

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2019
AND REVIEW REPORT OF INTERM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
CONTENTS TABLE OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTH ENDED 31 MARCH 2019 (UNAUDITED)

	Page
- Report on review for interim condensed consolidated financial information	2
- Interim condensed consolidated statement of financial position as of 31 March 2019	3
- Interim condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 March 2019	4
- Interim condensed consolidated statement of changes in equity for the period ended 31 March 2019	5
- Interim condensed consolidated statement of cash flows for the period ended 31 March 2019	6
- Selected notes to the interim condensed consolidated financial statements for the period ended 31 March 2019	7 – 17

Review report for interim condensed consolidated financial information

To the shareholders of
Dallah Healthcare Company
A Saudi Joint Stock Company

Riyadh – the Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Dallah Healthcare Company** ("the Company") and its subsidiaries (collectively referred to as the "Group") as of 31 March 2019 and the Interim condensed consolidated statement of profit or loss and other comprehensive income for the Three-month period then ended and the Interim condensed consolidated statements of changes in equity and cash flows for the Three-month period then ended, and a summary of significant accounting policies and other selected notes from (1) to (15).

Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial statement 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 Financial Information 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 with IAS (34) endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.,

M. A. Al-Amri

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



19 Sha`ban 19 (H)
24 April 2019 (G)

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 March 2019

	<u>Note</u>	As at 31 March 2019 (Unaudited) <u>SR</u>	As at 31 December 2018 (Audited) <u>SR</u>
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,008,630,110	1,953,199,081
Intangible assets		18,848,032	18,890,812
Investment in associate	4	144,638,082	145,160,732
Equity instruments at fair value through other comprehensive income	5	5,393,164	5,443,934
		<u>2,177,509,388</u>	<u>2,122,694,559</u>
Current assets			
Cash and cash equivalents		87,624,338	46,359,135
Trade receivables	6	326,706,209	356,180,416
Contract assets with customers		2,542,567	2,442,924
Due from related parties		5,058,002	5,110,810
Prepayments and other debit balances	9	76,911,606	76,130,795
Inventories		96,967,703	88,772,605
		<u>595,810,425</u>	<u>574,996,685</u>
TOTAL ASSETS		<u>2,773,319,813</u>	<u>2,697,691,244</u>
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the Company:			
Share capital	1	750,000,000	590,000,000
Statutory reserve - share premium	1	211,142,305	371,142,305
Statutory reserve – transferred from net income		27,109,010	27,109,010
Treasury Shares	1	(9,999,559)	-
Retained earnings		648,374,548	613,209,624
The cumulative effect of valuation of equity instruments at fair value through other comprehensive income		(306,663)	(255,893)
Total Equity		<u>1,626,319,641</u>	<u>1,601,205,046</u>
Liabilities			
Non-current liabilities			
Long term Murabaha finance	7	585,443,027	562,639,841
Long term lease liability	9	20,208,586	-
Employee benefits liability		125,780,571	117,454,595
		<u>731,432,184</u>	<u>680,094,436</u>
Current liabilities			
Trade payables		104,027,063	101,510,822
Accrued expenses and other credit balances	9	72,313,195	67,280,775
Contract liabilities		10,062,315	5,229,801
Short term Murabaha finance	7	207,837,580	139,837,580
Current portion of long term Murabaha finance	7	-	5,916,666
Short term lease liability	9	10,974,047	-
Due to related parties		411,765	1,106,613
Dividend payable	10	-	88,240,400
Zakat		9,942,023	7,269,105
		<u>415,567,988</u>	<u>416,391,762</u>
Total liabilities		<u>1,147,000,172</u>	<u>1,096,486,198</u>
Total equity and liabilities		<u>2,773,319,813</u>	<u>2,697,691,244</u>

