





Chairman's Statement

Dear Valued Shareholders,

With pleasure Dallah Health Company presents the Board of Directors' report for the fiscal year 2016, which sheds light on The Company's performance and main activities. The Company realized many achievements and developments in its various sectors during this year.

During the year 2016, the Company continued to implement its ambitious plans to achieve leadership and increase its contribution to the provision of healthcare services in the Kingdom, and in the city of Riyadh, in particular. To this end, the Company has expanded geographically. The construction of Dallah Namar Hospital in the south of Riyadh has reached advanced stages and preparations are underway for its inauguration in the second half of 2017. In addition, in order to meet the increasing demand on the hospital services, the western expansion of Dallah Hospital in the Nakheel Area has begun. Further, the company has signed a memorandum of understanding with Shibh Al Jazira Real Estate Development Company, for the construction of a hospital in the city of Jeddah.

Dallah Health has achieved distinct financial results during the year 2016, with 17.5% growth in the number of patients, confirming patients' confidence in the services rendered by the hospital. The Company's revenues have exceeded one billion Saudi Riyals, reaching SR 1.163 billion, including profits of SR 226 million, at SR 3.83 per share. While equities grew to around SR 1.5 billion, total assets of the company grew to around SR 2 billion.

Based on its national duty and responsibility toward the community it serves, Dallah Health Company has placed utmost importance on the employment, development and training of Saudi nationals. It has endeavored to attract Saudi cadres in various fields and specialties, and has been keen to train and develop them. Nationalization of administrative jobs has reached more than 70%, and we look forward to increasing this percentage even further.

The Company has carefully examined the Ministry of Health National Transformation Plans to privatize the health sector, which will enable the company to take part in these plans and contribute to state plans to improve health services for all.

Finally, we will continue to seek to provide continued high caliber health services to our community, fostered by the harmony and loyalty of our medical and operational teams, and the intensive development of our work flow, aiming to provide patients with continuously improved services.

We pray to Allah the Almighty to bestow upon us and you, safety, health and wellness under our wise leadership.















Messrs. Shareholders of Dallah Health Company

Peace be Upon You:

The Board of Directors of Dallah Health Company is honored to present its annual report to the Company's shareholders for the fiscal year 2016. The report presents the activities and the overall situation of the Company, the results of its operations, and the auditor's report on the annual consolidated financial statements of the Company.

1 Company Overview

Dallah Health Company is a Saudi Public Joint Stock Company, registered under Commercial Registration No. 1010128530, dated 13 Rabi Al-Thani 1415H (corresponding to 18 September 1994). It is listed in the capital market in the Kingdom of Saudi Arabia under code (4004) within the healthcare sector. The Company's capital consists of 59 million shares, at a fully paid par value of SR 10 per share, and a total value of SR 590 million as of the end of 2016. All Company shares are of one category, and no shareholder enjoys any preferential rights over other shareholders.

The Company changed its commercial name from "Dallah Healthcare Holding Company" to "Dallah Health Company" based on the approval of the Extraordinary General Assembly meeting held on 23/02/1438H, corresponding to 16/11/2016.

2 The Company's Fiscal Year

In line with the Company's articles of association, the fiscal year of the Company starts on the first of January and end by the end of December of every year.

3 Company's Auditor:

Messrs. Dr. Mohammed Alamri and Partners Company BDO undertook the auditing of the Company's accounts for the fiscal year 2016.

4 The Overall Situation during 2016

Kingdom's Vision 2030: the Medical Sector

As part of vision 2030, the Kingdom has started to achieve an ideal utilization of hospitals and medical centers, and is encouraging citizens to avail primary healthcare services as a first step in their treatment plan. In this vision, it is planned that the public sector of the medical services in the Kingdom will concentrate on the role of planning, arranging, and monitoring of the health system, whereas governmental corporations will work on improving the quality of health services.

The government will work through this vision to expand the health insurance beneficiaries' base, facilitating faster obtainment of services, and minimizing waiting times to see specialists and consultants.

With regards to the medical sector human development in Vision 2030, the Kingdom will endeavor to train physicians and increase their capabilities to encounter and treat chronic diseases which pose a challenge and a threat to the health of citizens.

