DALLAH HEALTHCARE COMPANY

A SAUDI JOINT STOCK COMPANY

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

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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 consolidated interim statement of financial position of **Dallah Healthcare Company** "A Saudi Joint Stock Company" ("the Company") and its subsidiaries (collecticely referred to as the "Group") as of 30 June 2018 and the consolidated interim statement of profit or loss and other comprehensive income for the Three-month and Six-month periods then ended and the consolidated interim statements of changes in equity and cash flows for the Six-month period then ended, and a summary of significant accounting policies and other selected notes from (1) to (16).

Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial 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 this condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

For Dr. Mohamed Al-Amri & Co.,

M. A. AlAmri

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13 Dhū Al-Qa'dah 1439 (H)
26 July 2018 (G)

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

`	Note	As at 30 June 2018 (Unaudited) SR	As at 31 December 2017 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment		**1,862,728,629**	1,771,525,773
Intangible assets		**18,962,112**	19,047,672
Investment in associate	5	**146,816,469**	140,978,759
Equity instruments at fair value through other comprehensive income	6, 13	**5,372,959**	-
Available-for-sale investments	6, 13	**-**	5,417,832
		2,033,880,169	1,936,970,036
Current assets			
Cash and cash equivalents		**57,814,740**	90,440,266
Inventories, net		**73,070,792**	79,931,847
Trade receivables, net	7, 13	**330,548,460**	282,037,364
Contract assets	13	**1,363,103**	-
Due from related parties		**178,057**	181,612
Prepayments and other assets	13	**95,445,171**	110,348,219
Available-for-sale investment	6	**-**	28,125,000
		558,420,323	591,064,308
TOTAL ASSETS		**2,592,300,492**	2,528,034,344
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the Company:			
Share capital	1	**590,000,000**	590,000,000
Statutory reserve - Share premium		**371,142,305**	371,142,305
Statutory reserve – transferred from net income		**27,109,010**	27,109,010
Retained earnings	13	**630,487,977**	703,980,924
Cumulative effect of valuation of equity instruments at fair value through other comprehensive income		**(326,868)**	(281,995)
Total Equity		**1,618,412,424**	1,691,950,244
Liabilities			
Non-current liabilities			
Long term murabaha finance	8	**506,979,841**	458,280,007
Net employee benefits liability		**114,476,606**	106,595,301
		621,456,447	564,875,308
Current liabilities			
Trade and other payables		**73,457,182**	89,835,217
Contract liabilities	13	**16,626,957**	-
Short term murabaha finance	8	**168,431,876**	70,056,876
Current portion of long term murabaha finance	8	**23,666,666**	35,500,000
Due to related parties		**942,017**	984,854
Accrued expenses and other credit balances		**62,367,801**	60,865,810
Zakat		**6,939,122**	13,966,035
		352,431,621	271,208,792
Total liabilities		**973,888,068**	836,084,100
Total equity and liabilities		**2,592,300,492**	2,528,034,344