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

	<u>Note</u>	For the period ended 31 March	
		2019	2018
		(Unaudited)	(Unaudited)
		<u>SR</u>	<u>SR</u>
Revenue	8	321,147,481	308,594,358
Cost of revenue	9	(200,883,718)	(176,864,427)
Gross profit		120,263,763	131,729,931
Selling and marketing expenses		(6,777,869)	(7,180,766)
General and administrative expenses	9	(72,242,828)	(65,106,347)
Operating income		41,243,066	59,442,818
Other income and losses, net		2,920,725	2,186,379
Finance charges	7-9	(5,766,663)	(558,578)
Share of loss from investment in associate	4	(522,650)	(60,826)
Net profit before Zakat		37,874,478	61,009,793
Zakat		(2,709,554)	(2,922,948)
Net profit		35,164,924	58,086,845
Net profit attributable to the Company's shareholders		35,164,924	58,086,845
Other comprehensive income:			
<u>Items will not be reclassified subsequently to profit or loss</u>			
Change in equity instruments at fair value through other comprehensive income	5	(50,770)	(40,348)
Other comprehensive income		(50,770)	(40,348)
comprehensive income		35,114,154	58,046,497
Comprehensive income attributable to the Company's shareholders		35,114,154	58,046,497
Basic and diluted earnings per share from net income	11	0.47	0.77

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

		Share capital	Reserve "Share premium"	Statutory reserve "Transfer from net income"	Treasury Shares	Retained earnings	The cumulative effect of valuation of equity instruments at fair value through other comprehensive income	Total equity
	<u>Note</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
For the three month ended 31 March 2019								
(Unaudited)								
Balance as at 1 January 2019		590,000,000	371,142,305	27,109,010	-	613,209,624	(255,893)	1,601,205,046
Net profit		-	-	-	-	35,164,924	-	35,164,924
Other comprehensive income		-	-	-	-	-	(50,770)	(50,770)
Comprehensive income		-	-	-	-	35,164,924	(50,770)	35,114,154
Issuing Bonus Shares	1	160,000,000	(160,000,000)	-	-	-	-	-
Purchase of treasury Shares	1	-	-	-	(9,999,559)	-	-	(9,999,559)
Balance as at 31 March 2019		750,000,000	211,142,305	27,109,010	(9,999,559)	648,374,548	(306,663)	1,626,319,641
For the three month ended 31 March 2018								
(Unaudited)								
Balance as at 1 January 2018		590,000,000	371,142,305	27,109,010	-	701,176,275	(281,995)	1,689,145,595
Net profit		-	-	-	-	58,086,845	-	58,086,845
Other comprehensive income		-	-	-	-	-	(40,348)	(40,348)
Comprehensive income		-	-	-	-	58,086,845	(40,348)	58,046,497
Balance as at 31 March 2018		590,000,000	371,142,305	27,109,010	-	759,263,120	(322,343)	1,747,192,092

