Dallah Healthcare Company

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 AND
INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

To the shareholders of
Dallah Healthcare Company (a Saudi Joint Stock Company)

Riyadh - the Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Dallah Healthcare Company (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the 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 31 December 2018, and its consolidated financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia, and other standards and versions as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

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

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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 for the year ended 31 December 2018. 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. The key audit matters include:

Application of IFRS No. (15) "Revenue from Contracts with Customers"	
Key audit matter	***How the key audit matter was addressed in our audit***
The Group adopted the IFRS (15) "Revenue from contracts with customers" with effect from 1 January 2018 and this new standard replaces requirements of IAS 18 "Revenue". Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments, and consequential changes to processes and controls required particularly in connection with separation of different performance obligations that may be within a given contract, in addition to deductions related to prices and medical rejections. Management assessed the additional disclosures required to be made by the new standard in the consolidated financial statements. We considered this a key audit matter as revenue is a key financial statement item and performance metric and the application of IFRS (15) can require judgment by management and the use of significant assumptions, particularly those related to the assessment of medical rejection expected from customers on submitted medical claims.	Our performed procedures are as follows: • Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Group. • Gained an understanding of management's approach to the implementation of any changes to the accounting policy. • Obtained an understanding of the nature of the revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS (15). • Tested relevant processes and controls established by management to ensure appropriate recognition of revenue, related discounts, and consider the past practice with each individual customer. • Reviewed the adequacy of the Group's disclosures included in note no. (21) and note no. (29) to the accompanying consolidated financial statements.
For more details refer to note (4.1 – 21 - 29)	

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Application of IFRS (9) "Financial Instruments"	
Key audit matter	***How the key audit matter was addressed in our audit***
The Group adopted IFRS (9) "Financial Instruments" with effect from 1 January 2018 and this new standard supersedes the requirements of IAS (39) "Financial Instruments: Recognition and Measurement". IFRS (9) addresses the classification, measurement, and de-recognition of financial assets and financial liabilities and introduces new accounting rules for hedge accounting and impairment models for financial assets. Management determined that the most significant impact of the new standard on the Group's financial statements relates to the calculation of the allowance for the impairment of trade receivables. As at 31 December 2018 the carrying value of trade receivable amounted to SR 356.2 Million (2017: SR 281.5 Million) and the provision for impairment of trade receivable amounted to SR 28.3 Million (2017: SR 27 Million). The Group assessed at each reporting period whether the finances assets carried at amortized cost are credit-impaired. The Group's management has applied the simplified expected credit loss model ("expected credit loss") to determine the allowance for impairment of trade receivables. The expected credit loss model involves the use of various assumptions, macroeconomic factors, and the study of historical trends relating to the Group's trade receivables collection experience. We considered this a key audit matter due to the judgments and estimates involved in the application of the expected credit loss model.	Our performed procedures are as follows: • Reviewed management's assessment of the impact of IFRS (9) in terms of the classification and measurement of its financial assets and financial liabilities, and understood the approach taken towards implementation. We specifically considered the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of similar entities. • Compared the expected loss model developed by management to that required by IFRS (9) and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested arithmetical accuracy of the model. • Tested key assumptions, such as those used to calculate the likelihood of default and subsequent loss on default, by comparing to historical data. We also considered the incorporation for forward looking factors (predominantly economic) to reflect the impact of future events on expected credit losses. • Involved our accounting subject matter specialists to review the methodology used in the expected credit loss model, and compare this against accepted best practices. • Reviewed the adequacy of the Group's disclosures included in note No (11) and No (29) to the accompanying consolidated financial statements.
For more details refer to notes (4.1 – 11 - 29)	

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Impairment of construction work-in-progress and intangible assets with indefinite useful lives	
Key audit matter	***How the key audit matter was addressed in our audit***
The Group assesses annually whether there is any indication of impairment in the value of the construction work in progress and, in case of any indication exists, the recoverable amount is estimated. The Group also examines the impairment, regardless of whether there are any indications of impairment, for intangible assets that are not determined by the useful life and the recoverable amount that is the higher of fair value less costs to sell or value in use. As of 31 December 2018, the carrying amount of the construction work in progress amounted to SR 213.6 million (2017 million: SR 822 million). Also the Intangible assets with an indefinite life amounted to SR 16.2 million (2017: SR 16.2 million). We consider this to be a key audit matter because of the judgments and estimates used by the management in determining the recoverable amount. Assumptions regarding the expected economic conditions, especially growth in the markets in which the Group operates are mainly assumptions about the Group's major competitors on the assumptions of expected income, and gross profit margin, and the discount rate used in the value in use model.	Our procedures included the following: • Evaluated the methodology used by the management to determine the recoverable amount on the basis of the value in use and to compare it with that required by IAS (36). We also tested the mathematical accuracy of the model used. • Test the accuracy and relevance of input data by reference to supporting evidence, such as approved budgets, and considered the reasonableness of these budgets by comparison to the Group's historical results and performance. • Engaged our valuation experts to assist in the review of the methodology of the value-in-use calculation and use of certain assumptions including discount rates and long-term growth rates. • Performed sensitivity analyses over key assumptions, principally sales growth rate, and terminal value multiple, and discount rates, in order to assess the potential impact of a range of possible outcomes. • Reviewed the adequacy of the Group's disclosures listed in Note (6) and (7) to the accompanying consolidated financial statements.
For more details refer to notes (4.9-6-7)	

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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 consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of 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 have no realistic alternative but to do so.

The Audit Committee for the Group is 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 endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

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- 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 a 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 the management and with 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 with 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 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.

For Dr. Mohamed Al-Amri & Co.

Dr. Mohamed A. Al-Amri
Certified Public Accountant
Registration No. (60)

Riyadh, on 20 Jumada II 1440(H)
Corresponding to 25 February 2019(G)

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Dallah Healthcare Company
(a Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	As at 31 December 2018 SR	As at 31 December 2017 SR
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,953,199,081**	1,771,525,773
Intangible assets	7	**18,890,812**	19,047,672
Investment in associate	8	**145,160,732**	140,978,759
Equity instruments at fair value through other comprehensive income	9	**5,443,934**	-
Available-for-sale investments	9	**-**	5,417,832
		2,122,694,559	1,936,970,036
Current assets			
Cash and cash equivalents	10	**46,359,135**	90,440,266
Trade receivables	11	**356,180,416**	281,505,898
Contract assets with customers	21	**2,442,924**	-
Due from related parties	12	**5,110,810**	713,078
Prepayments and other debit balances	13	**76,130,795**	110,348,219
Available-for-sale investment - current	9	**-**	28,125,000
Inventories	14	**88,772,605**	79,931,847
		574,996,685	591,064,308
TOTAL ASSETS		**2,697,691,244**	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	15	**371,142,305**	371,142,305
Statutory reserve – transferred from net income	15	**27,109,010**	27,109,010
Retained earnings		**613,209,624**	703,980,924
The cumulative effect of valuation of equity instruments at fair value through other comprehensive income		**(255,893)**	(281,995)
Total Equity		**1,601,205,046**	1,691,950,244
Liabilities			
Non-current liabilities			
Long term Murabaha finance	16	**562,639,841**	458,280,007
Employee benefits liability	17	**117,454,595**	106,595,301
		680,094,436	564,875,308
Current liabilities			
Trade payables	18	**101,510,822**	89,835,217
Accrued expenses and other credit balances	19	**67,280,775**	60,865,810
Contract liabilities	21	**5,229,801**	-
Short term Murabaha finance	16	**139,837,580**	70,056,876
Current portion of long term Murabaha finance	16	**5,916,666**	35,500,000
Due to related parties	12	**1,106,613**	984,854
Dividend payable	25	**88,240,400**	-
Zakat	20	**7,269,105**	13,966,035
		416,391,762	271,208,792
Total liabilities		**1,096,486,198**	836,084,100
Total equity and liabilities		**2,697,691,244**	2,528,034,344

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements.