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

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three-month period ended 30 June		For the six-month period ended 30 June	
		2018	**2017**	**2018**	**2017**
		(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	Note	**SR**	SR	**SR**	SR
Revenue	**9**	**273,128,088**	288,202,573	**581,722,446**	590,954,338
Cost of revenue		**(180,750,188)**	(157,723,541)	**(357,614,615)**	(316,871,437)
Gross profit		**92,377,900**	130,479,032	**224,107,831**	274,082,901
Selling and marketing expenses		**(6,272,382)**	(3,622,805)	**(13,453,148)**	(7,012,269)
General and administrative expenses	**13**	**(66,436,082)**	(55,998,572)	**(131,542,429)**	(110,398,014)
Operating income		**19,669,436**	70,857,655	**79,112,254**	156,672,618
Other income , net		**2,117,719**	2,897,379	**4,304,098**	6,288,251
Finance charges		**(2,692,573)**	(23,830)	**(3,251,151)**	(176,851)
Share of loss from investment in associate	**5**	**(81,487)**	(273,521)	**(142,313)**	(358,626)
Net profit before Zakat		**19,013,095**	73,457,683	**80,022,888**	162,425,392
Zakat		**(288,238)**	(3,473,029)	**(3,211,186)**	(7,394,772)
Net profit		**18,724,857**	69,984,654	**76,811,702**	155,030,620
Net profit attributable to the Company's shareholders		**18,724,857**	69,984,654	**76,811,702**	155,030,620
Other comprehensive income:					
Items will not be reclassified subsequently to profit or loss					
Change in equity instruments at fair value through other comprehensive income		**(4,525)**	(530,610)	**(44,873)**	(1,281,308)
Other comprehensive income		**(4,525)**	(530,610)	**(44,873)**	(1,281,308)
Total comprehensive income		**18,720,332**	69,454,044	**76,766,829**	153,749,312
Comprehensive income attributable to the Company's shareholders		**18,720,332**	69,454,044	**76,766,829**	153,749,312
Basic and diluted earnings per share from net income	**11**	**0.32**	1.19	**1.30**	2.63

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

DALLAH HEALTHCARE COMPANY
A Saudi Joint Stock Company

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Statutory reserve - Share premium	Statutory reserve - Transferred from net income	Retained earnings	Cumulative effect of valuation of equity instruments at fair value through other comprehensive income	Total equity
		SR	SR	SR	SR	SR	SR
For period ended 30 June 2018 (Unaudited)							
As at 1 January 2018 after adjustment	13	590,000,000	371,142,305	27,109,010	701,176,275	(281,995)	1,689,145,595
Net profit		-	-	-	76,811,702	-	76,811,702
Other comprehensive income		-	-	-	-	(44,873)	(44,873)
Dividends	10	-	-	-	(147,500,000)	-	(147,500,000)
As at 30 June 2018		590,000,000	371,142,305	27,109,010	630,487,977	(326,868)	1,618,412,424
For period ended 30 June 2017 (Unaudited)							
As at 1 January 2017		590,000,000	371,142,305	27,109,010	532,547,117	(4,642,458)	1,516,155,974
Net profit		-	-	-	155,030,620	-	155,030,620
Other comprehensive income		-	-	-	-	(1,281,308)	(1,281,308)
Dividends	10	-	-	-	(118,000,000)	-	(118,000,000)
At 30 June 2017		590,000,000	371,142,305	27,109,010	569,577,737	(5,923,766)	1,551,905,286