The health care national transformation plan has concurred with this vision. The strategic goals for this plan includes an increase in the private sector share in total expenditure on health services for the years 2017 to 2020. This will be achieved by expanding the governmental services privatization process, thereby providing a suitable environment that enhances the confidence of local and international investors, which in turn will make the health sector a more attractive investment opportunity.

Drivers for Increase on Demand on Healthcare Services

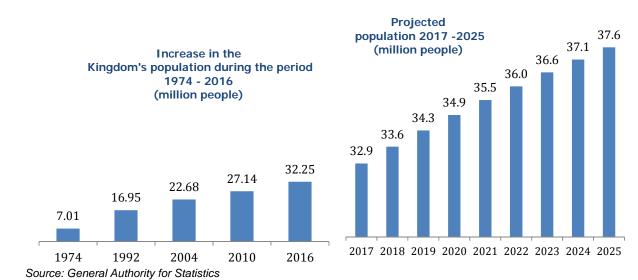
1. <u>Increase of Kingdom's Population:</u>

The population increase is the main factor in the growth of demand on healthcare services. The population increased from 7 million to 27 million during the period from 1974 to 2010, at an annual growth rate of approximately 3.8%, Per half-year estimates based on the results of the general census of population and housing units (1431H/2010G), the population has increased further, from 27 million in 2010 to around 32 million by the end of the year 2016, at an annual growth rate of approximately 2.9%.

2. Increase of Life Expectancy:

Per statistical reports issued by the Ministry of Health (2010, 2015), average life expectancy increased from 73.7 years during the year 2010, to around 74.3 years at the end of the year 2015.

As a result, Saudi Society is growing at an average rate. This increase in life expectancy in Saudi Arabia is a strong driver for expansion in the healthcare sector.

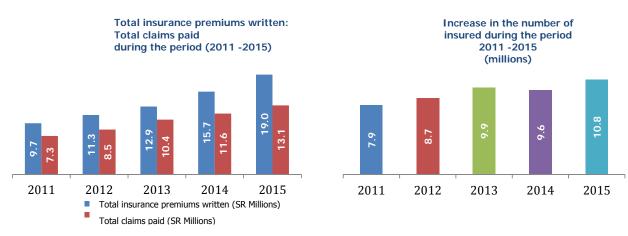


Increase in Health Insurance Coverage:

As a result of increased government focus on the health of citizens and residents, the Royal Decree No. (M/71), dated 27/4/1430H, corresponding to 22/4/2009, was issued. This decree establishes an obligatory health insurance scheme for private sector employees. This has resulted in huge growth in the health insurance sector, which is manifested clearly in the large increase in the number of insured, as well as growth in health insurance premiums written and the depth of insurance.

Total Claims:

- The number of individuals insured increased from eight million individuals during the year 2011 to around 11 million individuals during 2015, at a compound annual growth rate (CAGR) of approximately 8%.
- Total insurance premiums written grew from SR 10 billion in the year 2011, to around SR 19b in 2015, at CAGR of around 18.2%.
- The percentage of total health insurance premiums written versus gross domestic product, known as insurance depth, increased from 0.45% during the year 2011, to around 0.77% during the year 2015.
- Insurance premiums retention rate by insurance companies grew from 89% during the year 2013 to around 96% during the year 2015, indicating growth in the capabilities of insurance companies to render services to the insureds.
- Total claims paid to health insurance increased from SR 7 billion during the year 2011 to around SR 13 billion during the year 2015, at a CAGR of 15.8% approximately.



3. Increased Rate of Chronic Diseases:

Unhealthy lifestyles are among the most important factors that lead to an increase in the rate of obesity, which is the main cause of many chronic diseases. Statistics show that 30% of the Kingdom's population over 15 years old are obese, and obesity is one of the main contributors to an increased risk of diabetes. This fact has led to the increase in the demand for health services, which is illustrated by the following:

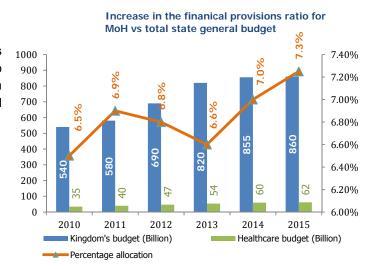
- The number of rheumatic heart disease and ischemic heart disease patients' visits to the Cardiology Clinic in OPD and Emergency Departments in the Ministry of Health Hospitals grew at CAGR of 4% approximately, from 674,538 visits during the year 2010 to around 793,380 visits during the year 2015.
- The number of visits to the Diabetes Clinics in OPD and Emergency Departments in the Ministry of Health Hospitals grew at CAGR of 7.3% approximately, from 991,304 visits in the year 2010 to around 1,408, 852 visits during the year 2015.
- The number of patient visits to the Hematology and Hypertension Clinics in OPD and Emergency Departments in the Ministry of Health Hospitals grew at CAGR of 7.63% approximately, from 1,243,236 visits in the year 2010, to around 1,795,642 visits in the year 2015.