	Note	For the year ended 31 December 2018 SR	2017 SR
Revenue	21	**1,180,942,051**	1,212,076,315
Cost of revenue		**(744,606,552)**	(654,116,307)
Gross profit		**436,335,499**	557,960,008
Selling and marketing expenses	22	**(25,298,372)**	(11,559,117)
General and administrative expenses	23	**(264,881,921)**	(238,419,616)
Operating income		**146,155,206**	307,981,275
Other income and losses	24	**12,474,788**	878,201
Finance charges	16	**(11,532,343)**	(1,873,398)
Share of loss from investment in associate	8	**(1,798,027)**	(1,835,327)
Net profit before Zakat		**145,299,624**	305,150,751
Zakat	20	**(3,541,169)**	(10,174,539)
Net profit		**141,758,455**	294,976,212
Net profit attributable to the Company's shareholders		**141,758,455**	294,976,212
Other comprehensive income:			
Items will not be reclassified subsequently to profit or loss			
Change in equity instruments at fair value through other comprehensive income		**26,102**	4,360,463
Actuarial valuation of employee benefits liability	17	**6,274,894**	(5,542,405)
Other comprehensive income		**6,300,996**	(1,181,942)
Total comprehensive income		**148,059,451**	293,794,270
Comprehensive income attributable to the Company's shareholders		**148,059,451**	293,794,270
Basic and diluted earnings per share from net income	26	**1.89**	3.93

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Dallah Healthcare Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

		Share capital	Reserve "Share premium"	Statutory reserve "Transfer from net income"	Retained earnings	The cumulative effect of valuation of equity instruments at fair value through other comprehensive income	Total equity
For the year ended 31 December 2018	Note	SR	SR	SR	SR	SR	SR
Balance as at 1 January 2018 after adjustment	29	**590,000,000**	**371,142,305**	**27,109,010**	**701,176,275**	**(281,995)**	**1,689,145,595**
Net profit for the year		**-**	**-**	**-**	**141,758,455**	**-**	**141,758,455**
Other comprehensive income		**-**		**-**	**6,274,894**	**26,102**	**6,300,996**
comprehensive income for the year		**-**	**-**	**-**	**148,033,349**	**26,102**	**148,059,451**
Dividends	25	**-**	**-**	**-**	**(236,000,000)**	**-**	**(236,000,000)**
Balance as at 31 December 2018		**590,000,000**	**371,142,305**	**27,109,010**	**613,209,624**	**(255,893)**	**1,601,205,046**
For the year ended 31 December 2017							
Balance 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 for the year		-	-	-	294,976,212		294,976,212
Other comprehensive income		-	-	-	(5,542,405)	4,360,463	(1,181,942)
comprehensive income for the year		-	-	-	289,433,807	4,360,463	293,794,270
Dividends	25	-	-	-	(118,000,000)	-	(118,000,000)
Balance as at 31 December 2017		590,000,000	371,142,305	27,109,010	703,980,924	(281,995)	1,691,950,244

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Dallah Healthcare Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Note	2018 SR	2017 SR
OPERATING ACTIVITIES			
Net profit before zakat		**145,299,624**	305,150,751
Adjustments			
Depreciation of property, plant and equipment	6	**74,346,413**	59,571,378
Amortization of intangible assets	7	**156,860**	171,113
Employees' benefits provision	17	**26,428,579**	19,979,809
Provision for expected credit loss (2017: Provision for	11	**(563,281)**	(2,544,747)
Provision for prepayments and other debit balances	13	**22,268**	246,834
Provision for inventory	14	**2,632,875**	1,567,973
(Gain) / loss on sale of property, plant and equipment		**38,160**	(251,651)
Share of loss from an associate	8	**1,798,027**	1,835,327
Loss on sale of available for sale investment	9	**373,123**	11,688,328
Finance cost	16	**11,532,343**	1,873,398
Changes in			
Accounts receivable		**(76,384,420)**	8,637,793
Contract assets		**(2,442,924)**	-
Related parties		**(4,807,439)**	808,759
prepayments and other debit balances		**34,195,156**	(30,686,341)
Inventory		**(11,473,633)**	(12,350,171)
Accounts payable		**11,675,605**	19,839,981
Contract liabilities		**5,229,801**	-
Accrued expenses and other credit balances		**6,155,365**	(8,027,604)
Cash flows from operations		**224,212,502**	377,510,930
Zakat paid	20	**(10,238,099)**	(9,438,088)
Employees' benefits paid	17	**(9,294,391)**	(15,002,717)
Net cash generated from operating		**204,680,012**	353,070,125
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	**(256,082,594)**	(431,420,913)
Paid for investment of associates	8	**(5,980,000)**	-
Proceeds from sale of property and equipment		**24,713**	647,524
Proceeds from disposal of available for sale investments	9	**27,751,877**	18,993,910
Net cash used in investing activities		**(234,286,004)**	(411,779,479)
FINANCING ACTIVITIES			
Proceeds of short-term Murabaha finance		**316,837,580**	563,000,000
Repayments of short-term Murabaha finance		**(247,056,876)**	(586,000,000)
Proceeds of long-term Murabaha finance		**2,141,721,353**	1,530,953,123
Repayments of long-term loans		**(2,066,944,853**	(1,425,486,74
Dividends paid	25	**(147,500,000)**	(118,000,000)
Finance cost paid		**(11,532,343)**	(1,873,398)
Net cash used in financing activities		**(14,475,139)**	(37,407,021)
Net changes in cash and cash equivalents		**(44,081,131)**	(96,116,375)
Cash and cash equivalents at beginning of the year	10	**90,440,266**	186,556,641
Cash and cash equivalents at year-end	10	**46,359,135**	90,440,266
Supplementary information for non-cash transactions			
Write-off of accounts receivable bad debts		**935,794**	16,417,082
Write-off of inventories obsolescence		**2,398,941**	14,131,113
Write-off bad debts of prepayments and other current		**9,532**	528,156
Change in equity instruments at fair value through other comprehensive income		**26,102**	4,360,463
Actuarial valuation of employee benefits liability `		**6,274,894**	(5,542,405)
Dividends payable		**88,500,000**	-

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

1. Overview

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 Jumada 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 during an extraordinary annual general meeting held on 16 Safar 1438H (corresponding to 16 November 2016).

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.

The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group.

The share capital of the Company as of 31 December 2018 amounted to SR 590 million (2017: SR 590 million) comprises of 59 million shares (2017: 59 million shares) stated at SR 10 per share.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The following is an overview of subsidiaries.

Name of subsidiary	Share in equity% As of 31 December 2018	As of 31 December 2017	Country of operation and commercial register	Principal activity
Dallah Pharma Company[1]	**100%**	100%	Kingdom of Saudi Arabia commercial registration No.1010410613	Pharmaceutical, herbal & cosmetic distribution & manufactory.
Afyaa Al-Nakheel for Supporting Services Co. Limited [2]	**100%**	99%	Kingdom of Saudi Arabia commercial registration No.1010404576	Provide manpower & Support services to hospitals and medical centres.
Dallah Namar Hospital Health Co. [3]	**100%**	100%	Kingdom of Saudi Arabia commercial registration No.1010495218	Operating, managing, equipping and developing hospitals and healthcare facilities, medical polyclinics, and compounds, owning lands.

(1) On 5 Rabi II 1438H (corresponding to January 2, 2017), the Company acquired the remaining equity interest of 2% in Dallah Pharma Company which was owned by, so accordingly the Company's shareholding changed from 98% to 100% which was:98% in 2016.