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

DALLAH HEALTHCARE COMPANY

A Saudi Joint Stock Company

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Not	For the Six month ended 30 June 2018 (Unaudited) SR	2017 (Unaudited) SR
OPERATING ACTIVITIES			
Net profit before zakat		**80,022,888**	162,425,392
Financial charges		**3,251,151**	176,851
Adjustments:			
Depreciation of property, plant and equipment		**34,578,754**	30,078,465
Amortization of intangible assets		**85,560**	85,557
Employees' benefits provision		**12,164,561**	12,638,702
Provision for doubtful debts , net	**7**	**(243,842)**	(3,381,092)
Loss (Gain) from sale of property, plant and equipment		**12,914**	(397,979)
Share of loss from investement in associate	**5**	**142,313**	358,626
Provision for inventories		**730,895**	-
Loss from sale of financial assets at fair value through profit or loss	**6**	**373,123**	-
Changes in:			
Trade and other receivables		**(51,071,903)**	55,987,265
Inventories, net		**6,130,160**	(15,062,250)
Related parties, net		**(39,282)**	614,059
Prepayments and other assets		**14,903,048**	(23,942,187)
Contract assets		**(1,363,103)**	-
Trade and other payables		**(16,378,035)**	154,366
Contract liabilities		**16,626,957**	-
Accrued expenses and other liabilities		**1,501,991**	(10,601,921)
Cash generated from operations		**101,428,150**	209,133,854
Zakat paid		**(10,238,099)**	(9,438,815)
Employees' benefits paid		**(4,283,256)**	(12,733,605)
Net cash flows generated from operating activities		**86,906,795**	186,961,434
INVESTING ACTIVITIES			
Additions to investment in associate	**5**	**(5,980,023)**	-
Proceeds from sale of financials assets at fair value through profit or loss	**6**	**27,751,877**	50,000
Additions to property, plant and equipment		**(125,794,524)**	(172,939,088)
Proceeds from sale of property, plant and equipment		**-**	569,965
Net cash flows used in investing activities		**(104,022,670)**	(172,319,123)
FINANCING ACTIVITIES			
Proceeds from short-term murabaha finance		**164,500,000**	175,000,000
Short-term murabaha finance Paid		**(66,125,000)**	(170,000,000)
Proceeds from long-term murabaha finance		**814,963,196**	516,816,411
Long-term murabaha finance Paid		**(778,096,696)**	(522,658,599)
Dividend paid	**10**	**(147,500,000)**	(118,000,000)
Financial cost paid		**(3,251,151)**	(176,851)
Net cash flows used in financing activities		**(15,509,651)**	(119,019,039)
Net changes in cash and cash equivalents		**(32,625,526)**	(104,376,728)
Cash and cash equivalents at beginning of the period		**90,440,266**	186,556,641
Cash and cash equivalents at end of the period		**57,814,740**	82,179,913

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

1. LEGAL STATUS AND NATURE OF OPERATIONS

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

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

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

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

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

Construction in progress

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

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

Share capital

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

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

Interest in subsidiaries

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

Name of subsidiary	Proportion of ownership interest held by Company (%) 30 June 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 centres.
Dallah Namar Hospital Health Co.	**100%**	100%	Kingdom of Saudi Arabia	Operating, managing, equipping and developing hospitals and healthcare facilities, medical polyclinics and compounds, owning lands.

2. STATEMENT OF COMPLIANCE WITH IFRS

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

3. ISSUED STANDARDS 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 standards

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 is cuurently determining the implementation effect of these new standards on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

New accounting policies

IFRS (15) "Revenue from Contracts with Customers"

The Group has adopted IFRS (15) "Revenue from Contracts with Customers " using the accumulative effect method , accordingly comparative information has not been restated.

Accounting Policy for Revenues

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

Step 1: 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 of accounting policies and significant judgements of the principal activities from which the Group generates revenue:

(a) Rendering of clinical services

Revenue from services primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology and laboratory. The revenue generates from services by separately or bundled together with the revenue from pharmacy to a customer.

Under IFRS (15) "Revenue from Contracts with Customers", the Group concluded that revenue from bundled services will be recognized over time.

(b) Sale of goods – Distribution

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

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

(c) Volume discounts

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

IFRS (9) "Financial Instruments"

The Group has elected to apply the exemption in IFRS (9) "Financial Instruments" paragraph no. 7-2-15, accordingly has not restated comparative periods. Accordingly, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings.

Financial instruments accounting policy

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

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

Financial assets

IFRS (9) "Financial Instruments" requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition. Financial assets are classified into the following specified categories under IFRS (9) "Financial Instruments":

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

(a) Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

(d) 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 It was a derivatives

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

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

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

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

Impairment of financial assets

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

The Group recognizes an impairment gain or loss in the statement of profit or loss 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.

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

Changes in accounting policies

IFRS (15) "Revenue from contracts with Customers"

Under IAS 18 "Revenue", the Group recognizes revenue when rendering medical services and when transfer the underlying risks of pharmaceutical has sold to at a point in time i.e. on delivery and revenue from bundled services is recognized as and when the services are rendered to customers i.e. over time, both these streams of revenue are in line with the requirements of IFRS (15) "Revenue from Contracts with Customers".

