DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY

CONDENSED CONSOLIDATED INTERIM INFORMATION STATMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019
AND REPORT ON REVIEW OF INTERM CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY

INDEX TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

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INDEPENDENT AUDITORS' REVIEW REPORT

To the shareholders of

Dallah Healthcare Company
A Saudi Joint Stock Company

Riyadh- Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Dallah Healthcare Company** ("the Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2019 and the condensed consolidated interim statement of profit or loss and other comprehensive income for the three and nine-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other selected notes.

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

Scope of Review

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

Conclusion

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

For Dr. Mohamed Al-Amri & Co.

M. A. AlAmri

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24 October 2019 (G)

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2019

	Note	As of 30 September 2019 (Unaudited) SR	As of 31 December 2018 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,067,827,702**	1,953,199,081
Intangible assets		**18,762,472**	18,890,812
Investment in associate	4	**143,140,859**	145,160,732
Equity instruments at fair value through other comprehensive income	5	**3,614,873**	5,443,934
Equity instruments at fair value through profit or loss	6	**22,321,002**	-
		2,255,666,908	2,122,694,559
Current assets			
Cash and cash equivalents		**52,043,969**	46,359,135
Trade receivables	7	**350,695,518**	356,180,416
Contract assets with customers		**1,970,559**	2,442,924
Due from related parties		**5,630,078**	5,110,810
Prepayments and other debit balances	10	**77,154,003**	83,385,508
Inventory		**87,696,977**	88,772,605
		575,191,104	582,251,398
TOTAL ASSETS		**2,830,858,012**	2,704,945,957
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the company's shareholders			
Share capital	1	**750,000,000**	590,000,000
Statutory reserve - share premium	1	**211,142,305**	371,142,305
Statutory reserve – transferred from net profit		**27,109,010**	27,109,010
Treasury Shares	1	**(190,452,878)**	-
Retained earnings		**691,023,243**	613,209,624
Cumulative valuation effect of equity instruments at fair value through other comprehensive income		**(336,809)**	(255,893)
Total Equity		**1,488,484,871**	1,601,205,046
Non-current liabilities			
Long term Murabaha financing	8	**831,503,378**	562,639,841
Long term lease liability	10	**8,070,243**	-
Retentions		**9,173,545**	3,671,431
Employees benefit liability		**130,632,476**	117,454,595
		979,379,642	683,765,867
Current liabilities			
Trade payables		**91,061,782**	101,510,822
Accrued expenses and other credit balances		**86,279,119**	70,864,057
Contract liabilities with customers		**15,886,029**	5,229,801
Short term Murabaha financing	8	**79,016,287**	139,837,580
Current portion of long term Murabaha financing	8	**71,416,203**	5,916,666
Short term lease liability	10	**15,938,435**	-
Due to related parties		**606,410**	1,106,613
Dividend payable	11	**-**	88,240,400
Zakat		**2,789,234**	7,269,105
		362,993,499	419,975,044
Total liabilities		**1,342,373,141**	1,103,740,911
Total equity and liabilities		**2,830,858,012**	2,704,945,957

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

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTH AND NINE MONTH PERIODs ENDED 30 SEPTEMBER 2019

		For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
	Note	SR	SR	SR	SR
Revenue	9	**301,341,002**	280,935,317	**908,491,634**	862,657,763
Cost of revenue		**(193,558,481)**	(179,568,908)	**(587,986,972)**	(537,183,523)
Gross profit		**107,782,521**	101,366,409	**320,504,662**	325,474,240
Selling and marketing expenses		**(4,704,404)**	(4,388,010)	**(16,841,892)**	(17,841,158)
General and administrative expenses		**(72,083,944)**	(63,535,805)	**(213,364,064)**	(195,078,234)
Operating income		**30,994,173**	33,442,594	**90,298,706**	112,554,848
Other income and losses, net		**2,945,027**	3,642,480	**9,621,837**	7,946,578
Finance charges	10-8	**(5,712,545)**	(3,950,134)	**(17,921,652)**	(7,201,285)
Share of loss of associates	4	**(715,408)**	(468,594)	**(2,019,874)**	(610,907)
Net profit before Zakat		**27,511,247**	32,666,346	**79,979,017**	112,689,234
Zakat		**(896,297)**	(184,122)	**(2,854,253)**	(3,395,308)
Net profit		**26,614,950**	32,482,224	**77,124,764**	109,293,926
Net profit attributable to the Company's shareholders		**26,614,950**	32,482,224	**77,124,764**	109,293,926
Other comprehensive income:					
Items will not be reclassified subsequently to profit or loss					
Change in equity instruments at fair value through other comprehensive income	5	**683,953**	(40,385)	**607,939**	(85,258)
Other comprehensive income		**683,953**	(40,385)	**607,939**	(85,258)
Comprehensive income		**27,298,903**	32,441,839	**77,732,703**	109,208,668
Comprehensive income attributable to the Company's shareholders		**27,298,903**	32,441,839	**77,732,703**	109,208,668
Basic and diluted earnings per share from net profit	12	**0,37**	0,43	**1,06**	1,46