(2) On 2 Safar 1440H (corresponding November 1, 2018) the Company acquired the remaining% 1 equity interest of Afyaa Al-Nakheel for Supporting Services Co. and therefore, the Company`s shareholding changed from 99% to 100%. as the remaining 1% equity interest therein was owned by other parties on behalf of the Company

(3) On 10 Rabi II 1438H (corresponding to January 8, 2017), the Company established a limited liability company "Dallah Namar Hospital Health Co." under commercial registration No. 1010495218, with share capital of SR 5 million, fully owned (self-financed).

Branches

These consolidated financial statements include the accounts of the Group's branches, operating under individual commercial registrations:

Descriptions	Commercial Registration No.	City
Head Office (Branch of Dallah Healthcare Co.)	2057004206	Al Khafji
Dallah Hospital Al-Nakheel	1010132622	Riyadh
Dallah Pharma Factory (Dallah Pharma Branch)	4030278471	Jeddah
Medicine Warehouse (Dallah Pharma Branch)	2050071905	Dammam
Medicine Warehouse (Dallah Pharma Branch)	1010128997	Riyadh
Medicine Warehouse (Dallah Pharma Branch)	4030140769	Jeddah
Medicine Warehouse (Dallah Pharma Branch)	4030265250	Jeddah

2. Issued standards, Amendments, improvements, interpretations but not yet effective

At the date of adoption of these consolidated financial statements, the Group has not adopted the below new IFRSs and the amendments issued but not yet effective:

IFRS (16) "Leases"

Effective for the accounting period beginning on or after 1 January 2019

IFRS (16)"Current Leases", including IAS (17)"Leases" and IFRIC(4)"Determining whether an arrangement involves a lease", Interpretations of Standards Interpretations Committee (15) "Operating Leases - Incentives", and Interpretation of Standards Interpretations Committee (27)"Valuation of the substance of transactions taking the legal form of a lease".

The IFRS (16) provides tenants with a single model for accounting for leases. The lessee recognizes the asset relating to the right to use which represents its right to use the relevant asset in addition to the lease obligation that represents its obligation to pay the lease payments. There are optional exemptions for short-term leases and leases for assets of low value. The accounting method adopted by the lessor remains similar to the current standard, i.e., the lessors continue to classify the leases into finance or operating leases.

The Group will recognize the new assets and liabilities of operating leases for various types of contracts, including leased land, where the nature of the expenses for these contracts will change. The Group will recognize depreciation expense on the use of these assets and the proceeds of lease commitments. Previously, the Group has recognized a straight-line lease expense over the term of the contract and recognizes only assets and liabilities to the extent that there are timing differences between the recognition of the lease expense and the actual lease payments.

The Group's activities as lessor or lessee are not material to the Group. The Group does not expect any significant impact on the consolidated financial statements.

Others

Management believes that the adoption of these standards will not have a material impact on the consolidated financial statements of the Group in future periods.

- Amendments to IFRS (9) "Financial 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).

3. Basis of accounting

These companying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and wherever appeared in these notes, that refers to the (IFRSs) adopted in Saudi Arabia and other standards and issuances and adopted by SOCPA.

The consolidated financial statements have been prepared at historical cost, except for the employee benefit obligation measured in accordance with an actuarial valuation.

4. Summary of significant accounting policies

4.1 Standards, amendments and interpretations issued effective from 1 January 2018

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

IFRS (15)" Revenues from Contracts with Customers"

IFRS (15) provides a comprehensive concept framework for determining the amount and timing of revenue recognition. This Standard supersedes IAS (18) "Revenue" and IAS (11) "Construction Contracts" and related interpretations.

The Group recognizes revenue from medicines sold or medical services when the customer obtains control of the goods or services in the time period when the goods or services are transferred to the customer and recognizes their receipt and use - as detailed further below - in line with the requirements of the IFRS (15). Accordingly, there is no significant impact from the application of IFRS (15)"Revenue from Contracts with Customers" to the Group's income statement.

Under IFRS (15) Financial Statement Preparation, the term "contract assets with customers" and "contract liabilities with customers" are used to describe what was recognized as accrued income and discount volume.

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 each party's rights are identified;
- When the payment terms are defined;
- When the contract has a commercial.
- When the collection is Collectible

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.

IFRS (9) "Financial Instruments"

IFRS (9) largely retains the current requirements of IAS (39) for the classification and measurement of financial liabilities. It excludes the categories previously reported in IAS (39) relating to held-to-maturity financial assets and loans and receivables available for sale.

The Group has been granted an exemption allowing it not to modify comparative information for prior periods with respect to classification and measurement requirements (including impairment). The differences in the carrying amounts of financial assets and financial liabilities arising from the application of IFRS (9) in retained earnings as of 1 January 2018 have been recognized. Accordingly, the information presented for the year 2017 does not generally reflect the requirements of IFRS (9) but rather presents the information of IAS (39).

The Group recognizes financial assets or financial liabilities in the statement of financial position when it becomes a party to the contractual provisions for performance. On initial recognition, the Group recognizes financial instruments at fair value with the increase or decrease in cost (in the case of financial instruments that are 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) requires the classification and subsequent measurement of all financial assets at amortized cost or fair value. Classification is based on the business model for managing financial assets and contractual cash flow characteristics of financial assets as described below, which are determined at the time of initial recognition.

All financial assets that are not classified as measured at amortized cost or at fair value through other comprehensive income, as described below, are measured at fair value through profit or loss. Net gains and losses, including any dividend or dividend income, are recognized in profit or loss.

- **Financial assets at amortized cost**

A financial asset is measured at amortized cost using the effective interest method if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- 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.

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 focuses on earning contractual commission income;
- The degree of frequency of any expected asset sales.
- The reason for any asset sales.

Revenue from foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss arising from derecognition is recognized in profit or loss.

Financial assets such as trade receivables under IAS (39), measured at amortized cost to financial assets, have been measured at amortized cost under IFRS (9) Financial Instruments as they are retained in the business model to collect contractual cash flows. Cash flows from principal repayments only amount and return.

- **Equity instruments at fair value through other comprehensive income (FVOCI)**

Investments in debt instruments that meet the following conditions are measured at fair value through other comprehensive income:
- Financial assets are held in a business model to achieve the objective of collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give the right to specific cash flow dates for payments of the principal amount and the return on the principal outstanding amount.

Revenue, gains, and losses on foreign currency translation and impairment are recognized in profit or loss. All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to the statement of profit or loss.

The Group does not have investments in debt instruments at fair value through other comprehensive income.

- **Equity instruments at fair value through other comprehensive income (FVOCI) with Items that will not be reclassified to profit or loss**

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 derivative

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 the income statement and no impairment is recognized in the income statement.

Dividends on these investments are recognized in the statement of income when the Group’s right to receive the dividends is established in accordance with IFRS (15) “Revenue from contracts with the customer”. Unless dividends clearly represent a recovery of part of the investment cost.

Investment revaluation reserve includes the cumulative net change in the 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.

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

Impairment in value of financial assets

IFRS (9) replaces the "loss incurred" model in IAS (39) with the "expected credit loss" model. The new model is applied to financial assets measured at amortized cost and to debt instruments measured at fair value through other comprehensive income and not to investments in equity instruments. In accordance with IFRS (9), credit losses are recognized earlier than IAS (39).

The Group applies the simplified approach to the calculation of impairment. The estimated credit losses on financial assets are estimated using the historical credit loss experience of the Group, adjusted to general economic conditions and the assessment of both the current trend as well as expectations of the circumstances at the reporting date, including the time value of the money where applicable. Appropriate.

The measurement of the expected credit loss is evidence of default or default loss (means, loss if there is a default). The assessment of the probability of default depends on historical data that is adjusted by information that predicts the future as described above.

