Dallah Healthcare Company

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
AND INDEPENDENT AUDITORS' REVIEW REPORT

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INDEPENDENT AUDITORS' REPORT

To the shareholders of

Dallah Healthcare Company
(A Saudi Joint Stock Company)

Introeduction

We have reviewed the accompanying interim consolidated statement of financial position of **Dallah Healthcare Company** ("A Saudi Joint Stock Company") as of 31 March 2018 and statements of interim consolidated profit or loss and other comprehensive income , interim consolidated changes in equity and interim consolidated cash flows for the three-month period then ended, and a summary of significant accounting policies and other selected notes from (1) to (19).

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

Scope of Review

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

Conclusion

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

For Dr. Mohamed Al-Amri & Co.

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

April 24, 2018 (G)
Shaban 08, 1439 (H)

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Dallah Healthcare Company

A Saudi Joint Stock Company

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2018 (Un-audited) SR	As at 31 December 2017 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment		**1,800,786,485**	1,771,525,773
Intangible assets		**19,004,892**	19,047,672
Investment in associate	7	**146,897,956**	140,978,759
Equity instruments at fair value through other coprehenseve income	8,15	**5,377,484**	-
Available-for-sale investments	8,15	**-**	5,417,832
		1,972,066,817	1,936,970,036
Current assets			
Cash and cash equivalents		**73,558,781**	90,440,266
Inventories, net		**82,824,314**	79,931,847
Trade receivables, net	9,15	**335,236,230**	282,037,364
Contract assets	15	**4,650,357**	-
Due from related parties		**188,852**	181,612
Prepayments and other assets	15	**92,251,969**	110,348,219
Available-for-sale investment – current	8	**-**	28,125,000
		588,710,503	591,064,308
TOTAL ASSETS		**2,560,777,320**	2,528,034,344
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the parent:			
Share capital	1	**590,000,000**	590,000,000
Statutory reserve - Share premium		**371,142,305**	371,142,305
Statutory reserve – transferred from net income		**27,109,010**	27,109,010
Retained earnings	15	**759,263,120**	703,980,924
Cumulative effect of valuation of equity instruments at fair value through other comprehensive income		**(322,343)**	(281,995)
Total Equity		**1,747,192,092**	1,691,950,244
Liabilities			
Non-current liabilities			
Long term murabaha finance	10	**467,580,008**	458,280,007
Net employee benefits liability		**114,070,213**	106,595,301
		581,650,221	564,875,308
Current liabilities			
Trade and other payables		**84,946,039**	89,835,217
Contract liabilities	15	**15,493,223**	-
Short term murabaha finance	10	**23,056,876**	70,056,876
Current portion of long term murabaha finance	10	**26,625,000**	35,500,000
Due to related parties		**937,858**	984,854
Accrued expenses and other credit balances		**63,987,028**	60,865,810
Zakat		**16,888,983**	13,966,035
		231,935,007	271,208,792
Total liabilities		**813,585,228**	836,084,100
Total equity and liabilities		**2,560,777,320**	2,528,034,344

The accompanying selected notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Dallah Healthcare Company

A Saudi Joint Stock Company

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For three months ended 31 March	
		2018 (Unaudited) SR	**2017 (Unaudited) SR**
Revenue	11	**308,594,358**	302,751,765
Cost of revenue		**(176,864,427)**	(159,147,896)
Gross profit		**131,729,931**	143,603,869
Selling and marketing expenses		**(7,180,766)**	(3,389,464)
General and administrative expenses		**(65,106,347)**	(54,399,442)
Operating profit		**59,442,818**	85,814,963
Other income, net		**2,186,379**	3,390,873
Finance cost		**(558,578)**	(153,021)
Share of loss from investment in an associate		**(60,826)**	(85,106)
Net profit before Zakat		**61,009,793**	88,967,709
Zakat		**(2,922,948)**	(3,921,743)
Net profit		**58,086,845**	85,045,966
Net profit attributable to parent shareholders		**58,086,845**	85,045,966
Other comprehensive income:			
Items will not reclassified to profit or loss			
Change in equity instruments at fair value through other comprehensive income		**(40,348)**	(750,698)
Other comprehensive income		**(40,348)**	(750,698)
Comprehensive income		**58,046,497**	84,295,268
Comprehensive income attributable to parent shareholders		**58,046,497**	84,295,268
Basic and diluted earnings per share:			
From operations		**1.01**	1.45
From net profit	13	**0.98**	1.44
Weighted average number of outstanding shares	13	**59,000,000 Share**	59,000,000 Share