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Note	Share capital	Statutory Reserve "Share premium"	Statutory reserve "Transfer from net income"	Treasury Shares	Retained earnings	Cumulative valuation effect of equity instruments at fair value through other comprehensive income	Total equity
For the nine-month period ended 30 September 2019 (unaudited)		SR	SR	SR	SR	SR	SR	SR
As of 1 January 2019		**590,000,000**	**371,142,305**	**27,109,010**	-	**613,209,624**	**(255,893)**	**1,601,205,046**
Net profit		-	-	-	-	**77,124,764**	-	**77,124,764**
Other comprehensive income		-	-	-	-	**688,855**	**(80,916)**	**607,939**
Comprehensive income		-	-	-	-	**77,813,619**	**(80,916)**	**77,732,703**
Issuing Bonus Shares	1	**160,000,000**	**(160,000,000)**	-	-	-	-	-
Purchase of treasury Shares	1	-	-	-	**(190,452,878)**	-	-	**(190,452,878)**
As of 30 September 2019		**750,000,000**	**211,142,305**	**27,109,010**	**(190,452,878)**	**691,023,243**	**(336,809)**	**1,488,484,871**
For the nine-month period ended 30 September 2018 (Unaudited)								
As of 1 January 2018		**590,000,000**	**371,142,305**	**27,109,010**	-	**701,176,275**	**(281,995)**	**1,689,145,595**
Net profit		-	-	-	-	**109,293,926**	-	**109,293,926**
Other comprehensive income		-	-	-	-	-	**(85,258)**	**(85,258)**
Comprehensive income		-	-	-	-	**109,293,926**	**(85,258)**	**109,208,668**
Dividends	11	-	-	-	-	**(147,500,000)**	-	**(147,500,000)**
As of 30 September 2018		**590,000,000**	**371,142,305**	**27,109,010**	-	**662,970,201**	**(367,253)**	**1,650,854, 263**