The Group recognizes impairment gains or losses separately in the statement of profit or loss and the provisions for losses on financial assets measured at amortized cost are deducted from the carrying amount of the financial assets.

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 classified either at amortized cost or at fair value through profit or loss. All financial liabilities of the Group have been classified and measured at amortized cost using the effective yield method. The Group does not have financial liabilities at fair value through profit or loss. The adoption of IFRS (9) did not have a material impact on the Group's accounting policies relating to financial liabilities.

Cancellation of recognition of financial liabilities

The Group derecognizes financial liabilities only when these obligations are discharged, canceled or discharged.

4.2 Basis of consolidation

The consolidated financial statements include the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, as well as the notes to the consolidated financial statements of the Group, including the assets, liabilities and results of the operations of the Company and its subsidiaries as set out in note (1).

Subsidiaries are companies controlled by the Group. Control of the company is achieved by an investor company only when the following three elements of the company are realized:
- An authority over the invested company means existing rights granted by the ability to direct activities of particular interest to the invested company
- Gain of variable returns or take right
- The ability of the company to use its authority over the investee company and influence its revenues

In general, there is a presumption that it results from the majority of voting rights having control. In support of this assumption, when the Company has less than a majority of voting rights or similar rights in the investee, the Company takes into account all facts and circumstances to assess whether it has authority over the investee, including:
- Contractual arrangements with other voting rights holders in the investee company
- Rights arising from other contractual arrangements
- Special voting rights and any potential voting rights

The Company re-assesses whether it has control over the invested if the facts and circumstances indicate a change in one or more of the three prior control elements.

A subsidiary is consolidated when the exercise of control begins and is discontinued when the control of the subsidiary ceases. The assets, liabilities, income, and expenses of the subsidiary acquired during the period are included in the consolidated financial statements from the date control ceases until such control ceases.

The gain or loss and each other comprehensive income are attributable to the equity holders of the parent and to non-controlling interests even if the non-controlling interest balance is negative, meaning that losses are recognized on non-controlling interests even if the resulting restriction Non-controlling interest deficit.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as a transaction of equity.

In case the company loses control of the subsidiary, the company:

- 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

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.

4.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

For each business combination, the company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in statement of profit or loss.

When the company 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.

Goodwill acquired through business combinations and licenses with indefinite lives are allocated to Cash Generating Units which are also operating and reportable segments, for impairment testing as carrying the amount of goodwill and licenses allocated to each of the Cash Generating Unit.

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.

4.4 Property, plant and equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant, and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred. The present value of the expected costs asset disposal is recognized included in the asset cost

An item of property, plant, and equipment is derecognized when it is derecognized or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of assets is calculated on the basis of the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss and other comprehensive income when the asset is derecognized.

Capital work in progress is carried at cost less impairment losses, if any, and is not amortized until the assets in the business operation start.

The residual value, useful lives and depreciation methods of property, plant, and equipment are reviewed at the end of each financial year and adjusted to future periods, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	2018 Number of years	2017 Number of years
Buildings	55	16-33
Leasehold improvements	Shorter of estimated useful life (5) or lease year	Shorter of estimated useful life (5) or lease year
Machinery and equipment	3-10	3-10
Medical equipment	6-8	6-8
Furniture and fixtures	5-10	5-10
Vehicles	4	4

4.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income when it is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives

The period and method of amortization of intangible assets with finite lives are reviewed at the end of each financial period. Changes in the expected useful life or expected manner of amortization of the future economic benefits inherent in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization expense for intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income is included in the expense category that is consistent with the intangible asset's function.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized but are tested to ensure that there is no impairment in value annually, either individually or at the level of the cash-generating unit. The indefinite age assessment is reviewed annually to determine whether indefinite ages are still possible. If not, the useful life is changed from indefinite to specific on a future basis.

Gains or losses arising from the reversal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized.

Leasehold rights are amortized over the life of the lease using the straight-line method.

4.6 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in its associate and are accounted for using the equity method. Under the equity method, the investment in an associate or is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in investment cost.

The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the 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 loss as impairment loss of an associate in the consolidated statement of profit or loss and other comprehensive income.

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

4.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts are included as a part of Group's cash management.

4.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis, with the exception of medication applying the first-in-first-out. The net realizable value represents the estimated selling price for inventories less estimated costs to complete sale operation.

4.9 Impairment of non-financial assets

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

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

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

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

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

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

4.10 Revenues

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 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 Inpatients would be recognized over time.

Sale of goods – Distribution

Revenue is recognized when control of the products has transferred, is when the products are delivered to the customer. Delivery occurs when the products have been shipped to a 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 have been transferred to the customer. In addition, the Group has discretion in establishing the price for the specified pharmaceutical products.

Volume discounts

Often, income is recognized on the basis of the discounted complex. These revenues are recognized on the basis of the contract price, net of the estimated amount. The accumulated experience of estimating discounts is used using the expected value method, and revenue is recognized only to the extent that it is probable that a significant reversal will not occur.

Medical claims rejections

Medical rejections are evaluated by customers based, on the company's past experience and be recorded against the revenues generated during the year. In the case of an actual settlement with customers, the balance recoded is used.

4.11 Equity and reserves

Share Capital

Share capital represents the nominal value of shares that have been issued.

Dividends
An obligation is recognized against the cash or non-cash distributions to the equity holders when the distribution is approved by the General Assembly of shareholders for annual distributions. The distributions are approved after approval by the Board of Directors.

Non-cash distributions are measured at the fair value of the assets that will be distributed with the re-measurement at fair value recognized directly in equity.

Statutory reserve
In accordance with the Articles of Association, the Company shall transfer 10% of the annual net profit to the statutory reserve until such reserve reaches 30% of the capital.

Treasury Shares
Treasury Shares consists of the Company's issued shares and subsequently repurchased. Treasury shares are accounted for using the cost method. According to the cost method, the cost of the shares repurchased is included as a reverse account in equity

4.12 Employee Benefits

End of service indemnities
End of service benefits is measured using the expected unit cost method with an actuarial valuation performed at the end of each annual financial period.
The costs of the identified benefits are classified as follows:
- Current and previous service cost
- Cost of returns
- Re-Measurement Actuary

The Group recognizes the first two cost-benefit items identified in profit or loss under "general and administrative expenses" and "cost of sales" and the third item is included in other comprehensive income.

Short-term employee benefits
The liability is recognized for benefits payable to employees in respect of wages and salaries, annual leave and sick leave in the period in which the related service is rendered against the undiscounted amount of the benefits expected to be paid to the service.

4.13 Lease contracts

The lease is classified at the inception date of the contract as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards of ownership to the Group is classified as a finance lease. The Group does not have finance leases as at the reporting date.

Operating Lease
Group as lessor
Rental income from the operating lease is recognized on a straight-line basis over the term of the lease. The initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

Group as a lessee
Leases payable under operating leases are recognized in profit or loss on a straight-line basis over the lease term. Revenue received and receivable as an incentive to enter into an operating lease is allocated on a straight-line basis over the lease term.

4.14 Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Murabaha financing costs

Murabaha financing costs directly attributable to the acquisition, construction or production of a qualifying asset that requires the establishment or production of a qualifying asset are capitalized to be ready for the purpose for which it was created or sold, as part of the cost of that asset. All other Murabaha financing costs are charged to expenses in the period in which they are incurred. Murabaha financing costs include commission and other costs incurred by the Group with respect to borrowing funds.

4.16 Zakat

The Group and its Subsidiaries are subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision of zakat is calculated as per the zakat base prepared on the basis of the consolidated financial statements of Dallah Healthcare Company and its Subsidiaries directly or indirectly. The calculated zakat provision is then distributed between the Company and its Subsidiaries. Any differences between the provision and the final assessment are recorded at the approval of the final assessment.