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

		FOR THE THREE MONTH ENDED 31 MARCH	
		2019	2018
	Note	(unaudited)	(unaudited)
<u>OPERATING ACTIVITIES</u>			
Net profit before zakat		37,874,478	61,009,793
<i>Adjustments</i>			
Depreciation of property, plant and equipment		24,285,396	14,904,253
Amortization of intangible assets		42,780	42,780
Employees' benefits provision		10,553,097	8,694,473
Provision for expected credit loss	6	1,137,881	1,547,508
Provision for inventory		22,937	250,000
(Gain) / loss on sale of property, plant and equipment		116,817	373,123
Share of loss from an associate	4	522,650	60,826
Finance cost	9	5,766,663	558,578
<i>Changes in</i>			
Accounts receivable		28,336,326	(57,551,023)
Contract assets		(99,643)	-
Related parties		(642,040)	(54,236)
Prepayments and other debit balances		(7,643,082)	13,445,893
Inventory		(8,218,035)	(3,142,466)
Accounts payable		3,981,573	(4,889,178)
Contract liabilities		4,832,514	-
Accrued expenses and other credit balances		4,440,706	18,614,441
Cash flows from operations		105,311,018	53,864,765
Zakat paid		(36,636)	-
Employees' benefits paid		(2,227,121)	(1,219,561)
Net cash generated from operating		103,047,261	52,645,204
<u>INVESTING ACTIVITIES</u>			
Additions to property, plant and equipment		(38,283,419)	(44,164,965)
Proceeds from sale of property and equipment		28,762	-
Paid for investment of associates		-	(5,980,023)
Proceeds from disposal of available for sale investments		-	27,751,877
Net cash used in investing activities		(38,254,657)	(22,393,111)
<u>FINANCING ACTIVITIES</u>			
Proceeds of short-term Murabaha finance		176,871,687	17,000,000
Repayments of short-term Murabaha finance		(105,000,000)	(64,000,000)
Proceeds of long-term Murabaha finance		600,502,838	307,983,358
Repayments of long-term Murabaha finance		(587,488,005)	(307,558,358)
Lease payment		(4,716,963)	-
Purchase of treasury shares	1	(9,999,559)	-
Dividends paid	10	(88,240,400)	-
Finance cost paid		(5,456,999)	(558,578)
Net cash used in financing activities		(23,527,401)	(47,133,578)
Net changes in cash and cash equivalents		41,265,203	(16,881,485)
Cash and cash equivalents at beginning of the period		46,359,135	90,440,266
Cash and cash equivalents at period/year-end		87,624,338	73,558,781
<u>Supplementary information for non-cash transactions</u>			
Increasing capital by issuing bonus shares		160,000,000	-
Record Asset and liability of financing leases		38,848,780	-

The accompanying notes from 1 to 15 form an integral part of these interim condensed consolidated financial statements.

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
All amounts are presented in Saudi riyals unless otherwise indicated

1. Overview

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

The Company’s board of directors declared Dallah Healthcare Company as a Saudi Closed Joint Stock Company on 14 Jumada I 1429H (corresponding to May 20, 2008). On 28 Dhu Al Qa’dah 1433H (corresponding to October 14, 2012), the Company obtained an approval to be transferred to a public joint stock company by issuing 14.2 million shares in an initial public offering with a nominal value of SR 142 million, as a result of the offering, a share premium of SR 371 million was included in the Company’s statutory reserve. The Company became a listed company in the Saudi Capital Market on 4 Safar 1434H (corresponding to December 17, 2012).

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

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

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

Name of subsidiary	Share in equity%		Country of operation and commercial register	Principal activity
	As of 31 March	As of 31 December		
	<u>2019</u>	<u>2018</u>		
Dallah Pharma Company ⁽¹⁾	100%	100%	Kingdom of Saudi Arabia commercial registration No.1010410613	Pharmaceutical, herbal & cosmetic distribution & manufactory.
Afyaa Al-Nakheel for Supporting Services Co. Limited ⁽²⁾	100%	100%	Kingdom of Saudi Arabia commercial registration No.1010404576	Provide manpower & Support services to hospitals and medical centres.
Dallah Namar Hospital Health Co. ⁽³⁾	100%	100%	Kingdom of Saudi Arabia commercial registration No.1010495218	Operating, managing, equipping and developing hospitals and healthcare facilities, medical polyclinics, and compounds, owning lands.

Capital and Bonus Shares

The share capital of the Company as of 31 March 2019 amounted to SR 750 million comprising 75 million shares stated at SR 10 per share (31 December 2018: SR590 million comprising 59 million shares stated at SR 10 per share).

On 21 Jamada Al-Thani 1440H corresponding 26 February 2019, the Extraordinary General Assembly meeting has approved the increase of the Company’s capital from SR 590 million to SR 750 million (59 million shares to 75 million shares) through stock dividends, one share for each 3.69 share. As a result, the capital has increased by transferring SR 160 million from statutory reserve (share premium) to the capital. The Company is currently finalizing the procedures for amending the Company's Article of Association.