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

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

		For the Nine-month period ended 30 September	
	Note	2019 (unaudited)	2018 (unaudited)
OPERATING ACTIVITIES			
Net profit before zakat		**79,979,017**	**112,689,234**
Adjustments			
Depreciation of property, plant, and equipment		**70,336,667**	**52,073,033**
Amortization of intangible assets		**128,340**	**128,340**
Employees' benefits provision		**21,528,257**	**15,758,664**
Provision for expected credit loss	7	**10,088,260**	**1,575,100**
Provision for inventory		**39,382**	**1,519,720**
Loss on sale of property, plant, and equipment		**170,986**	**39,786**
loss on sale of financial assets at fair value through profit or loss		**-**	**373,123**
Share of loss of associates	4	**2,019,873**	**610,907**
Finance charges	8-10	**17,921,652**	**7,201,285**
Changes in			
Trade receivables		**(4,603,362)**	**(85,716,217)**
Contract assets with customers		**472,365**	**(4,641,813)**
Related parties		**(1,019,471)**	**(400,604)**
Prepayments and other debit balances		**(366,106)**	**11,651,649**
Inventory		**1,036,246**	**8,509,350**
Accounts payable		**(8,879,041)**	**(20,352,950)**
Contract liabilities with customers		**10,656,228**	**18,506,396**
Accrued expenses and other credit balances		**15,415,062**	**12,299,221**
Retentions		**5,502,114**	**3,671,431**
Cash flows from operation		**220,426,469**	**135,495,655**
Zakat paid		**(7,334,124)**	**(10,238,099)**
Employees' benefits paid		**(8,350,376)**	**(6,211,344)**
Net cash generated from operating activities		**204,741,969**	**119,046,212**
INVESTING ACTIVITIES			
Additions to property, plant, and equipment		**(143,691,117)**	**(196,960,657)**
Proceeds from sale of property, plant and equipment		**28,762**	**-**
Additions to investment in associate		**-**	**(5,980,023)**
Additions to equity instruments at fair value through profit or loss		**(22,321,002)**	**-**
Proceeds from disposal of equity instruments at fair value through other comprehensive income		**2,437,000**	**-**
Proceeds from sale of available-for-sale investments		**-**	**27,751,877**
Net cash used in investing activities		**(163,546,357)**	**(175,188,803)**
FINANCING ACTIVITIES			
Proceeds from short-term Murabaha financing		**715,114,981**	**179,500,000**
Repayment of short-term Murabaha financing		**(775,936,273)**	**(80,516,873)**
Proceeds from long-term Murabaha financing		**2,458,643,755**	**1,560,621,512**
Repayment of from long-term Murabaha financing		**(2,124,280,682)**	**(1,495,430,015)**
Lease Payment		**(13,300,600)**	-
Purchase of treasury shares	1	**(190,452,878)**	**-**
Dividend paid	11	**(88,240,400)**	**(147,500,000)**
Finance cost paid		**(17,058,681)**	**(7,201,285)**
Net cash (used in) generated from financing activities		**(35,510,778)**	**9,473,339**
Net changes in cash and cash equivalents		**5,684,834**	**(46,669,252)**
Cash and cash equivalents at beginning of the period		**46,359,135**	**90,440,266**
Cash and cash equivalents at end of the period		**52,043,969**	**43,771,014**
Non-cash transactions			
Increasing capital by issuing bonus shares		**160,000,000**	-
Record asset and liability of financing leases		**43,043,918**	-

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

On 14 Jumada I 1429H (corresponding to May 20, 2008), The Company's board of directors declared Dallah Healthcare Company as a Saudi Closed Joint Stock Company 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 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.

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 30 September	As of 31 December	Country of operation and incorporation	Principal activity
	2019	**2018**		
Dallah Pharma Company	**100%**	100%	Kingdom of Saudi Arabia commercial registration No.1010410613	Pharmaceutical, herbal & cosmetic distribution & manufactory.
Afyaa Al-Nakheel for Supporting Services Co. Limited	**100%**	100%	Kingdom of Saudi Arabia commercial registration No.1010404576	Provide manpower & Support services to hospitals and medical centers.
Dallah Namar Hospital Health Co.	**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.

Capital and Bonus Shares

The share capital of the Company as of 30 September 2019 amounted to SR 750 million comprising 75 million shares stated at SR 10 per share (31 December 2018: SR 590 million comprising 59 million shares stated at SR 10 per share).

On 21 Jamada Al-Thani 1440H corresponding 26 February 2019, the Extraordinary General Assembly meeting has approved the increase of the Company's capital from SR 590 million to SR 750 million (59 million shares to 75 million shares) through stock dividends, one share for every 3.69 shares. As a result, the capital has increased by transferring SR 160 million from statutory reserve (share premium) to the capital. On April 25, 2019, the Company amended the article of association accordingly.

Treasury Shares

On 21 Jamada Al-Thani 1440H corresponding 26 February 2019, the Extraordinary General Assembly meeting has approved the purchasing of 3,750,000 of the Company's shares as treasury shares. To be financed from the Company's own resources. The Board of directors has been delegated to complete the purchasing proves in one transaction or over several transactions in a period of 12 months as maximum from the resolution date of the Extraordinary General Assembly meeting. On 30 September 2019, the number of shares purchased is 3,740,000 shares at cost of 190,452,878 Saudi riyals. Thus, the Company has completed the purchase of treasury shares within the authorized number in accordance with the approval of the Extraordinary General Assembly.