4.17 Segmental Reporting

A segment is a 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 who is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

5. Use of significant judgements and estimates

The preparation of these consolidated financial statements, in conformity with IFRSs as endorsed in the Kingdom of Saudi Arabia, requires the use of judgments, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the consolidated statement of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

5.1 Estimated useful life of property, plant, and equipment

The Group reviews the appropriate useful lives used in the calculation of depreciation with a review of maintenance, repair, and technical obsolescence, and, where possible, an estimate of the recoverable amount on an annual basis.

The Group restudied the productive ages of a number of buildings by re-estimating the useful life of the buildings. The group used an independent expert for this purpose. The estimated useful life of these buildings was fifty-five years rather than thirty-three years. The revaluation of the useful life of the buildings resulted in a reduction of the depreciation expense charged to profit or loss during the year ended 31 December 2018 amounting to SR 7.65 million. The Group's management estimates that the annual impact will be the annual depreciation of SR 15.9 million

5.2 Provisions for slow-moving and obsolete inventories:

Inventories are stated at the lower of cost or net realizable value. Adjustments are made to reduce the cost of inventory to net recoverable amount.

Factors responsible such adjustments include changes in inventory demand, technological changes, deterioration of quality and quality matters. Accordingly, the Group considers these factors and takes them into considering to calculate the provision of impaired and slow-moving inventories. Any adjustments that may result from the difference in these factors are periodically reviewed.

5.3 Provision for expected credit losses

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

5.4 Expected medical rejections

The Group is based on the evaluation of medical objections on its previous experience with each individual customer. To anticipate these objections, the Group measures the extent to which customers accept the services and medical goods provided and uses assumptions based on the earliest medical objections and direct negotiations with clients as well as relying on data available in the market and in similar companies.

5.5 Impairment of non-financial assets

An impairment loss is recognized for the amount by which the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. To determine the recoverable amount, management estimates the expected future cash flows from each cash-generating unit and determines the appropriate rate of return to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. Actual results may differ and may result in material adjustments to the Group's assets during the following financial years.

In most cases, the determination of the applicable discount rate includes the estimation of appropriate market risk adjustments and appropriate adjustments to the asset risk factors.

6. Property, plant and equipment

	Land	Buildings	Leasehold Improvements	Machinery and Equipment	Medical Equipment	Furniture and Fixtures	Vehicles	Construction Work In Progress	Total
Cost:	**SR**	**SR**	**SR**	**SR**	**SR**	**SR**	**SR**	**SR**	**SR**
As at 1 January 2017	530,002,198	480,143,788	70,670,797	70,820,971	331,884,478	21,232,087	8,381,617	426,717,514	1,939,853,450
Additions	-	-	1,845,623	5,711,152	25,240,549	1,080,791	1,520,000	396,022,798	431,420,913
Disposals	-	-	-	-	(3,248,687)	(41,930)	(1,708,804)	(347,475)	(5,346,896)
As at 31 December 2017	**530,002,198**	**480,143,788**	**72,516,420**	**76,532,123**	**353,876,340**	**22,270,948**	**8,192,813**	**822,392,837**	**2,365,927,467**
Additions	**-**	**55,315,317**	**268,164**	**9,547,809**	**82,686,784**	**13,850,165**	**1,450,000**	**92,964,355**	**256,082,594**
Disposals	**-**	**-**	**(23,000)**	**(16,363)**	**(3,139,415)**	**(137,261)**	**-**	**-**	**(3,316,039)**
Transfer	**-**	**613,910.415**	**-**	**72,603,639**	**13,449,130**	**1,832,532**	**-**	**(701,795,716)**	**-**
As at 31 December 2018	**530,002,198**	**1,149,369,520**	**72,761,584**	**158,667,208**	**446,872,839**	**37,816,384**	**9,642,813**	**213,561,476**	**2,2618,694,022**
Accumulated Depreciation:									
As at 1 January 2017	-	201,472,618	45,574,575	55,021,615	217,936,563	13,149,421	6,626,547	-	539,781,339
Charge for the year	-	14,514,506	6,662,303	1,822,368	33,850,101	1,600,488	1,121,612	-	59,571,378
Elimination on disposals	-	-	-	-	(3,200,564)	(41,669)	(1,708,790)	-	(4,951,023)
As at 31 December 2017	**-**	**215,987,124**	**52,236,878**	**56,843,983**	**248,586,100**	**14,708,240**	**6,039,369**	**-**	**594,401,694**
Charge for the year	**-**	**20,162,162**	**6,299,944**	**6,125,795**	**37,350,200**	**3,293,926**	**1,114,386**	**-**	**74,346,413**
Elimination on disposals	**-**	**-**	**(3,834)**	**(11,815)**	**(3,112,834)**	**(124,683)**	**-**	**-**	**(3,253,166)**
As at 31 December 2018	**-**	**236,149,286**	**58,532,988**	**62,957,963**	**282,823,466**	**17,877,483**	**7,153,755**	**-**	**665,494,941**
Net book value:									
As at 31 December 2018	**530,002,198**	**913,220,234**	**14,228,596**	**95,709,245**	**164,049,373**	**19,938,901**	**2,489,058**	**213,561,476**	**1,953,199,081**
As at 31 December 2017	530,002,198	264,156,664	20,279,542	19,688,140	105,290,240	7,562,708	2,153,444	822,392,837	1,771,525,773

The allocation of depreciation expense is as follows:

	2018	2017
Cost of Revenue	**72,958,861**	57,602,664
General and administrative expenses (note 23)	**1,387,552**	1,968,714
	74,346,413	59,571,378

Construction in progress

The Group has 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 started 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 third quarter of 2019 at an estimated cost of SR 430 million.

7. Intangible assets

	Manufacturing product licenses	Product licenses	Goodwill	Leasehold Rights	Total
Cost:					
As at 31 December 2017	10,648,000	11,505,000	5,091,000	3,422,270	30,666,270
As at 31 December 2018	**10,648,000**	**11,505,000**	**5,091,000**	**3,422,270**	**30,666,270**
Amortization:					
As at 1 January 2017	3,000,000	3,000,000	5,091,000	356,485	11,447,485
Amortization 2017	-	-	-	171,113	171,113
As at 31 December 2017	**3,000,000**	**3,000,000**	**5,091,000**	**527,598**	**11,618,598**
Amortization 2018	**-**	**-**	**-**	**156,860**	**156,860**
As at 31 December 2018	**3,000,000**	**3,000,000**	**5,091,000**	**684,458**	**11,775,458**
Net book value					
As at 31 December 2018	**7,648,000**	**8,505,000**	**-**	**2,737,812**	**18,890,812**
As at 31 December 2017	7,648,000	8,505,000	-	2,894,672	19,047,672

The leasehold rights represented the amount paid to a lessor for acquiring land lease contract in Jeddah that is amortized over the remaining contract years ends on 10 Safar 1456H (corresponding to April 28, 2034).

8. 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:

	Ownership interest (%)			
	As of 31 December 2018	**As of 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 centers

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

The movement of the investment can be summarized as follows:

	As at 31 December 2018	**As at 31 December 2017**
Opening balance	**140,978,759**	142,814,086
Additions	**5,980,000**	-
Adjustment	**138,707**	(881,805)
Share of loss from associate	**(1,936,734)**	(953,522)
Closing balance	**145,160,732**	140,978,759

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

	As at 31 December 2018	**As of 31 December 2017**
Assets	**630,131,022**	440,141,040
Liabilities	**208,827,978**	13,094,858
Revenues	**153,026**	2,618,810
Loss for year	**(6,205,492)**	(3,178,405)
Equity	**421,303,044**	427,046,182

In the opinion of management, there has been no impairment in the carrying value of the Group's investment in associate as at the reporting period.