The accompanying selected notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Dallah Healthcare Company

A Saudi Joint Stock Company

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			Statutory reserve					
		Share capital	Share premium	Transfer from net income	Retained earnings	Cumulative effect of valuation of equity instruments at fair value through other comprehensive income	Proposed dividends	Total attributable to of parent share holders
	Note	**SR**	**SR**	**SR**	**SR**	**SR**	**SR**	**SR**
For period ended 31 Mar 2018 (Unaudited)								
As at 1 January 2018 after adjustment	15	**590,000,000**	**371,142,305**	**27,109,010**	**701,176,275**	**(281,995)**	**-**	**1,689,145,5**
Net profit		**-**	**-**	**-**	**58,086,845**			**58,086,845**
Other comprehensive income		**-**	**-**	**-**	**-**	**(40,348)**	**-**	**(40,348)**
As at 31 March 2018		**590,000,000**	**371,142,305**	**27,109,010**	**759,263,120**	**(322,343)**	**-**	**1,747,192,0**
For period ended 31 Mar 2017 (Unaudited)								
As at 1 January 2017		590,000,000	371,142,305	27,109,010	532,547,117	(4,642,458)	-	1,516,155,9
Net profit								
Other comprehensive income		-	-	-	-	(750,698)	-	(750,698)
Dividends	12	-	-	-	(118,000,000)	-	118,000,00	-
At 31 March 2017		**590,000,000**	**371,142,305**	**27,109,010**	499,593,083	(5,393,156)	118,000,00	1,600,451,2

The accompanying selected notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Dallah Healthcare Company
A Saudi Joint Stock Company
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Not	Three months ended 31 March 2018 (Unaudited) SR	2017 (Unaudited) SR
OPERATING ACTIVITIES			
Net profit before zakat		**61,009,793**	88,967,709
Financial charges		**558,578**	153,021
Adjustments :			
Depreciation of property, plant and equipment		**14,904,253**	12,109,712
Amortization of intangible assets		**42,780**	42,778
Employees' benefits provision		**8,694,473**	6,569,367
Provision for doubtful debts	9	**1,547,508**	(4,417,107)
Share of loss from an associate	7	**60,826**	85,106
Provision for inventories		**250,000**	-
Loss from sale of financial assets at fair value through profit or loss	8	**373,123**	-
Changes in:			
Trade and other receivables		**(57,551,023)**	62,931,625
Inventory		**(3,142,466)**	(11,812,297)
Related parties, net		**(54,236)**	1,324,880
Prepayments and other assets		**13,445,893**	(26,852,869)
Trade and other payables		**(4,889,178)**	(4,965,596)
Accrued expenses and other liabilities		**18,614,441**	(6,433,401)
Cash generated from operations		**53,864,765**	117,702,928
Employees' benefits paid		**(1,219,561)**	(8,818,451)
Net cash flows generated from operating activities		**52,645,204**	108,884,477
INVESTING ACTIVITIES			
Additions to investment in associate		**(5,980,023)**	-
Proceeds from sale of financials assets at fair value through profit or loss	8	**27,751,877**	-
Additions to property, plant and equipment		**(44,164,965)**	(80,287,406)
Net cash flows used in investing activities		**(22,393,111)**	(80,287,406)
FINANCING ACTIVITIES			
Proceeds from short-term murabaha finance		**17,000,000**	-
Paid to short-term murabaha finance		**(64,000,000)**	(70,000,000)
Proceeds from long-term murabaha finance		**307,983,358**	205,296,637
Paid to long-term murabaha finance		**(307,558,358)**	(223,171,637)
Financial cost paid		**(558,578)**	(153,021)
Net cash flows used in financing activities		**(47,133,578)**	(88,028,021)
Net changes in cash and cash equivalents		**(16,881,485)**	(59,430,950)
Cash and cash equivalents at beginning of the period		**90,440,266**	186,556,641
Cash and cash equivalents at end of the period		**73,558,781**	127,125,691

The accompanying selected notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

1. LEGAL STATUS AND NATURE OF OPERATIONS

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

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

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

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.