2. Basis of Accounting

The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. The accompanying condensed consolidated interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018. The accompanying interim condensed financial statements do not include all the information that is required to prepare a complete set of financial statements in accordance with International Financial Reporting Standards.

The accounting policies applied to the condensed consolidated interim financial statements are the same as those accounting policies applied for annual financial statements as of 31 December 2018 Except for the polices as stated in the note (3.3) from accompanying financial statements.

3. The Changes In Significant Accounting Policies And Estimates

3.1 Issued standards but not yet effective

- IFRS (17) "Insurance Contracts" (Effective date 1 January 2021).

  The adoption of this standard is not expected to have a material impact on the condensed consolidated interim financial statements of the Group.

3.2 Standards, amendments and interpretations issued are in effect

Amendments effective 1 January 2019

- IFRS (16) "Leases".
- Improvement to IFRS (3) "Business Combinations" related to previously held interests in a joint operation.
- Improvement to IFRS (11) "Joint Arrangements" related to previously held interests in a joint operation.
- Improvement to IAS (12) "Income Taxes" related to income tax consequences of payments on financial instruments classified as equity.
- Improvement to IAS (23) "borrowing costs" related to borrowing costs eligible for Capitalization.
- International Interpretation (23) "Uncertainty on Income Tax Transactions".
- Amendments to IFRS (9) "Financial Instruments" related to prepayment features with negative compensation.
- Amendments to IAS (28) "Investments in Associates and Joint Ventures" related to long-term investments in associates and joint ventures.
- Amendments to IAS (19) "Employee Benefits "related to plan amendment, curtailment or settlement.

Amendments effective from 01 January 2018

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

The application of standards, amendments and interpretations above have no impact on financial statements for the Group except for IFRS (16) "Leases", as explained later in note (3-3) and note (10).

3.3 Changes in accounting policies

Application of IFRS (16) "Leases"

IFRS (16) "Leases" provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS (16) "Leases" supersedes IAS (17) "Leases" and the related Interpretations. It is effective for accounting periods beginning on or after January 1, 2019.

The Group has chosen retrospective application of the standard and record the cumulative impact of initial application on the date of initial application which is January 1, 2019, in accordance with paragraph C5(b) and C7 of IFRS (16) "Leases" therefore comparative information is not restated and instead, the Group will recognize the cumulative effect of initially application "if any" as an adjustment to the opening balance of retained earnings.

IFRS (16) "Leases" substantially carries forward the lessor accounting requirements in IAS 17 "Leases", however, it provides different accounting treatments for the lessees.

The change in the definition of a lease mainly relates to the concept of control. IFRS (16) distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled. Control is considered to exist if the Group has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of the identified asset.

The Group applied the definition of a lease and related guidance set out in IFRS (16) "Leases" to all lease contracts entered into.

Impact on Group Accounting as Lessee

IFRS (16) has changed how the Group accounts for leases previously classified as operating leases under IAS (17), which were of a statement of financial position. The Group has recognized the following:

Right-of-use assets shall comprise in initial recognition:

- Amount of initial measurement of lease liability which is the present value of the future lease payments;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group as a lessee;
- An estimate of the costs will be incurred by the Group as a lessee in dismantling and removing the underlying asset in the contract, restoring the site on which it is located or restoring the underlying asset

Subsequently, the right-of-use assets are measured at cost less any accumulated depreciation or accumulated impairment loss and adjusted by any re-measurement of the lease liabilities.

The Group amortizes the right-of-use over the estimated lease period by the straight method.

Lease liability is initially measured at the present value of the lease payments that are not paid at beginning of contract date. And use the Group's incremental borrowing rate.

Lease liability is subsequently measured as follows by:

- Increasing the carrying amount to reflect the interest on the lease liabilities;
- Reduction of the carrying amount to reflect lease payments;
- Re-measuring the carrying amount to reflect any reassessment or adjustments to the lease contract.

The Group shall separate the paid amounts into a principal portion (presented in financing activities) and interest (presented in operating activities) in the statement of cash flow.

Under IFRS (16) the right-of-use assets are tested for impairment in accordance with IAS (36) "Impairment of Assets".