Situation of Health Care Sector in the Kingdom

First: Main Indicators for Health Facilities and Resources at the Level of All Sectors:

1) Spending on Health Sector:

The percentage of financial provisions for the Ministry of Health, compared to the total state budget, increased from 6.5% during the year 2010 to around 7.25% in the year 2015.

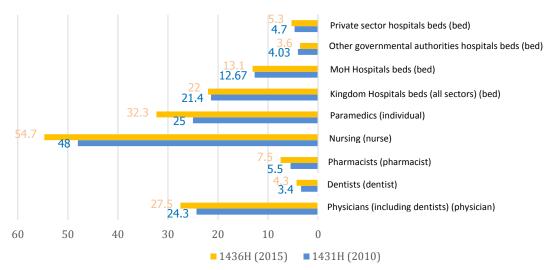


Source: Ministry of Health - Statistics Book

2) <u>Health Resources Indicators in the Kingdom in All Sectors:</u>

Health resources have developed considerably in the majority of sectors during previous years. The following shows the development in health resources in the sectors that provide the service (Ministry of Health, other governmental authorities, private sector) during the period from 2010 to 2015.

Indicators per 10 thousand people



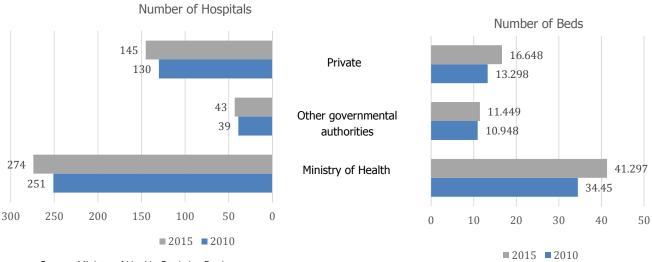
Source: Ministry of Health, Statistics Book

3) Increase in the Number of Hospitals and Beds in the Various Health Sectors:

The health care system in the Kingdom relies mainly on the health care services provided by the Ministry of Health. In 2015, the number of beds in the Ministry of Health Hospitals, compared to the total number of beds in all sectors, was around 59.3%.

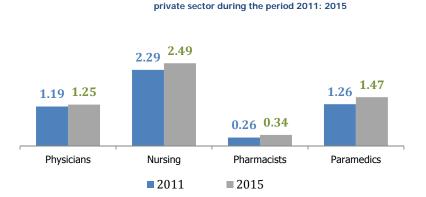
The number of beds in the private sector hospitals compared to the number of beds in all sectors was around 23% in the year 2015, indicating a slight increase from 22.7% in the year 2011.

Number of Hospitals and Beds in the Various Health Sectors In the Kingdom during the Period 1431/1436H (2010/2015G)



4) Increase of Human Resources in All Health Sectors:

Despite the general increase in the number of hospital beds in the Kingdom in all sectors, the number of employees for these beds has also increased, reflecting the general trend to improve service provided to patients.



Increase in human resources in the

Source: Ministry of Health, Statistics Book

5) Health Resources in the Private Sector in Riyadh:

Health Resources in the private sector in the Kingdom have significantly increased during the period from the year 2010 to the year 2015, in terms of number of beds, physicians, nursing and paramedics.

Indicators per10 Thousand People 6.2 5.4 Private sector hospitals beds (beds) Paramedics in the private sector (individual) Nursing in the private sector (nurse) Physicians (including dentists) (physicians) 20.0 18.0 16.0 14.0 12.0 10.0 8.0 6.0 4.0 2.0 0.0

■ 1436h (2015) ■ 1431h -(2010)

Source: Ministry of Health, Statistics Book



5 Dallah Health Company

In its pursuit of being the healthcare leader, Dallah Health Company has endeavored to provide the best staff and facilities for the provision of high caliber, quality health services. The Company is now developing a number of projects to support its position in the service of the health care sector in the Kingdom.