Construction in progress

The Company has started the construction of Dallah Hospital -Namar project, with a maximum capacity of 400 beds and 200 clinics which is planned to be completed in stages, with an estimated total cost of SR 920 million. The approval of the Ministry of Health on the operation has been collected and the start date of operation and and receiving patients from the date of 8 April 2018.The Pre-operating costs during the first quarter of 2018 amounted to approximately SAR 14.8 million.

On 25 September 2017 the Company started the construction of the west expansion of Dallah Hospital - Al-Nakheel, which will have a capacity of 150 beds and 30 clinics and it is planned to be completed by the second quarter of 2019, with an estimated total cost of SR 140 million.

Share capital

The share capital of the parent as of 31 March 2018 and 31 December 2017 amounted to SR 590,000,000 comprising of 59 million shares stated at SR 10 per share.

Interest in subsidiaries

The group holds investments in the following subsidiaries, and the trading results of these subsidiaries are included in these consolidated financial statements.

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

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 another party on behalf of the Company, so accordingly the Company's shareholding changed from 98% to 100%.

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). The purpose of the new company is operating, managing, equipping and developing hospitals and healthcare facilities, medical policlinics and compounds, in addition to owning land.

* The Company effectively owns 100% of Afyaa Al-Nakheel for Supporting Services Co. as the remaining 1% equity interest therein is owned by other parties on behalf of the Company and therefore effectively *non-controlling interest* does not exist in the consolidated financial statements.

Branches

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

Branch Commercial Registration City	Branch Commercial Registration City	Branch Commercial Registration City
Head Office	2057004206	Al Khafji
Dallah Hospital	1010132622	Riyadh
Medicine Warehouse (Dallah Pharma)	2050071905	Dammam
Medicine Warehouse (Dallah Pharma)	1010128997	Riyadh
Medicine Warehouse (Dallah Pharma)	4030140769	Jeddah
Medicine Warehouse (Dallah Pharma)	4030265250	Jeddah
Medicine Warehouse (Dallah Pharma)	1010381470	Riyadh
Dallah Pharma Factory	4030249929	Jeddah
Dallah Health Care Company's Clinical Complex	1010428613	Riyadh
Dallah Pharma Factory for medicines	4030278471	Jeddah

2. STATEMENT OF COMPLIANCE WITH IFRS

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, as endorsed in the Kingdom of Saudi Arabia. The accompanying condensed consolidated interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017. The accompanying financial statements do not include all the information that is required to prepare a complete set of financial statements in accordance with International Financial Reporting Standards.

These interim condensed consolidated financial statements are the first set in which IFRS 15 and 9 are applied. Changes in significant accounting policies are disclosed in note 4.

3. ISSUED STANDARDS AND NOT EFFECTIVE

Standard number	Title	Effective date
IFRS 16	Leases	January 1, 2019
Other standards		January 1, 2019

IFRS 16 Leases - New (effective for accounting period beginning on or after 1 January 2019)

IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Other

The Group does not expect any other standards, amendments to existing standards and interpretations issued by the IASB, but not yet effective, to have a material impact on the group, except for the below:

- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28:Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)

Management working to assess the impact of this new standard on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

New accounting policies

IAS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 using the accumulative , accordingly comparative information has not been restated. The effect of applying IFRS 15 in note 15 is shown.

Accounting Policy for Revenues

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Group accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Group identify all promised goods or services 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 good or service 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: The Group 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: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Group transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

Significant accounting judgements and estimates

The following is a description, accounting policies and significant judgements of the principal activities from which the Group generates revenue :

(a) Rendering of clinical services

Revenue from services primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology and laboratory. These services are sold either separately or bundled together with the sale of pharmacy to a customer.