Lease period

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

For short term leases (lease term 12 months or less) and low value contracts (such as personal computers and office furniture), if any, the Group has elected to recognize the lease expenses on a straight-line basis as permitted by IFRS (16), which is the same method that was accounted for in accordance with IAS (17) "Leases".

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

4. 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 in the east of Riyadh city. The Group's share is accounted for using the equity method as follows:

	Ownership interest (%)			
	As of 30 September **2019**	As of 31 December **2018**	Country of operation and incorporation	Principal activity
Dr. Mohammed Rashed Al-Faqeeh Company	**31.21%**	31.21%	Kingdom of Saudi Arabia	Owning, operating and maintaining the hospital and health centers

During the first quarter of 2018, the Group increased its ownership in the associated company to be 31.21% instead of 30%.

The movement of the investment can be summarized as follows:

	As of 30 September 2019	As of 31 December 2018
Opening balance	**145,160,732**	140,978,759
Additions	**-**	5,980,000
Adjustment	**-**	138,707
Share of loss from associate	**(2,019,873)**	(1,936,734)
Closing balance	**143,140,859**	145,160,732

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

	As of 30 September 2019	As of 31 December 2018
Assets	**730,988,433**	677,029,256
Liabilities	**314,683,290**	254,252,233
Revenues	**-**	153,026
Net loss	**(6,471,880)**	(4,670,565)
Equity	**416,305,143**	422,777,023

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 date.

5. Equity instrument at fair value through other comprehensive income

	Country	Ownership %	As of 30 September 2019	Ownership %	As of 31 December 2018
Quoted:					
Jordanian Pharmaceutical Manufacturing Company	Jordan	%0,4	**166,753**	%0,4	247,669
Unquoted*					
Makkah Medical Canter Company	Saudi Arabia	%7,5	**3,448,120**	%7,5	3,448,120
Al-Ahsa Medical Services Company**	Saudi Arabia	-	**-**	%1,1	1,748,145
			3,614,873		5,443,934

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

***Unquoted equity instrument**

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.

** On 28 Rajab 1440H corresponding to April 4, 2019, the company sold its entire share in Al-Ahsa Medical Services Company amounting to 162,500 shares, at a total value of SR 2,437,000. resulted in a gain of SAR 688,855 which is included in other comprehensive income

6. Equity instruments at fair value through profit or loss

On May 14, 2019 G, Corresponding 9 Ramadan 1440 H, the Company made a payment of SR 22,321,002 to purchase a units in the MEFIC Private Equity Opportunities Fund (3) “The Fund”, amounting to 21,862 units as of 30 September 2019. The Fund's objective is to achieve a high return on capital over the long term and investing in healthcare sector.

7. Trade receivables

	As of 30 September 2019	As of 31 December 2018
Trade receivables	**388,517,528**	384,529,517
Less:		
Provision for expected credit losses	**(37,822,010)**	(28,349,101)
	350,695,518	356,180,416

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

	for the period /year ended	
	30 September 2019	31 December 2018
Balance at the beginning of the period/year	**28,349,101**	27,043,527
Adjustment due to application of IFRS (9)	**-**	2,804,649
Opening balance at 1 January after adjustments	**28,349,101**	29,848,176
Charged	**14,289,019**	4,628,160
Reversal	**(4,200,759)**	(5,191,441)
Written off bad debts	**(615,351)**	(935,794)
Balance at the end of the period/year	**37,822,010**	28,349,101

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.

8. Murabaha financing

Non-current	As of 30 September 2019	As of 31 December 2018
Long -term Murabaha financing	**831,503,378**	562,639,841
Current		
Short-term Murabaha financing	**79,016,287**	139,837,580
Current portion of long-term Murabaha financing	**71,416,203**	5,916,666
Total current Murabaha Financing	**150,432,490**	145,754,246
Total Murabaha Financing	**981,935,868**	708,394,087

The Group has Murabaha financing contracts with local banks Murabaha contracts are denominated in Saudi Riyals and bear financial charges based on prevailing finance cost in the market. Murabaha contracts for the purpose of financing the construction of new medical facilities and hospitals under construction and with working capital financing, Murabaha contracts are secured by order bonds.

As of 30 September 2019, Murabaha financing being granted to the Group amounted to SR **2,225** million (31 December 2018: SR 2,631 million). SR 982 million has been used as of 30 September 2019 (31 December 2018: SR 708.3 million) secured by bonds for a total order of SR 2,366 million.