9. Equity instrument at fair value through other comprehensive income (2017: investment available for sale)

	Country	Ownership %	As at 31 December 2018	As at 31 December 2017
Quoted Quoted:				
Jordanian Pharmaceutical Manufacturing Company	Jordan	0.4%	**247,669**	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
			5,443,934	5,417,832
Available for sale investment – current			**-**	28,125,000

Unquoted equity investments

According to management, the unquoted 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 1 January 2018, the Group reclassified available for sale investments that were held in Sukuk as financial assets are fair value through profit or loss and were sold On 4 January 2018 for SR 27,751,877, and result a loss of SR 373,123 recognized in profit or loss.

During 2017 the Group sold an investment in Aseer Trading, Tourism, Manufacturing, Agriculture, Real Estate and Contracting Company. These investments were included in available-for-sale financial investments. This resulted in a loss on disposal of SR 5.4 million.

During 2017 the Group sold part of it holding in a local real estate mutual fund which was included in available for sale investments. This resulted in a loss on disposal of SR 6.3 million.

10. Cash and cash equivalent

	As of 31 December 2018	As of 31 December 2017
Cash in hand	**1,180,699**	1,058,202
Cash at banks	**45,178,436**	89,382,064
	46,359,135	90,440,266

11. Trade receivables

	As of 31 December 2018	As of 31 December 2017
Trade receivables	**384,529,517**	308,549,425
Less:		
Provision for expected credit losses (2017: Provision for doubtful	**(28,349,101)**	(27,043,527)
	356,180,416	281,505,898

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

	For year ended 31 December 2018	31 December 2017
Balance as at 1 January before adjustments	**27,043,527**	46,005,356
Adjustment due to application of IFRS (9) (note29)	**2,804,649**	-
Opening balance at 1 January after adjustments	**29,848,176**	46,005,356
Charge for the year	**4,628,160**	3,283,874
Reversal during the year	**(5,191,441)**	(5,828,621)
Written off bad debits during the year	**(935,794)**	(16,417,082)
Closing balance	**28,349,101**	27,043,527

All of the Group's Accounts receivable have been reviewed for indicators of impairment. In the opinion of management, there has been no impairment in the carrying value of trade receivable other than the recorded provision of expected credit losses (2017: Provision for doubtful debts).

12. Related party

The Group in the normal course of business carries on business with other enterprises that fall within the definition of a related party contained in IFRS. These transactions are carried out in the normal course of the business and are measured at exchange amounts, being the amounts agreed by both parties.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions.

The Group's related parties include its key management personnel, Subsidiaries, associates company, and others as described below.

key Management remuneration

	For the year ended 31 December 2018	2017
	SR	SR
Salaries and bonuses for Group's executive directors	**1,512,000**	1,451,333
Board of directors remuneration	**2,966,667**	3,100,000

Due from related parties

	Relation	Nature of transaction	Transactions during the year ended 31 December 2018	2017	Balance as of 31 December 2018	2017
Adaptive TechSoft	Owned partially by shareholder	Technical Support	**5,653,243**	3,662,900	**4,077,206**	-
Dallah Al Baraka Holding Group	Shareholder	Medical service	**367,508**	386,041	**273,291**	167,411
Dallah Transport	Owned by shareholder	Medical service	**-**	14,201	**-**	14,201
Al-Mashfa Medical	First-class relatives for board member	Medical services	**933,993**	1,165,663	**760,313**	531,466
					5,110,810	713,078

Due to related parties

	Relation	Nature of transaction	Transactions during the year ended 31 December 2018	2017	Balance as of 31 December 2018	2017
Dareem Travel Agency	Owned partially by shareholder	Travel tickets	**6,672,051**	6,502,662	**354,036**	293,323
Adaptive TechSoft	Owned partially by shareholder	Technical Support	**5,653,243**	3,662,900	**-**	629,191
Eng. Tarek Alkasabi	Chairman	Consulting management	**697,165**	-	**697,165**	-
Dallah Trading	Owned by shareholder	Maintenance	**298,480**	1,553,987	**-**	-
Others	Others	Medical service	**-**	-	**55,412**	62,340
					1,106,613	984,854

13. prepayment and other debit balances

	As of 31 December 2018	As of 31 December 2017
Advances to suppliers	**47,480,190**	69,970,892
Prepayments	**17,138,677**	17,049,739
Human Resources Fund	**3,249,427**	1,716,643
Employees' advances	**5,401,088**	5,602,362
Uncollected on sale of investments	**-**	13,807,210
Others	**9,108,490**	8,435,714
Less: provision prepayment and other debts balances	**(6,247,077)**	(6,234,341)
	76,130,795	110,348,219

The summary for the movement of provision:

	For the year ended 31 December	
	2018	**2017**
1 January	**6,234,341**	6,515,663
Additions	**22,268**	246,834
Write-off bad debts	**(9,532)**	(528,156)
31 December	**6,247,077**	6,234,341

14. Inventories

	As of 31 December 2018	As of 31 December 2017
Medicines	**72,645,034**	66,027,999
Medical supplies	**6,148,553**	4,105,402
Medical consumables and cosmetics	**5,821,644**	5,085,744
Raw materials	**3,043,789**	3,596,748
Others	**2,728,922**	2,497,357
	90,387,942	81,313,250
Less: Provision for slow moving items	**(1,615,337)**	(1,381,403)
	88,772,605	79,931,847

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

	As of 31 December 2018	As of 31 December 2017
1 January	**1,381,403**	13,944,543
Charge for the year	**2,632,875**	1,567,973
Write-off inventories obsolescence	**(2,398,941)**	(14,131,113)
31 December	**1,615,337**	1,381,403

15. Statutory reserve

In accordance with the Regulations of Companies' law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits for the year to a statutory reserve until such reserve equals 30% of its share capital. No transfer was made to statutory reserve for the year ended 31 December 2018 as the reserve has exceeded 30% of the Company's share capital an. This reserve is not available for distribution to shareholders.

16. Murabaha financing

Non-current	As of 31 December 2018	As of 31 December 2017
Long -term Murabaha Finance	**562,639,841**	458,280,007
Current		
Short-term Murabaha Finance	**139,837,580**	70,056,876
Current portion of long-term Murabaha	**5,916,666**	35,500,000
Total current Murabaha	**145,754,246**	105,556,876
Total Murabaha	**708,394,087**	563,836,883

The Group has Murabaha finance contracts with local banks for the purpose of financing the expansion operations of the Group. This murabaha generally bear financial charges based on prevailing finance cost in the market. Murabaha contracts are secured by order bonds.

As of 31 December 2018, Murabaha financing being granted to the Group amounted to SR 2,631 million (31 December 2017: SR 1,662 million). SR 708.3 has been used as at 31 December 2018 (31 December 2017: SR 564 million). Secured by bonds for a total order of SR 2,851 million.

During the year ended 31 December 2018, the Group capitalized financial charges amounted to SR 12.5 million (2017: SR 12.5 million).

The Group recorded finance charges for the year ended 31 December 2018 amounting to SR 11.5 million (2017: SR 1.9 million) in the statement of profit or loss and other comprehensive income.

Murabaha facility contracts include certain financial indicators and the Group has complied with these indicators.

17. Employee benefits

The following table shows movement on the liability of employees benefits.

	As of 31 December 2018	**As of 31 December 2017**
Balance at 1 January	**106,595,301**	96,075,804
Included in profit or loss		
Current service cost	**22,164,767**	16,136,777
Finance cost	**4,263,812**	3,843,032
Included in OCI		
Actuarial valuation	**(6,274,894)**	5,542,405
Paid	**(9,294,391)**	(15,002,717)
Balance at the end of the year	**117,454,595**	106,595,301

The following were the principal actuarial assumptions at the reporting date.