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
All amounts are presented in Saudi riyals unless otherwise indicated

Treasury Shares

On 21 Jamada Al-Thani 1440H corresponding 26 February 2019, the Extraordinary General Assembly meeting has approved the purchasing of 3,750,000 of the Company's shares as treasury shares. To be financed from the Company's own resources. The Board of directors has been delegated to complete the purchasing proves in one transaction or over several transactions in a period of 12 months as maximum from the resolution date of the Extraordinary General Assembly meeting. At 31 March 2019 the number of shares purchased is 194,381 shares at cost of 9,999,559 Saudi riyals.

2. Basis of accounting

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

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

3. The changes in significant accounting policies and estimates

3.1 Issued standards but not yet effective

- IFRS (17) “Insurance Contracts” (Effective date 1 January 2021)
The adoption of this standard is not expected to have a material impact on the condensed consolidated interim financial statements of the Group in future periods.

3.2 Standards, amendments and interpretations issued are in effect

Amendments effective 1 January 2019

- IFRS (16) "Leases".
- Improvement to IFRS (3) “Business Combinations” related to previously held Interests in a joint operation.
- Improvement to IFRS (11) “Joint Arrangements” related to Previously Held Interests in a joint operation.1
- Improvement to IAS (12) “Income Taxes” related to Income Tax Consequences of Payments on Financial Instruments Classified as Equity.
- Improvement to IAS (23) “Borrowing Costs” related to Borrowing Costs Eligible for Capitalization.
- International Interpretation (23) "Uncertainty on Income Tax Transactions".
- Amendments to IFRS (9) “Financial Instruments” related to Prepayment Features with Negative Compensation.
- Amendments to IAS (28) “Investments in Associates and Joint Ventures” related to Long-term Investments in Associates and Joint Ventures.
- Amendments to IAS (19) “Employee Benefits “related to Plan Amendment, Curtailment or Settlement.

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
All amounts are presented in Saudi riyals unless otherwise indicated

Amendments effective 1 January 2018

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

The application of standards, amendments and interpretations above have no impact on financial statements for the Group except for IFRS (16) “Leases”, as explained later in note (3-3) and note (9).

3.3 Change in accounting policies

Application of IFRS (16) “Leases”

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

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

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

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

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

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

Impact on Group Accounting as Lessee

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

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
All amounts are presented in Saudi riyals unless otherwise indicated

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

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

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

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

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

Lease liability is subsequently measured as follows by:

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

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

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

Lease terms

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

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

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

4. Investment in associate

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

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

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
All amounts are presented in Saudi riyals unless otherwise indicated

During the period ended 31 March 2018, the Group increased its ownership in the associated company to be 31.21% instead of 30%.

The movement of the investment can be summarized as follows:

	As at 31 March 2019	As at 31 December 2018
Opening balance	145,160,732	140,978,759
Additions	-	5,980,000
Adjustment	-	138,707
Share of loss from associate	(522,650)	(1,936,734)
Closing balance	144,638,082	145,160,732

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

	As at 31 March 2019	As of 31 December 2018
Assets	639,145,557	630,131,022
Liabilities	218,043,157	208,827,978
Revenues	10,994	153,026
Net loss	(1,674,623)	(6,205,492)
Equity	421,102,400	421,303,044

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.

5. Equity instrument at fair value through other comprehensive income

	Country	Ownership %	As at 31 March 2019	As at 31 December 2018
Quoted:				
Jordanian Pharmaceutical Manufacturing Company	Jordan	0.4%	196,899	247,669
Unquoted				
Makkah Medical Canter Company	Saudi Arabia	7.5%	3,448,120	3,448,120
Al Ehsa Medical Services Company	Saudi Arabia	1.1%	1,748,145	1,748,145
			5,393,164	5,443,934

Unquoted equity instrument

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

6. Trade receivables

	As of 31 March 2019	As of 31 December 2018
Trade receivables	355,577,840	384,529,517
Less:		
Provision for expected credit losses	(28,871,631)	(28,349,101)
	326,706,209	356,180,416

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
All amounts are presented in Saudi riyals unless otherwise indicated