During the period ended 30 September 2019, the Group capitalized financial charges amounted to 9,1 million (30 September 2018: SR 8,9 million).

The Group recorded finance charges for the nine-month period ended 30 September 2019 amounting to SR **17.1** million (30 September 2018: SR 7,2 million) in the statement of profit or loss and other comprehensive income.

9. Revenues from Contracts with customers

	For nine-month period ended 30 September	
Revenues classification	**2019**	**2018**
Revenue from services	**682,716,923**	**660,920,888**
Revenue from the sale of medicine	**225,774,711**	**201,736,875**
	908,491,634	**862,657,763**
Timing of Revenue recognition		
Over time	**332,571,269**	**303,941,702**
At point in time	**575,920,365**	**558,716,061**
	908,491,634	**862,657,763**

10. Lease Contracts

Right-of-use Assets	**For nine-month period ended 30 September 2019**	**For year ended 31 December 2018**
Balance at the beginning of the period/year	**43,043,918**	-
Depreciation	**(12,585,413)**	-
Balance at end of period/year	**30,458,505**	-

The Right-of-use Assets are included in property, plant, and equipment in the buildings caption.

Lease Liability	**For nine-month periods ended 30 September 2019**	**For year ended 31 December 2018**
Balance at the beginning of the period/year	**36,446,307**	-
Interest charges	**862,971**	-
Paid	**(13,300,600)**	-
Balance at end of period/year	**24,008,678**	-
Divided into		
Long-term lease liability	**8,070,243**	-
Short-term lease liability	**15,938,435**	-
	24,008,678	-

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

The Group has recognized the obligation of the lease and interest expense using the incremental borrowing rate, which is the rate of return that it expects to use to borrow the necessary funding for a similar period of the lease and the same guarantees.
Leases do not include any pledges, but leases cannot be used as security for borrowing purposes.
As at the reporting date, the Group has a low-value lease contract or less than 12 months of non-extendable lease contracts. The rental expense recorded in the statement of profit or loss for these contracts for the period ended 30 September 2019 amounted to SR308,228.

Effect of application of IFRS 16 "Leases"

Impact on the statement of financial position	**As of 30 September 2019**			**As of January 1, 2019**		
	Without applying the IFRS 16	**Impact**	**After applying the IFRS 16**	**Without applying the IFRS 16**	**Impact**	**After applying the IFRS 16**
Property, plant and equipment	**2,037,369,197**	**30,458,505**	**2,067,827,702**	**1,953,199,081**	**43,043,918**	**1,996,242,999**
Prepaid expenses and other receivables	**83,751,614**	**(6,597,611)**	**77,154,003**	**83,385,508**	**(6,597,611)**	**76,787,897**
Long-term lease liability	**-**	**8,070,243**	**8,070,243**	**-**	**20,208,585**	**20,208,585**
Short-term lease liability	**-**	**15,938,435**	**15,938,435**	**-**	**16,237,722**	**16,237,722**
Retained earnings	**691,171,027**	**(147,784)**	**691,023,243**	**613,209,624**	**-**	**613,209,624**

	For the period ended 30 September 2019		
Impact on the comprehensive income statement	**Without applying the IFRS 16**	**Impact**	**After applying the IFRS 16**
Cost of revenue and general and administrative expenses	**802,066,223**	**(715,187)**	**801,351,036**
Finance charges	**17,058,681**	**862,971**	**17,921,652**

	For the period ended 30 September 2019		
Impact on cash flow statement	**Without applying the IFRS 16**	**Impact**	**After applying the IFRS 16**
Net cash flows generated from operating activities	**191,441,369**	**13,300,600**	**204,741,969**
Net cash flows used in Financing activities	**48,811,378**	**(13,300,600)**	**35,510,778**

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

11. Meetings and major decisions

On 10 September 2019, corresponding to 11 Muharram 1441H, the Company signed a non-binding Memorandum of Understanding ("Memorandum") with Kingdom Investment and Development Company regarding the exchange of shares owned by Kingdom Investment and Development Company in Care Shield Holding Co. Ltd. for shares in Dallah Health Services Company in addition to cash consideration. Care Shield Holding Company owns Medical Service Projects Company (LLC) (Kingdom Hospital), Consulting Clinics Company (LLC) and, Modern Clinics Pharmacy Company (LLC). The parties have agreed an initial relative valuation. The final value of the Proposed Transaction will be determined after completing the due diligence process. The Memorandum is effective from the date of signing by both parties and will remain valid until December 31, 2019.

