of income of associates				2
Finance costs				(17)
Other income				49
Income before zakat				638
Zakat				(60)
Income for the period				578

10. Segment Information (continued)

As at 31 December 2018	**Hospitals**	**Pharmacies**	**Others**	**Total**
		SR' millions		
Saudi Arabia:				
Total assets	5,661	234	1,071	6,966
Total liabilities	1,894	234	774	2,902
Outside Saudi Arabia	566	-	9	575
Total assets	76	-	6	82
Total liabilities				
Total				
Total assets	6,227	234	1,080	7,541
Total liabilities	1,970	234	780	2,984

For the nine months period ended 30 September 2018 (unaudited)	**Hospitals**	**Pharmacies**	**Others**	**Total**
		SR' millions		
Saudi Arabia:				
Revenue	2,461	538	97	3,096
Gross profit	737	176	46	959
Outside Saudi Arabia:				
Revenue	282	-	5	287
Gross profit	42	-	5	47
Total				
Revenue	2,743	538	102	3,383
Gross profit	779	176	51	1,006
Unallocated income (expenses)				
General and administrative				(301)
Selling and marketing				(116)
Operating income				589
Share of income of associates				5
Finance costs				(15)
Other income				53
Income before zakat				632
Zakat				(58)
Income for the period				574

11. Fair values

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, accounts receivable and due from a related party. Financial liabilities consist of long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values at reporting date largely.

12. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved for issuance by the Board of Directors on 15 Rabi Al Thani 1441 H (corresponding to 12 December 2019).

13. Subsquent events

In the opinion of management, there have been no significant subsequent events since the period ended 30 September 2019, which would have a material impact on the financial position of the Group or its financial performance as reflected in these interim condensed consolidated financial statements.