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

	for the period /year ended	
	31 March 2019	31 December 2018
Balance as at 1 January	28,349,101	27,043,527
Adjustment due to application of IFRS (9)	-	2,804,649
Opening balance at 1 January after adjustments	28,349,101	29,848,176
Charge for the period /year	4,362,431	4,628,160
Reversal during the period /year	(3,224,550)	(5,191,441)
Written off bad debits during the period/year	(615,351)	(935,794)
Closing balance	28,871,631	28,349,101

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

7. Murabaha financing

	As of 31 March 2019	As of 31 December 2018
Non-current		
Long -term Murabaha Finance	585,443,027	562,639,841
Current		
Short-term Murabaha Finance	207,837,580	139,837,580
Current portion of long-term Murabaha	-	5,916,666
Total current Murabaha	207,837,580	145,754,246
Total Murabaha	793,280,607	708,394,087

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

As of 31 March 2019, Murabaha financing being granted to the Group amounted to SR 2,625 million (31 December 2018: SR 2,631 million). SR 793.3 has been used as at 31 March 2019 (31 December 2018: SR 708.3 million) secured by bonds for a total order of SR 2,851 million.

During the period ended 31 March 2019, the Group capitalized financial charges amounted to SR 2.78 million (31 March 2018: SR 3 million).

The Group recorded finance charges for the period ended 31 March 2019 amounting to SR 5.45 million (31 March 2018: SR 0.6 million) in the statement of profit or loss and other comprehensive income.

8. Contracts with customers

	For the period ended 31 March	
	2019	2018
<u>Revenues classification</u>		
Revenue from services	239,221,831	236,756,137
Revenue from sale of medicine	81,925,650	71,838,221
	321,147,481	308,594,358
<u>Timing of Revenue recognition</u>		
Over time	115,952,963	112,475,389
At point in time	205,194,518	196,118,969
	321,147,481	308,594,358

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
All amounts are presented in Saudi riyals unless otherwise indicated

9. Lease Contracts

	For the period ended 31 March 2019	For the year ended 31 December 2018
Right-of-use Assets		
Balance at the beginning of the period / year	43,043,918	-
Depreciation	(4,195,138)	-
Balance at end of period / year	38,848,780	-

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

	For the period ended 31 March 2019	For the year ended 31 December 2018
Lease Liability		
Balance at the beginning of the period / year	36,446,307	-
Interest charges	309,664	-
Adjustments	(856,375)	-
Paid	(4,716,963)	-
Balance at end of period / year	31,182,633	-
Divided into		
Long-term lease liability	20,208,586	-
Short term lease liability	10,974,047	-
	31,182,633	-

The Group has recognized the obligation of the lease and interest expense using the additional borrowing rate, which is the rate of return that it expects to use to borrow the necessary funding for a similar period of the lease and the same guarantees.

Leases do not include any pledges, but leases can not be used as security for borrowing purposes.

As at the reporting date, the Group has less than 12 months of non-extendable lease contracts. The rental expense recorded in the statement of profit or loss for these contracts for the period ended 31 March 2019 amounted to SR 0.1 million.

DALLAH HEALTHCARE COMPANY

A SAUDI JOINT STOCK COMPANY

**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019
(UNAUDITED)**

All amounts are presented in Saudi riyals unless otherwise indicated

Effect of application of IFRS 16 "Leases"