The Company seeks expansion through a variety of strategies, which include:

- 1- Building completely new hospitals.
- 2- Expanding the existing hospital facilities.
- Complete acquisition of other hospitals.
- 4- Entering into arrangements to establish other hospitals.
- 5- Geographical expansion of pharmaceuticals distribution in the Kingdom.
- 6- Increasing and diversifying pharmaceuticals production.
- 7- Increasing the number of hospital-operation contracts in the Kingdom.

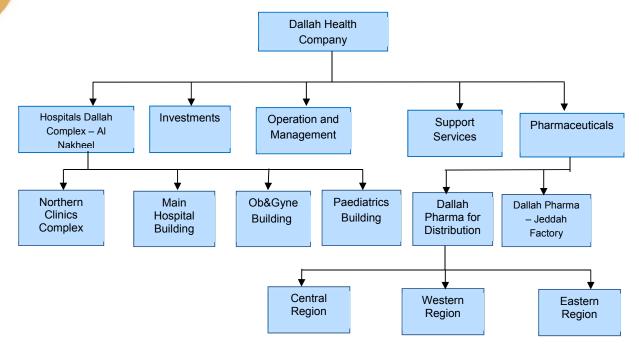
Company Sectors

The Company consists of the following sectors:

- Hospitals: Currently, this sector is mainly comprised of mainly of Dallah Hospital, a branch wholly owned by Dallah Health Company. Dallah Hospital provides comprehensive medical services through outpatient clinics, inpatient departments, and supporting services.
- 2. Pharmaceuticals: This sector is mainly comprised of Dallah Pharma and Dallah Pharma Factory Company, which is a subsidiary fully owned by Dallah Health Company, directly and indirectly. Dallah Pharma is a wholesale distributor of pharmaceutical, herbal and cosmetic products to hospitals, governmental agencies, retail sale pharmacies as well as commercial outlets, which sell these products through many centers in the various regions of the Kingdom. Dallah Pharma owns exclusive distribution rights in the Kingdom of 45 pharmaceutical products, 12 herbal products and 8 cosmetics products for a number of international companies. Dallah Pharma is also working on manufacturing medications and herbal and pharmaceutical products in Dallah Pharma Factory in the Western Region. The factory obtained a license to produce 35 pharmaceutical and cosmetic products, and is working on fulfilling the local and international demand for its products.
- 3. Operation and Management of Third Party Hospitals: The Company provides operational and management expertise to hospitals owned by other parties for retainer annual fees and/or variable fees based on the earnings of such hospitals. During 2016, the Company managed and operated a contract for the Hospital of Al Khafji Joint Operations Company (Aramco Gulf Operations and Kuwait Gulf Oil Company).
- 4. **Support Services Sector**: This new branch of the Company was established in January 2015, aiming to specialize in the construction and maintenance of hospitals, medical centers and other support services. Currently, this sector provides services mainly to the Group.

5. **Investments with Other Parties**: The Company also has investments in Aseer Company, Makkah Medical Center, Al-Ahsa Medical Services Company and Jordanian Pharmaceutical Manufacturing Company.

Structure of Dallah Health Sectors



Despite the diversity of the company's branches and sectors in the Kingdom, Dallah Healthcare aims at offering the best work environments through building family-type work environment and treating its employees in professional and caring ways.

6 Purposes, Activities and Sectors of the Company

The purposes of the Company include operation, management and maintenance of health facilities and centers, wholesale and retail trading in medications, medical and surgical equipment and instruments, artificial limbs, handicapped equipment and hospital equipment, manufacture of medications, pharmaceuticals, herbal and health products, cosmetics, detergents, disinfectants and packing and packaging products in the Kingdom of Saudi Arabia.

Dallah Health Company business is divided into five basic sections including:

(1) Provision of medical services through owned hospitals; (2) Sale, distribution, and manufacturing of medications; (3) Operation and management; (4) Support services; and (5) Investments.