As a result, there is no material impact of adopting IFRS (15) "Revenue from Contracts with Customers".

According to IFRS (15) "Revenue from Contracts with Customers", the right to a consideration for goods or services that have already been transferred to customers should be considered when that right is conditional to be a contract asset with customer.

According to IFRS (15) "Revenue from Contracts with Customers", an obligation to transfer goods or services to a customer for which an entity has obtained a consideration should be considered as a contract liability with customers.

IFRS (9) "financial instruments"

Reclassification from loans and receivables to financial assets at amortized cost

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

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

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

Measurement of financial instruments

The adoption of IFRS (9) "Financial Instruments" has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS (39) "Financial Instruments: Recognition and Measurement " is 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 simplified approach and has calculated ECL based on debt lifetime. The Group has established a matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5. INVESTMENT IN ASSOCIATE

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

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

During the period ended 31 March 2018, the Company increased its share in the associated company to be to

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31.21% (31 December 2017: 30%).

The movement of the investment can be summarized as follows:

	As at 30 June 2018 SR	As at 31 December 2017 SR
Opening balance	**140,978,759**	142,814,086
Additions	**5,980,023**	-
Adjustment	**173,802**	(881,805)
Share of loss from associate	**(316,115)**	(953,522)
Closing balance	**146,816,469**	140,978,759

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

	As at 30 June 2018 SR	As at 31 December 2017 SR
Assets	**536,111,183**	440,598,634
Liabilities	**109,615,512**	13,090,097
Revenues	**131,280**	2,647,530
Loss for the period / year	**(1,012,865)**	(2,716,049)

The associated company 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 company'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.

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

	Country	Ownership %	As at 30 June 2018 SR	As at 31 December 2017 SR
Quated				
Jordanian Pharmaceutical Manufacturing Company	Jordan	0.4%	**176,694**	221,567
Unquoted investments				
Makkah 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
			5,372,959	5,417,832
Available for sale investment - current			**-**	28,125,000

Unquoted equity investments

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

Available-for-sale financial investments

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

7. TRADE RECEIVABLES, NET

	As of 30 June 2018 SR	As of 31 December 2017 SR
Accounts receivable	**360,152,794**	309,080,891
Less: Allowance for doubtful debts	**(29,604,334)**	(27,043,527)
	330,548,460	282,037,364

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

	For period / year ended	
	As of 30 June 2018 SR	As of 31 December 2017 SR
Balance as at 1 January before adjustments	**27,043,527**	46,005,356
Adjustment due to application of IFRS 9 (note15)	**2,804,649**	-
Opening balance after adjustments	**29,848,176**	46,005,356
Charge for the period / year	**3,624,872**	3,283,874
Reversal during the period / year	**(3,868,714)**	(5,828,621)
Written off during the period / year	**-**	(16,417,082)
Closing balance	**29,604,334**	27,043,527

Trade receivables and others 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.

8. MURABAHA FINANCING

	As of 30 June 2018	As of 31 December 2017
Non-current	**SR**	**SR**
Long -term Murabaha Finance	**506,979,841**	458,280,007
Current		
Short-term Murabah Finance	**168,431,876**	70,056,876
Current portion of long-term Murabaha	**23,666,666**	35,500,000
Total Current Murabaha	**192,098,542**	105,556,876
Total Murabaha	**699,078,383**	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 has used this financing facility for the new and ongoing medical projects, hospitals under construction, new hospitals and financing working capital. The used amount as at June 30, 2018 amounted to SR 147,5 million.

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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 30 June 2018 amounted to SR 344 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 expansions of the group. The used amount as at 30 June 2018 was SR 208 million (31 December 2017 : SR 176 million).

Murabaha financing contracts guaranteed by promissory notes amounting to SAR 2,676 million.