	As of 31 December 2018	**As of 31 December 2017**
Discount rate	**4.15%**	4%
Future salary growth	**2%**	2%
Future benefits growth	**2%**	2%

The following table shows the effect of the change in actuarial assumptions at the reporting date:

	As of 31 December 2018		As of 31 December 2017	
	Liability amount Thousands	Change Rate	Liability amount Thousands	Change Rate
Discount factor				
+0.5%	**111,925**	**(%4,7)**	101,814	(%4.5)
-0.5%	**123,505**	**%5.15**	111,838	%4.9
Future salary growth				
+0.5%	**121,192**	**%3.18**	112,018	%5.1
-0.5%	**113,986**	**(%2.95)**	101,611	(%4.7)

18. Trade payables

	As of 31 December 2018	As of 31 December 2017
Medicine suppliers	**57,640,317**	47,506,821
Medical material suppliers	**24,952,496**	33,161,706
General and administrative suppliers	**10,069,784**	5,606,043
Spare parts suppliers	**7,217,906**	2,085,047
Catering suppliers	**1,306,726**	1,262,259
Others	**323,593**	213,341
	101,510,822	89,835,217

19. Accrued expenses and other credit balances

	As of 31 December 2018	As of 31 December 2017
Employees' related accruals	**27,807,249**	26,686,745
Accrued expenses	**25,018,513**	**20,152,187**
Others	**14,455,013**	**14,026,878**
	67,280,775	**60,865,810**

20. Zakat

	As of 31 December 2018	As of 31 December 2017
Zakat base		
Shareholders' equity	**1,541,927,590**	1,402,798,432
Provisions	**135,150,092**	120,145,530
Loans used in financing non-current assets	**568,556,505**	493,780,007
Adjusted net income	**169,878,507**	327,509,612
	2,415,512,694	2,344,233,581
Less: Property, plant and equipment, net	**(1,953,199,081)**	(1,771,525,773)
Investments	**(152,658,586)**	(146,678,586)
Intangible assets	**(18,890,812)**	(19,047,672)
Zakat base	**290,764,215**	406,981,550
Zakat	**7,269,105**	10,174,539

Adjusted net income	**As of 31 December 2018**	**As of 31 December 2017**
Net profit before tax	**145,299,624**	305,150,751
Adjustments	**24,578,883**	22,358,861
Adjusted net income	**169,878,507**	327,509,612

Zakat **Movement**

	For the year ended 31 December	
	2018	2017
1 January	**13,966,035**	13,230,311
Provided during the year	**3,541,169**	10,174,539
Adjustment	**-**	(727)
Payments made during the year	**(10,238,099)**	(9,438,088)
31 December	**7,269,105**	13,966,035

21. Contracts with customers

	For the year ended 31 December	
	2018	**2017**
Revenues classification		
Revenue from services	**889,657,826**	945,775,972
Revenue from sale of medicine	**291,284,225**	266,300,343
	1,180,942,051	1,212,076,315

Timing of Revenue recognition		
Over time	**421,842,155**	452,652,573
At point in time	**759,099,896**	759,423,742
	1,180,942,051	1,212,076,315

Contracts Balances	*For year ended* **31 December 2018**	
	Contract assets	**Contract liabilities**
Balance as at 1 January	**4,650,357**	13,866,195
Contract assets generated during the year	**25,784,977**	-
Transferred from contract assets to trade receivables	**(27,992,410)**	-
Contract liabilities generated during the year	**-**	19,809,801
Contract liabilities transferred to revenues during the year	**-**	(19,819,089)
Used from contract liabilities	**-**	(8,627,106)
Balance as at 31 December	**2,442,924**	5,229,801

22. Selling and marketing expenses

	For the year ended 31 December	
	2018	**2017**
Advertising and promotions	**16,433,077**	4,944,309
Salaries, wages and benefits	**5,280,600**	4,602,192
Marketing incentives	**943,872**	425,613
Others	**2,640,823**	1,587,003
	25,298,372	11,559,117

23. General and administrative expenses

	For the year ended 31 December	
	2018	**2017**
Salaries, wages and benefits	**191,280,963**	171,062,447
Material	**23,855,153**	26,279,752
Utilities	**6,606,969**	3,509,247
Professional fees	**5,573,907**	5,610,121
Maintenance and services	**3,930,412**	4,017,068
Insurance	**3,858,183**	2,882,289
Rentals	**3,272,881**	5,056,034
Board of Directors and related committees remunerations	**3,266,667**	3,100,000
Provision for inventories	**2,632,875**	1,567,973
Stationery	**2,598,840**	2,818,071
Permissions and licenses	**2,565,759**	1,141,732
Training and development	**1,413,827**	2,714,868
Depreciation	**1,387,552**	1,968,714
Provision of Expected credit losses (2017: Provision for doubtful debt)	**(563,281)**	(2,544,747)
Other	**13,201,214**	9,236,047
	264,881,921	238,419,616

24. Other income and losses

	For the year ended 31 December	
	2018	**2017**
Scientific support	**2,983,139**	2,970,000
Rentals	**3,351,354**	3,616,894
Food	**2,487,213**	2,102,992
Infants' milk Subsidy	**1,045,678**	165,638
Return on investments	**-**	1,353,789
Dividends received	**-**	400,844
Gain on sale of property and equipment	**(18,959)**	251,651
Loss on sale of investments	**(373,123)**	(11,688,328)
Other	**2,999,486**	1,704,721
	12,474,788	878,201

25. Board, general assembly meetings, and major decisions

On 06 Ramadan 1439H (corresponding to 22 May 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.

On 06 Ramadan 1439H (corresponding to 22 May 2018), the shareholders of the Company approved to delegate the Board of Directors to approve the interim and Semi-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 05 Rabia II 1440 H (corresponding to 12 December 2018), The Board of Directors has decided to distribute a cash dividend of SR 88,500,000 for the first half of 2018 amounted to SAR 1.5 per share. They are recorded as an accrual after deduction of withholding tax.

On 05 Rabia II 1440 H (corresponding to 12 December 2018), The Board of Directors recommended increasing the Company's capital through the granting of bonus shares amounting to SR 160 million, this increase will refund form reserves. The proposed increase constricted by approvals from official authorities as well as from extraordinary general assembly meeting.

On 30 Rajab 1438H (corresponding to 26 April 2017), the general assembly of the Company approved a distribution of cash dividends for the financial year ended 31 December 2016 amounting to SR 118 million at SR 2 per share and distributed during the second quarter of 2017.

On 02 Safar 1439H (corresponding to November 14, 2017), The company signed an agreement with AWJ Investment Company to establish a closed joint stock company to establish and operate an integrated hospital in Al-Manar district in Jeddah with an initial capital of SR 500,000, and on 06 Rabia I 1440H (corresponding to November 14, 2018 This agreement was extended for a period of seven months ending on 13 June 2019 in order to obtain some necessary licenses and approvals.

26. Basic and diluted earnings per share from profits

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.

	As of 31 December 2018	**As of 31 December 2017**
Net income	**141,758,455**	294,976,212
Weighted average of outstanding shares	**75,000,000**	75,000,000
Basic and diluted earnings per share	**1.89**	3.93

The number of outstanding shares is 59 million. For the purpose of calculating earnings per share, the weighted average number of shares was adjusted retrospectively to reflect the effect of bonus shares to be issued by the Company.

The net loss of Dallah Namar Hospital Company amounted to SR 111.9 million for the year ended 31 December 2018 (31 December 2017: SR 10.3 million).