The main activity of the Company is the provision of comprehensive medical services through "Dallah Hospital Complex – Al Nakheel" in the city of Riyadh. Additional comprehensive medical services will be provided by other hospitals and medical centers which will be established in the future, with the majority of shares owned by Dallah Health Company, in addition to leased facilities. The sale and distribution of medications are carried out by Dallah Pharma via wholesale distribution of pharmaceutical, medicinal, herbal and cosmetic products. The Operation and Management Section is in charge of managing the business aspects of hospitals owned by other parties. In addition, the Company has several investments in the health care sector in the Middle East.

7 Analysis of Company Sectorial Data

Below is a summary of the volume of health sales achieved by Dallah Health Company for each activity and its contribution to the gross profit:

	<u>3</u>	<u>31 December 2016</u>				31 December 2015			
SAR Million	Reven	Revenues Gross profit		Revenues		Gros	s profit		
Hospitals	1,132	97%	530	99%	917	93%	385	94%	
Pharmaceuticals	37	3%	-	0%	60	6%	16	4%	
Operation	21	2%	7	1%	21	2%	6	2%	
Eliminations	(27)	(2%)	-	-	(13)	(1%)	-	-	
Total	1,163	100%	537	100%	985	100%	407	100%	

8 Subsidiaries:

The following are all the subsidiaries of the Company Kingdom-wide.

Subsidiary	Commercial Registration Number	Country of Incorporation and Main Country of Operations	Ownership a	as of 31 Dec 2015
Dallah Pharma Company	1010410613	KSA, city of Riyadh	98%	98%
Afiaa' Al Nakheel Support Service Company Ltd.	1010404576	KSA, city of Riyadh	99%	99%

On Wednesday 15/03/1438H, corresponding to 14/12/2016, the Board issued a resolution to buy other partners' shares in Dallah Pharma. Virtual full ownership of Dallah Pharma Company and Afiaa' Al Nakheel Support Services Company, Ltd. has been established by the Company, as the remainder of the equities in the two companies is owned by other parties on behalf of the Company as at the end of 2016.

Dallah Pharma Company: Dallah Pharma Company was founded on 13 Jumada II 1435H (corresponding to 13 April 2014). It is a limited liability Company with a capital of 4 million Saudi Riyals. Its activities include wholesale and retail sale of cosmetics, herbal products, food, milk, children's supplies, detergents, chemicals, as well as sale and maintenance of medical and surgical equipment and supplies and spare parts. The Company is also involved in importing, exporting, and marketing for third parties, and management of factories and warehouses. During the year 2016, the Company discontinued business in some of the items it was distributing.

Afiaa' Al Nakheel Support Services Company Ltd.: Afiaa' Al Nakheel Support Services Company was founded on 13 Rabie II 1435H (corresponding to 14 January 2014). It is a limited liability company with a capital of 50,000 Saudi Riyals. Its activities include establishment and maintenance of hospitals and medical centers and other support services. Afiaa' Al Nakheel provides its services mainly to the group.

Dallah Namar Health Hospital Company: On Wednesday 15/03/1438H, corresponding to 14 December 2016, the Board decided to establish a limited liability (one person) company with a capital of 5 million Saudi Riyals, fully owned (self-financed) by Dallah Health Company. The purposes of the new Company include management, operation, furnishing and development of hospitals, health facilities, and medical centers and complexes, in addition to possession of lands at later stages. Accordingly, the Company established a limited liability company (Dallah Namar Health Hospital Company), commercial registration no. 1010495218, on 10 Rabie II 1438H, corresponding to 8 January 2017.

9 Company' Branches:

Following are branches of Dallah Health Company that operate under separate commercial registrations:

Branch Name	Commercial Registration	City
General Administration	2057004306	Al Khafji
Dallah Hospital	1010132622	Riyadh
Drug Store (Dallah Pharma)	2050071905	Dammam
Drug Store (Dallah Pharma)	1010128997	Riyadh
Drug Store (Dallah Pharma)	4030140769	Jeddah
Drug Store (Dallah Pharma)	4030265250	Jeddah
Drug Store (Dallah Pharma)	1010381470	Riyadh
Dallah Pharma Factory	4030249929	Jeddah
Clinics Complex of Dallah Health Company	1010428613	Riyadh
Dallah Farma Pharmaceuticals Factory	4030278471	Jeddah

10 Distinctive Medical Quality of Dallah Healthcare Co.

The name Dallah Hospital is synonymous with providing high quality medical care, rendered with exceptional professionalism and concern for the patients' health and safety.