Under IFRS 15, the Group concluded that revenue from bundled services will be recognized over time.

(b) Sale of goods – Distribution

Revenue is recognized when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

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

(c) Volume discounts

Revenue is often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

IFRS 9: Financial Instruments

The Group has elected to apply the exemption in IFRS 9 paragraph no. 7.2.15 relating to transition for classification and measurement, and accordingly has not restated comparative periods in the year of initial application. Accordingly, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings.

The effect of applying IFRS 9 has been described in notes 15.

Financial instruments accounting policy

The Group recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial assets

IFRS 9 introduces new classification and measurement requirements for financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (with recycling to profit or loss).
- Financial instruments at fair value through profit or loss,
- Debt instruments at fair value through other comprehensive income (with no recycling to profit or loss).

(a) Financial assets at amortized cost

The fainancial instruments that meet the following both of two following conditions are measured at amortized cost

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales;

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends on these investments are recognized in statement of income when the Group's right to receive the dividends is established in accordance with IFRS15 Revenue from contracts with customer.

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

Impairment of financial assets

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

The Group applies the simplified approach to calculate impairment on trade receivables. ECL on these financial assets are estimated using a flow rare based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

The Group recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Group neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay.

Financial liabilities

Financial liabilities are carried at amortized cost or at fair value through profit or loss.

All financial liabilities are carried at amortized cost using the effective yield method. The Group has no financial liabilities at fair value through profit or loss.

Derecognition of financial liabilities

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

Changes in accounting policies

IFRS 15: Revenue from contracts with Customers

Under IAS 18, the Group recognizes revenue when rendering medical services and revenue from sale of goods when a customer obtains control of the goods at a point in time i.e. on delivery and revenue from bundled services recognizes as and when the services are rendered to customers i.e. over time, both these streams of revenue are in line with the requirements of IFRS 15.

As a result, there is no material impact of adopting 'IFRS 15 Revenue from Contracts with Customers'. Please refer to note 11 for more details on how the revenue is described in accordance with IFRS 15.

Under IFRS 15, the right to a consideration for goods or services that have already been transferred to customers should be considered when the right is conditional on it being a contract asset with customer.

Under IFRS 15, an obligation to transfer goods or services to a customer for which an enterprise has acquired an offset must be considered as a contract liability towards with a customer.

IFRS 9-financial instruments

Reclassification from loans and receivables to financial assets at amortized cost

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

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

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

Measurement of financial instruments

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5. BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

- Derecognizes the assets (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.

6. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Saudi Riyals (SR), which is also the functional currency of the Group.

7. INVESTMENT IN AN ASSOCIATE

Investment in associate comprises of investments in Dr. Mohammed Rashed Al-Faqeeh Company, which is a limited liability company which is constructing a general hospital east of Riyadh city. The Group's interest is accounted for using the equity method

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

During the period ended 31 March 2018, the Group increased its share in Dr. Mohammed Rashed Al-Faqeeh Company to be to 31.21% (31 December 2017: 30%).

The movement of the investments can summarized as follows:

	As at 31 March 2018 SR	As at 31 December 2017 SR
Opening balance	**140,978,759**	142,814,086
Additions	**5,980,023**	-
Adjustment	**-**	(881,805)
Share of loss from associate	**(60,826)**	(953,522)
Closing balance	**146,897,956**	140,978,759

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

	As at 31 March 2018 SR	As at 31 December 2017 SR
Assets	**451,157,985**	440,141,040
Liabilities	**23,845,661**	13,094,858
Revenues	**114,951**	2,618,810
Loss for the period / year	**(196,213)**	(3,178,405)

An associate is an unlisted company and therefore the quoted price is not available. 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. The Group has not incurred any contingent liabilities or other commitments relating to its investment in associate.

8. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (IN ACCORDANCE WITH THE CLASSIFICATION OF IFRS 9)

INVESTMENTS AVAILABLE FOR SALE (IN ACCORDANCE WITH THE CLASSIFICATION OF IRS 39)

Equity instruments at fair value through other comprehensive income (Classification of IFRS 9) were previously stated as available-for-sale investments in accordance with the classification of IAS 39.