During the six month period ended 30 June 2018, the Group capitalized financial charges amounted to SR 5.7 million (30 June 2017: SR5.6 million). And the Group recorded finance charges for the six month period amounting to SR 3,3 million (30 June 2017: SR 0.2 million) in statement of profit or loss and other comprehensive income.

As of June 30, 2018, Murabaha financing being granted to the Group amounted to SR 2,783 million (31 December 2017: SR 1,662 million). Of which SR 699 million has been used as at 30 June 2018 (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.

9. REVENUE

	For Six months period ended	
	30 June 2018	**30 June 2017**
	SR	**SR**
Revenues classification		
Revenue from services	**442,489,337**	469,251,192
Revenue from sale of medicine	**139,233,109**	121,703,146
	581,722,446	590,954,338
Timing of Revenue recognition		
over time	**205,341,208**	221,254,190
At point in time	**376,381,238**	369,700,148
	581,722,446	590,954,338

10. DIVIDENDS

On 06 Ramadan 1439H (corresponding to May 22, 2018), the shareholders of the Company approved a cash dividend for the financial year 2017 amounting SR 147,5 million (SR 2,5 per share) which was distributed during the secand quarter of 2018. Also has deligated the Board of Directors to approve the intrem and simi-annual dividends for 2018 and determine the due dates in accordance with the regulatory regulations and according to the Company's financial position and its cash flows.

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

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11. BASIC AND DILUTED EARNINGS PER SHARE FORM NET PROFIT

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

	For Three month period ended		**For Six month period ended**	
	30 June 2018	**30 June 2017**	**30 June 2018**	**30 June 2017**
Net income	**18,724,857**	69,984,654	**76,811,702**	155,030,620
Weighted average of outstanding shares	**59,000,000**	59,000,000	**59,000,000**	59,000,000
Basic and diluted earnings per share	**0.32**	1.19	**1.30**	2.63

The net loss of Dallah Namar Hospital Company amounted to SR 39 million for the six month ended June 30, 2018.

12. CONTINGENCIES AND COMMITMENTS

Capital commitments

As at 30 June 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 237 million (31 December 2017: SR 173 million).

Contingent liabilities

As at June 30, 2018, the Group has a contingent liability represented in letters of guarantee amounting to SR 235 million in the normal course of business (31 December 2017: SR 4.6 million).

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

13. IMPACT OF NEW INTERNATION FINANCIAL REPORTING STANDARDS

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

Impact on statement of financial position as at 1 January 2018

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

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

Impact on statement of financial position as at 30 June 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)	-	5,372,959	5,372,959
Available for sale investments (b)	5,372,959	(5,372,959)	-
Trade receivables, net (a) (c)	316,045,725	14,502,735	330,548,460
Prepayments and other assets (d)	96,808,274	(1,363,103)	95,445,171
Contract assets with customers (d)	-	1,363,103	1,363,103
Contract liabilities with customers (c)	-	(16,626,957)	(16,626,957)
Retained earnings (a)	(632,612,199)	2,124,222	(630,487,977)

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

	Without application of new standards	Impact	With application of new standards
	SR	SR	SR
General and administrative expenses (a)	(129,418,207)	(2,124,222)	(131,542,429)

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

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

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

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

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

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14. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

Classification of financial liabilities

	As at 30 June 2018 SR	As at 31 December 2017 SR
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	**57,814,740**	90,440,266
Trade receivables and other assets, net	**330,548,460**	282,037,364
Due from related parties	**178,057**	181,612
Financial assets at fair value through other comprehensive income		
Equity instruments at fair value through other comprehensive income	**5,372,959**	-
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	**73,457,182**	89,835,217
Murabaha Financing	**699,078,383**	563,836,883
Due to related parties	**942,017**	984,854

Fair value measurement

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

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

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

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

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

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

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

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

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

15. SEGMENTAL INFORMATION

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

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the board of directors on 26 July 2018(G) corresponding to 13 Dhū Al-Qa‘dah 1439(H).