Despite the increased numbers of both outpatients and inpatients, in addition to increasing numbers of medical operations and deliveries performed in Dallah Hospital Complex, the integrated medical services are still performed at the same high quality, as evidenced by the application of international certification standards, and continuous medical practice monitoring, that is measured with about 150 medical practice indicators. Dallah Hospital Complex was granted the Joint Commission International (JCI) accreditation for medical practice quality three times -in 2009, 2012 and 2015. It has also been granted the international (ISO2001) certification for continuous high quality of services every year from 1998 until today. In addition, the high quality of Dallah Hospital laboratories is certified by Collage of American Pathologists (CAP) Survey certificate annually, which is granted after continuous meticulous monitoring of the hospital's laboratories. The Hazard Analysis and Critical Control Point (HACCP) Certificate have likewise accredited the catering services for Dallah Hospital annually for the past several years.







11 Quality of Financial Claims for Dallah Healthcare

Despite the increasing complexity of medical billing and claims, Dallah Healthcare, since its inception, has managed to maintain a high degree of professionalism and utmost financial control standards, whether dealing with government agencies, insurance companies, or patients. Additionally, Dallah Healthcare considers its customers success partners, and treats its patients in a humanitarian manner. This is considered a major part of the integral quality array the company is adopting in its dealings with its patients and customers. The high quality of the billing process comes as a result of applying control and efficiency systems in the financial process within the company, which has built up customer trust in the company's financial reports and claims.

12 Operation Contracts for Hospitals Owned by Other Parties

To promote the brand that has been built by Dallah Hospital over the years, the Company decided in the year 2002 to enter into contracts for management and operation of hospitals owned by other parties. The Company currently has no ownership interest in these hospitals. Instead, it provides operational expertise for fixed annual retainer fees and/ or variable fees based on the managed hospital profits.

Following are the most important contracts for the management of other parties' hospitals:

Al Khafji Joint Operations Hospital:

The Company commenced operations as defined in the contract with Al Khafji Joint Operations Hospital in April 2011. This hospital is owned by Aramco Gulf Operations Company and Kuwait Gulf Oil Company. Under the contract, medical services are provided to approximately 3,000 employees and their families in these two companies. The hospital has a total of 158 beds, and it has 18 specialties in the outpatient clinics, two operating theaters, an intensive care unit (ICU), Premature Infant Care Unit (PICU) and a renal dialysis unit. The 5-year contract expired on 31 December 2016, and the project was handed over to the owners.

13 Investments-in Companies:

Dr. Mohammed Rashid Al Faqih and Partners Company

Dallah Health Company invested around SR 142 million, for a 30% share in the capital of Dr. Mohammed Rashid Al Faqih and Partners Company. This Company is a closed joint stock company which is constructing a general hospital east of the city of Riyadh.

Aseer Trading and Tourism, Manufacturing, Agriculture, Real Estate and Contracting Company

Aseer Company is a public Saudi joint stock company established in accordance with the laws of the Kingdom of Saudi Arabia under the Royal Decree no. M/78, dated 11/07/1395H (corresponding to 11 November 1975), registered under commercial registration number 5850000276. The company's paid-up capital as of 31 December 2016 is SR 1,264 million, and it has a diversified investment portfolio, which includes investments in food processing, petrochemicals, energy services, real estate development, financial services and construction materials. Dallah Health Company owns a 0.3% share of of Aseer Company, approximately.

Makkah Medical Center Company

Makkah Medical Center Company is a Saudi joint stock company registered under commercial registration No. 4031021286, dated 14/08/1410 H (corresponding to 11 March 1990). It is located in Makkah and has 136-bed capacity, with a capital of SR 152.0 million, divided into 3.04 million shares, with a par value of SR 50 per share. The Company owns 7.5% of the share capital; this investment was executed in the year 1990 (1410H).

Jordanian Pharmaceutical Manufacturing Company

Jordanian Pharmaceutical Manufacturing Company is a Jordanian public joint stock company with commercial registration number 141237404, dated 27/01/2004, located in Amman, Jordan. It has a total share capital of 20.0 million Jordanian Dinars, divided into 20.0 million shares with a par value of 1 Jordanian Dinar per share. Dallah Health Company owns 0.4% of the share capital. This company manufactures pharmaceutical products, cosmetics and medical supplies, which are also sold by Dallah Pharma.