Equity investments	Country	Ownership %	As at 31 March 2018	As at 31 December 2017
			SR	SR
Quated:				
JordanianPharmaceutical Manufacturing Company	Jordan	0.4%	**181,219**	221,567
Unquoted investments: *				
Medical Center 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
			5,377,484	5,417,832
Available for sale investment - current			-	28,125,000

Unquoted investments

In management opinion, the unlisted equity instruments have not accheve any of the indicators provided in IFRS 9 paragraph 5.4.2, which indicates that the cost may not be expressed in the fair value of these instruments, The cost of these instruments is the best estimate of their fair value.

Available-for-sale financial investments

On the date of application of IFRS 9, available for sale investments are reclassified as financial assets ar fair value through profit or loss. On 4 January 2018, were sold againest SR 27,751,877 resulting a loss of SR 373,123 recognized in profit or loss

9. TRADE RECEIVABLES

	As at 31 March 2018	As at 31 December 2017
	SR	SR
Accounts receivable	**366,649,426**	309,080,891
Less: Allowance for doubtful debts	**(31,413,196)**	(27,043,527)
	335,236,230	282,037,364

The summary for the movement of provision for doubtful debts is as follows:

	As at 31 March 2018	As at 31 December 2017
	SR	SR
Balance as at 1 January after adjustments	**27,043,527**	46,005,356
Adjustment due to application of IFRS 9 (note15)	**2,804,649**	-
Opening balance after adjustments	**29,848,176**	46,005,356
Charge for the period / year	**1,547,508**	3,283,874
Outturn during the year*	**-**	(5,828,621)
Written off during the period / year	**17,512**	(16,417,082)
Closing balance	**31,413,196**	27,043,527

*The outturn includes an amount of SAR 4,417,108 during the first quarter of 2017.

Trade receivables are non interest-bearing financial asset, they have been reviewed for indicators of impairment and there is no impairment other than that the recorded provision.

10. MURABAHA FINANCING

	As at 31 March 2018	**As at 31 December 2017**
Non-current	**SR**	**SR**
Bank Murabaha Finance	**467,580,008**	458,280,007
Current		
Short-term bank Murabah Finance	**23,056,876**	70,056,876
Current portion of long-term bank Murabaha	**26,625,000**	35,500,000
	49,681,876	105,556,876
	517,261,884	563,836,883

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

On 22 Rabi II 1439 (corresponding to January 8, 2018) The Group signed an Islamic financing agreement with a local bank for SR 1.300 million for eight years , the Group is intending to use this financing facility for the new and ongoing medical projects and financing working capital. The used from the facility as at Mar 31, 2018 was nothing.

The Group has an Islamic financing contract with a local bank amounting SR 640 million for 8 years. The Group aims to finance the expansion of Dallah Hospital – Namaar , the used amount as at 31 March 2018 was SR 331 million (31 December 2017 : SR 340 million)

The Group has an Islamic Murabaha financing contract with a local bank amounted SR 550 million. The Group aims to obtain this financing for the expansion of the hospitals. The used amount as at 31 March 2018 was SR 186 million (31 December 2017 : SR 176 million)

Murabaha financing contracts guaranteed by promissory notes amounting to SAR 2,306 million.

During the period ended 31 March 2018, the Group capitalized financial charges amounted to SR 3 million (31 March 2017: SR2.8 million). Finance expense charged for the period amounted to SR 0.6 million (31 March 2017: SR 0.2 million)

As of March 31, 2018, Murabaha financing received by the Group amounted to SR 2,792 million (31 December 2017: SR 1,662 million). Of which 31 March 2018 amounted to SR 517 million (31 December 2017: SR 563 million).

The covenants of some of credit facilities require the Group to maintain certain level of financial indicators and some other requirements.

11. REVENUE

	For three months period ended	
	31 March 2018	31 March 2017
	SR	SR
Revenues classification		
Revenue from services	**236,756,137**	239,943,787
Revenue from sale of medicineservices	**71,838,221**	62,807,978
	308,594,358	302,751,765
Timing of Revenue recognition		
over time	**112,475,389**	113,164,917
At point in time	**196,118,969**	189,586,848
	308,594,358	302,751,765

12. DIVIDENDS

On December 12, 2017, the board of directors recommended the distribution of cash dividends for 2017 amounted SAR 147.5 million by SAR 2.5 per share, representing 25% of share capital. The recommended dividend distributions are subject to the approval of shareholders by the General Assembly.