On 1 September 2019, 2 Muharram 1441H, Dallah Healthcare Services signed a long-term strategic partnership with Siemens Healthcare Limited to manage and operate the radiology departments of the company's hospitals and the radiology departments of the hospitals it wins in government tenders and the private sector and provide technical support to the radiology departments. The contract amounted to 112 million riyals distributed over a period of ten years.

On May 1, 2019, corresponding 25 Shaban 1440 H, the General Assembly decided to authorize the Board of Directors to distribute interim dividends on a semi-annual basis for the financial year 2019 and determine the maturity and disbursement date according to the regulatory controls and procedures issued.

On 26 February 2019, corresponding 20 Jamada al-Thani 1440 H, the General Assembly decided to approve the recommendation of the Board of Directors to distribute cash dividends to the shareholders of the company for the first half of the fiscal year 2018 amounting to SR 88,500,000 at SR 1.5 per share. Dividends distributed during the first quarter of 2019.

On May 22, 2018, corresponding 6 Ramadan 1439 the shareholders of the Company approved the distribution of cash dividends for the financial year 2017 amounting to SR 147.5 million at a price of SR 2.5 per share and distributed during the second quarter of 2018.

On 21 Jamada Al-Thani 1440H corresponding 26 February 2019, the Extraordinary General Assembly meeting has approved the dividends of bounous shares, one share for every 3.69 shares. As a result, the capital has increased by transferring SR 160 million from statutory reserve (share premium) to the capital. On April 25, 2019, the Company amended the article of association accordingly.

12. Basic and diluted earnings per share from net profit

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

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2019	**2018**	**2019**	**2018**
Net income	***26,614,950***	32,482,224	***77,124,764***	109,293,926
Weighted average of outstanding shares	**71,260,000**	75,000,000	**73,038,269**	75,000,000
Basic and diluted earnings per share	**0,37**	0,43	**1.06**	1.46

The weighted average for the current period was adjusted by the purchase of treasury shares; the weighted average number of shares was adjusted retrospectively to reflect the effect of the issued bonus shares.

The net loss of Dallah Namar Hospital Health Company amounted to SR 73 million for the period ended 30 September 2019 (30 September 2018: SR 66.5 million).

13. Contingencies and commitments

Capital commitments

As of 30 September 2019, the Group has capital commitments relating mainly to contracts for the expansion of Dallah Al Nakheel Hospital and the construction of Dallah Namar Hospital for SR 115.9 million (December 31, 2018, SR 204.9 million).

Contingent liabilities

As of 30 September 2019, the Group has contingent liabilities in the form of bank guarantees in the amount of SR 38.7 million issued in the ordinary course of business (31 December 2018: SR 24.5 million). Contingent liabilities include a third party bank guarantee on behalf of Dr. Mohammed Al Faqih (associate) amounting to SR 17.45 million (as at 31 December 2018: SR 17.45 million).

As of 30 September 2019, there are documentary credits issued by the Group amounting to SR 20.2 million (31 December 2018: SR 36.5 million).

There are some legal cases brought against the group, in the normal course of work, which is currently being resolved, but the final outcome of these cases is uncertain. Management does not expect the outcome of these issues to be material to the Group's consolidated interim financial statements.

14. Financial instruments, fair value measurement, and risk management

14.1 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

14.2 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

(A) 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.

(B) 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, contract 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 contract assets due from related parties, but management also determines other factors that may have an impact on the other credit risk.

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.

(C) 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.

(D) 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 in which the financial assets and liabilities are reprised or matured are indicated in the related notes.

15. <u>Segmental information</u>

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.

16. <u>Approval of the condensed consolidated interim financial statements</u>

The condensed consolidated interim financial statements have been approved by the management on 25 Safar1441H corresponding 24 October 2019 G**.**