Al-Ahsa Medical Services Company Ltd.

Al-Ahsa Medical Services Company is a Saudi limited liability company with commercial registration number 2252025213, dated 07/08/1418H (corresponding to 07 December 1997). It is located in Al-Ahsa and has a 120 beds capacity. It has a total share capital of SR 150.0 million divided into 150,000 shares with a par value of SR 1,000 per share. Dallah Health Company owns 1.1% of the share capital.

14 Company's Plans and Decisions:

Since the Company strives to be the leader of the healthcare sector in the Kingdom, Dallah Health Company gives utmost importance to the development of its products and services targeted to this sector. The company spares no effort to provide best health services in the Kingdom.

In order to meet the growing demand on health care services and products and distribution and production of medications, Dallah Health Company seeks to expand and disseminate its business in Riyadh, in addition to geographical expansion in the most populated areas of the Kingdom such as the Eastern and Western Regions. It also seeks to expand its business in the management of hospitals owned by other parties, in addition to direct investment in medical and pharmaceutical companies. Thus, the Company will be able to increase its share in the health care market and achieve greater returns to shareholders, in line with the Company's vision to be leader in the delivery of health services in the Kingdom, God willing.

15 Future Forecasts of Company's Business

Development of Dallah Hospital Complex - AlNakheel

Dallah Health Company management intends to develop the area surrounding the existing building of Dallah Hospital in Al Nakheel, Riyadh, into an integrated medical services complex that provides the best medical specialties. The location, currently, includes the main hospital building, an OB/Gyn hospital building, a pediatrics hospital building, a parking building, in addition to the North Clinics building with a 65 beds capacity in its various facilities.

In this regard, Dallah Hospital is continuously developing in order to increase its capacity and provide better service to patients. Currently, some rooms and clinics have been added within the hospital building to increase the efficiency of available spaces, meet the growing demand on these services, and maximize patient's comfort.

In addition, Dallah Healthcare Company is working on the development of the western and southern areas of Dallah Hospital Complex and finalizing western expansion layouts, which are expected to provide at least 150 beds and 50 clinics. Due to the expansions in Dallah Hospital – Al Nakheel, services within the hospital boundaries must be added to accommodate the increased business. Therefore, Dallah Health Company is now constructing the southern expansion building, which includes physicians' housing, basement parking and some other facilities that will serve hospital customers. It is expected that the housing buildings will be operational During 2017.

Dallah Hospital - Namar

According to the company's expansionary plan, the work is undergoing on completing and operating the first stages of Dallah-Namar Hospital with an initial capacity of 150 beds and 100 clinics during the second half of 2017. As of the date of this report, the concrete structure works were completed and work is undergoing on electromechanicals and finishing of this project according to defined timetable. This hospital is considered a significant addition to Dallah Healthcare company's projects, where it is expected to offer many medical specialties to serve its surrounding population.

Dallah Medical Tower

In its pursuit of expanding Dallah Hospital's business in its current location in Al Nakheel, in Riyadh, the Company decided to purchase 6,300 square meters piece of land adjacent to the hospital location, overlooking King Fahad Road. The Company intends to build a medical tower that consists of specialized polyclinics and medical centers, a commercial medical complex and other facilities. The new facility will comprise an extension to Dallah Hospital Complex.

Dallah Pharma

During the current year and past year, Dallah Pharma re-structured the business to concentrate on better-profitability products, in light of increases in market competition. It aims to increase its geographical reach to the pharmaceuticals market in the Kingdom. During the year, the Company has also developed a pharmaceuticals production line in Dallah Pharma Factory in Jeddah, to allow additional product lines in the future and provide better pharmaceuticals production inputs.

Operation and Management

Dallah Health Company is well-poised to participate in the privatization of the public health sector as outlined by Vision 2030, in terms of shouldering the responsibility of operating some of the public sector projects that the Saudi government intends to offer to the private sector. Due to expiry of the operation contract for Al Khafji Joint Operations Hospital at the end of the year 2016, Dallah Health Company is looking forward to adding new contracts for the management of hospitals owned by other parties. Owing to its previous involvement in such large-scale businesses, and the resulting senior-level experience of the Company's administrative and technical cadres, the Company is well-qualified to undertake this role.