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

13. EARNINGS PER SHARE

Earnings per share for profit and loss attributable to ordinary shareholders period ended 31 March are computed based on the weighted average number of outstanding shares. The diluted earnings per share are the same as the basic earnings per share as the Group does not have any dilutive instruments in issue.

	For three months period ended	
	31 March 2018	31 March 2017
Net income	**58,086,845**	85,045,966
Weighted average of outstanding shares	**59,000,000**	59,000,000
Basic and diluted earnings per share	**0.98**	1.44

14. CONTINGENCIES AND COMMITMENTS

Capital commitments

As at 31 March 2018, the Group had capital commitments that mainly relate to the construction contracts of the expansion of Dallah Nakheel and the construction of Dallah Namar amounting to SR 288 million (31 December 2017: SR 173 million).

Contingent liabilities

As at March 31, 2018, the Group has a contingent liability represented in letters of guarantee amounting to SR 4.7 million in the normal course of business (31 December 2017: SR 4.6 million).

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

15. IMPACT OF NEW INTERNATION FINANCIAL REPORTING STANDARDS

The Group adopted IFRSs 9,15 using the modified retrospective method. The Group recognized the cumulative effect of initially applying the new revenue and financial instrument standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Impact on statement of financial position as at 1 January 2018

	Without application of new standards	Impact	With application of new standards
	SR	SR	SR
Retained Earnings (a)	**(703,980,924)**	**2,804,649**	**(701,176,275)**

Impact on statement of financial position as at 31 March 2018

	Without application of new standards	Impact	With application of new standards
	SR	SR	SR
Equity instruments at fair value through other comprehensive income (b)	**-**	**5,377,484**	**5,377,484**
Available for sale investments (b)	**5,377,484**	**(5,377,484)**	**-**
Trade receivables, net (a) (c)	**320,705,348**	**14,530,882**	**335,236,230**
Prepayments and other assets (d)	**96,902,326**	**(4,650,357)**	**92,251,969**
Contract assets with customers (d)	**-**	**4,650,357**	**4,650,357**
Contract liabilities with customers (c)	**-**	**(15,493,223)**	**(15,493,223)**
Retained earnings (a)	**(760,225,461)**	**962,341**	**(759,263,120)**

Impact on statement of profit or loss and other comprehensive income for period ended 31 March 2018

	Without application of new standards	Impact	With application of new standards
	SR	SR	SR
General and administrative expenses (a)	**(64,144,006)**	**(962,341)**	**(65,106,347)**

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, the Company has re-measured the provision for doubtful debts in accordance with the expected credit loss method, resulting in a reduction in retained earnings on initial application. The application of the expected credit loss method resulted in the reduction of trade and other receivables and increased administrative expenses in the period ended 31 March 2018.

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

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

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

16. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

Classification of financial liabilities

	As at 31 March 2018	As at 31 December 2017
Financial assets	**SR**	**SR**
Financial assets at amortized cost		
Cash and cash equivalents	**73,558,781**	90,440,266
Trade receivables and other assets, net	**335,236,230**	282,037,364
Due from related parties	**188,852**	181,612
Financial assets at fair value through other comprehensive income		
Equity instruments at fair value through other comprehensive income	**5,377,484**	-
Available for sale investments		
Available for sale investment - Current	**-**	28,125,000
Available for sale investment	**-**	5,417,832
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	**84,946,039**	89,835,217
Murabaha Financing	**517,261,884**	563,836,883
Due to related parties	**937,858**	984,854

Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

17. SEGMENTAL INFORMATION

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

18. SUBSEQUENT EVENTS

The operation of Dallah Nammar Hospital and patient reception was started on April 8, 2018, after obtaining the necessary approvals and licences.

19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the board of directors on April 23 2018 corresponding to 7 Shaban 1439H.