27. Contingencies and commitments

Capital commitments

As at 31 December 2018, the Group had capital commitments that mainly relate to the construction contracts of the expansion of Dallah Hospital Al-Nakheel and the construction of Dallah Namar amounting to SR 204.9 million (31 December 2017: SR 172.6 million).

Contingent liabilities

As at 31 December 2018, the Group has a contingent liability in the form of bank guarantees amounting to SR 24.5 million which have been issued on behalf of the Group in the normal course of business (31 December 2017: SR 4.6 million).

During the year 2018, the Group issued a third party bank guarantee on behalf of Dr. Mohammed Al faqeeh hospital, an associate company, amounting to SR 17.45 million. The guarantee ends on 30 October 2019.

There are also documentary credits amounting to SR 36.5 million as at 31 December 2018 (31 December 2017: SR 10 million)

There are some legal cases filed against the Group, in the normal course of business, and is currently pleading 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.

28. Classification of financial instruments, fair value measurement, and risk management

28.1 Classification of financial liabilities

	As at 31 December 2018	**As at 31 December 2017**
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	**46,359,135**	90,440,266
Trade receivables	**356,180,416**	281,505,898
Due from related parties	**5,110,810**	713,078
Financial assets at fair value through other comprehensive income		
Equity instruments at fair value through other comprehensive income	**5,443,934**	-
Available for sale investments		
Available for sale investment –current	**-**	28,125,000
Available for sale investment - non current	**-**	5,417,832
Financial liabilities		
Financial liabilities at amortized cost		
Trade payables	**101,510,822**	89,835,217
Murabaha Financing	**708,394,087**	563,836,883
Due to related parties	**1,106,613**	984,854

28.2 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 utilize 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or disclosed in the financial statements are classified in the hierarchy of fair value levels. The following is an explanation:
- 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 directly or indirectly unobservable

The following table shows the analysis of items carried at fair value according to the level of the fair value hierarchy:

	2018
	Level 1
Financial assets at fair value through Other comprehensive income	**247,669**

	2017
	Level 1
Available for sale investments	221,567
Available for sale investments -current	28,125,000

28.3 Risk Management

The Group is exposed to the following risks as a result of its use of financial instruments:
(A) Foreign currency risk
(B) Credit risk
(C) Liquidity risk
(D) Interest risk

Foreign currency risk

Foreign currency risk arises from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates, The Group did not perform any transactions of relative importance in currencies other than the Saudi Riyal, the US Dollar, Since the Saudi riyal is pegged against the US dollar, it does not represent significant currency risk, The Group 's management monitors currency exchange rates and believes that currency risk is immaterial,

Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss and arises principally from trade and other receivables, contract assets, due from related parties and cash balances in banks.
The carrying amount of financial assets represents the maximum exposure to credit risk,

Trade receivables, contracts assets and due from related parties

The Group's exposure to credit risk is mainly affected by the individual characteristics of each individual trade receivables and contracts assets due from related parties, but management also determines other factors that may have an impact on the credit risk,

The trade receivables, contracts assets and due from related aging are as follows:

	As at 31 December 2018	As at 31 December 2017
Trade receivables		
Not more than six months	**230,155,321**	161,579,706
Over six months but less than one year	**104,932,119**	76,920,024
More than one year	**21,092,976**	43,006,168
	356,180,416	281,505,898
Contract assets		
Not more than six months	**2,442,924**	-
Due from related parties		
Not more than six months	**3,077,461**	713,078
Over six months but less than one year	**1,865,938**	-
More than one year	**167,411**	-
	5,110,810	713,078

The amount of the provision of expected credit losses as at 31 December 2018 was SR 28.3 million (2017: provision for doubtful debts amounted SR 27 million).

Cash and cash equivalents

Cash and cash equivalents are deposited with highly trustworthy banks. Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations related to its liabilities The Group 's approach to liquidity management is to ensure that it has adequate liquidity on an ongoing basis and to the extent possible to meet its obligations under normal and critical circumstances, without incurring unacceptable losses or compromising the reputation of the Group at risk.

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

As of 31 December 2018	**Less than one year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Murabaha "includes interest "	**147,687,905**	**619,457,730**	**11,123,401**	**778,269,036**
Trade payables	**101,510,822**	**-**	**-**	**101,510,822**
Due to related parties	**1,106,613**	**-**	**-**	**1,106,613**
	250,305,340	**619,457,730**	**11,123,401**	**880,886,471**

As of 31 December 2017	Less than one year	From 1 to 5 years	More than 5 years	Total
Murabaha "includes interest "	106,459,924	486,627,926	7,799,259	600,887,109
Trade payables	89,835,217	-	-	89,835,217
Due to related parties	984,854	-	-	984,854
	197,279,995	486,627,926	7,799,259	691,707,180

Interest risk

Financial instruments are exposed to the risks of changes in value as a result of changes in interest rate rates of their assets and liabilities with variable interest, The actual interest rates and the periods which the financial assets and liabilities are reprised or matured are indicated in the related notes

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings, no effects on comprehensive income:

	Increase (decrease) in Interest rate	Total Murabaha liability	Expected impact on comprehensive income
As at 31 December 2018	**±1%**	**778,269,036**	**16,222,020**
As at 31 December 2017	±1%	600,887,109	12,293,742

29. Impact of application of new International Financial Reporting Standards

The Group adopted IFRSs (9) "Financial Instruments" and (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 the statement of financial position as at 1 January 2018

	Without the 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**

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

	Without the 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)	**-**	**5,443,934**	**-**	**5,443,934**
Available for sale investments (b)	**5,443,934**	**-**	**(5,443,934)**	**-**
Trade receivables (a) (c)	**355,433,976**	**(4,483,361)**	**5,229,801**	**356,180,416**
Prepayments and other assets (d)	**78,573,719**	**-**	**(2,442,924)**	**76,130,795**
Contract assets with customers (d)	**-**	**-**	**2,442,924**	**2,442,924**
Contract liabilities with customers (c)	**-**	**-**	**5,229,801**	**5,229,801**
Retained earnings (a)	**617,692,985**	**(4,483,361)**	**-**	**613,209,624**

Impact on the statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	Without application of new standards	Impact for IFRS(9)	Impact for IFRS(15)	With application of new standards
General and administrative expenses (a)	**260,398,560**	**4,483,361**	**-**	**264,881,921**

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 Group 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 31 December 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.

30. Segmental information

The Group’s operations principally consist of one main operating segment, which is 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.

31. Subsequent events

On 30 Rabi Al-Thani 1440H corresponding 6 January 2019, the group completed a dividend distribution of 88,240,400 SAR after deducting the withholding tax on the dividends distributed outside the Kingdom (please refer to 25 for more information on dividends).

On 7 Jumada Al-Awal 1440H corresponding to 13 January 2019, the Capital Market Authority approved the request of Dallah Health Services Company to increase its capital from SR 590 million to SR 750 million, bringing the total number of shares from 59 million to 75 million shares, Free of charge against 3.69 existing shares, and the relevant regulatory procedures and requirements are being completed.

On 28 Jumada Al-Awal 1439H (corresponding to February 3, 2019), the Company announced its intention to buy its shares and retain them as a treasury stock of 5% of the ordinary shares of the Company, equivalent to 2.95 million shares or 3.75 million shares (in the event of approval of the next Extraordinary General Assembly) The Company's Board of Directors is of the opinion that the share price of the Company's shares in the market is lower than its fair value and voting on the purchase of shares in the next Extraordinary General Assembly Council, if approved by the Board. Purchases are made through the company's own resources.

32. Comparative figures

Certain comparative figures for the previous year have been reclassified to conform to the current year classification.

33. Approval of the consolidated financial statements

The consolidated financial statements have been approved by the board of directors on 25 February 2019G corresponding 20 Jumada Al-Thani 1440H.