Impact on the statement of financial position	As at 31 March 2019			As at January 1, 2019		
	Without applying the IFRS 16	Impact	After applying the IFRS 16	Without applying the IFRS 16	Impact	After applying the IFRS 16
Property, plant and equipment	1,969,781,330	38,848,780	2,008,630,110	1,953,199,081	43,043,918	1,996,242,999
Prepaid expenses and other receivables	84,141,257	(7,229,651)	76,911,606	76,130,795	(6,597,611)	69,533,184
Accrued expenses and other credit balances	71,721,481	591,714	72,313,195	67,280,775	-	67,280,775
Long-term lease liability	-	20,208,586	20,208,586	-	20,208,585	20,208,585
Short-term lease liability	-	10,974,047	10,974,047	-	16,237,722	16,237,722
Retained earnings	648,529,766	(155,218)	648,374,548	613,209,624	-	613,209,624
	For the period ended 31 March 2019					
Impact on the comprehensive income statement	Without applying the IFRS 16	Impact	After applying the IFRS 16			
Cost of revenue	199,906,871	976,847	200,883,718			
General and administrative expenses	73,374,121	(1,131,293)	72,242,828			
Finance charges	5,456,999	309,664	5,766,663			
	For the period ended 31 March 2019					
Impact on the cash flow statement	Without applying the IFRS 16	Impact	After applying the IFRS 16			
Net cash flows from operating activities	98,330,298	4,716,963	103,047,261			
Net cash flows used in Financing activities	(18,810,438)	(4,716,963)	(23,527,401)			

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
All amounts are presented in Saudi riyals unless otherwise indicated

10. Meetings, and major decisions

On 05 Rabia II 1440 H (corresponding to 12 December 2018), The Board of Directors has decided to distribute a cash dividend of SR 88,500,000 for the first half of 2018 amounted to SAR 1.5 per share. The dividends were distributed during the first quarter of 2019.

On 19 Rajab1440 H (corresponding to 26 March 2019), the company signed a letter of intent with Siemens Healthcare Limited, for the purpose of strategic partnership in managing and presenting technical support for X-ray divisions for Dallah Hospitals and X-ray divisions for hospitals that could be won by Dallah via Government or private tendering. The letter included providing technical support for Dallah Hospital Al-Nakheel for an amount of SR112m over a period of 10 years.

11. Basic and diluted earnings per share from profits

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

	As of 31 March 2019	As of 31 March 2018
Net income	35,164,924	58,086,845
Weighted average of outstanding shares	74,950,013	75,000,000
Basic and diluted earnings per share	0.47	0.77

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

The net loss of Dallah Namar Hospital Health Company amounted to SR 24.8 million for the period ended 31 March 2019 (31 March 2018: SR 14.8 million).

12. Contingencies and commitments

Capital commitments

As at 31 March 2019, the Group had capital commitments that mainly relate to the construction contracts of the expansion of Dallah Hospital Al-Nakheel and the construction of Dallah Namar Hospital Health Company amounting to SR 168.6 million (31 December 2018: SR 204.9 million).

Contingent liabilities

As at 31 March 2019, the Group has a contingent liability in the form of bank guarantees amounting to SR 21.43 million which have been issued in the normal course of business (31 December 2018: SR 24.5 million). Includes a third party bank guarantee on behalf of Dr. Mohammed Al faqeeh hospital “an associate company”, amounting to SR 17.45 million. (31 December 2018: SR 17.45 million).

As at 31 March 2019, There are documentary credits amounting to SR 32.3 million (31 December 2018: SR 36.5 million)

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

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

13.1 Fair value measurement

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

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

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

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

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

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

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

28.3 Risk Management

The Group is exposed to the following risks as a result of its use of financial instruments:

- (A) Foreign currency risk
- (B) Credit risk
- (C) Liquidity risk
- (D) Interest risk

(A) Foreign currency risk

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

(B) Credit risk

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

The carrying amount of financial assets represents the maximum exposure to credit risk.

Trade receivables, contracts assets and due from related parties

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

DALLAH HEALTHCARE COMPANY
A SAUDI JOINT STOCK COMPANY
SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019 (UNAUDITED)
All amounts are presented in Saudi riyals unless otherwise indicated

Cash and cash equivalents

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

(C) Liquidity risk,

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities,

(D) Interest risk

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

14. Segmental information

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

15. Approval of the Interim condensed consolidated financial statements

The interim condensed consolidated financial statements have been approved by the management on 19 Sha`ban 1440H corresponding 24 April 2019 G.