16 Potential Risks Facing the Company:

The Company may face risks that could include, but are not limited to, the following:

- Limited capability of growth in the current location: Despite the Company's expansion in areas surrounding Dallah Hospital- Al Nakheel (Dallah Hospital Complex Al Nakheel), there are limits for possible expansion in the current location of this complex.
- Competitive environment and mergers in the health care sector: The Company operates within a market where there are many health care providers from private and public sectors. Competitors may seek to increase their market share through provision of therapeutic services not provided by the Company, or they may form alliances through mergers or acquisition, which may enable them to increase their market share, which could adversely affect the Company's business. The Company exerts its utmost efforts to strengthen its competitive advantage and increase its market share through implementation of a number of strategies in the marketing of its products and services, in addition to maintaining a good competitive level in the market and continuously updating prevailing market information.
- Contractual relationship with key clients may be adversely affected due to price competition versus quality of services offered: The Company spares no efforts in order to keep providing the best services to its clients and sell the best products to consumers.
- Reliance on physicians, nursing, and other professional staff: Despite the relative scarcity of medical and pharmaceutical staff, the Company seeks to employ the best professionals, while coping with the general increase in wages.
- Government Laws and Regulations: The Company is subject to several laws and regulations that regulate its work, which may require the Company to obtain a number of licenses. Relevant government agencies may adopt and enforce more stringent regulations or rules on the Company's business, which will increase operating costs and / or capital expenditures incurred by the Company or may reduce the expected future revenues of the Company. The Company strives at all times to comply with all laws and regulations governing its work and obtain all the required licenses for its operations.
- Advancement in medical and management technology: The Company utilizes various
 types of medical equipment and administrative systems to carry out its business. The health
 care sector is characterized by continuous progress in products and technical developments
 in addition to the high cost of this technology, which could rapidly render the technology
 adopted by the Company outdated, thereby adversely affecting the Company's business.
 The Company has adopted a policy of upgrading its utilized technical equipment
 continuously, in spite of the increasing costs, in order to achieve its goal to provide the best
 health services.
- Electronic Attacks: Dallah Health Company in general and Dallah Hospitals Group in
 particular, are working on developing electronic systems to provide maximum comfort for the
 hospital's patients and visitors as well as facilitating suppliers and Company clients'
 business. Therefore, there is an ongoing increase in reliance on the Company's electronic
 systems. Due to the significant increase in the technical capabilities of those mounting
 internet attacks and the unprecedented growth of professional cyber-attacks on institutional
 websites, the internet-related risks that the Company may face are also increasing, as the

Company faces a broad spectrum of these risks. Dallah Health Company recognizes these risks and works on facing them with the best technologies available for the protection of information and operating systems. The Company is investing considerably in information technology and security infrastructure, in order to protect its businesses and ensure continuity.

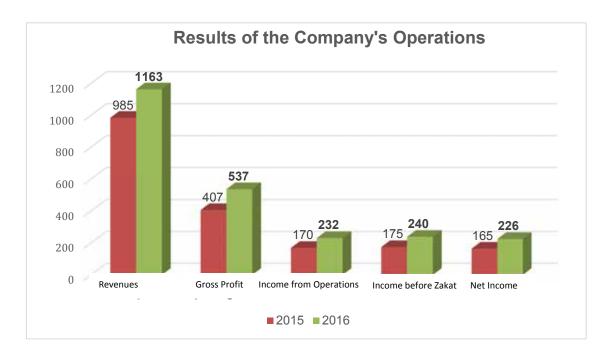
- Outdatedness of Pharmaceutical Products and Production Lines: Due to the nature of its business, Dallah Health Company keeps a stock of intrinsic value. In addition, production lines are designed to provide standard products. Due to the technological advancement and the development in medications production locally and internationally, in addition to market fluctuations, the medications stocks and production lines are prone to increased outdatedness, a rise in production costs and a loss of demand. Therefore, Dallah Health Company is exerting its utmost efforts and taking precautionary measures to face these risks and upgrade production lines to cope with market developments.
- Dividends Distribution: Distribution of dividends in the future depends on several factors, including the Company's ability to achieve earnings, its financial position, legal reserves requirements, available credit limits, general economic conditions, and other factors, which are subject to the Board of Directors choice of declaring dividends at its discretion. The relevant conditions which would allow the Company to distribute dividends to its shareholders may not always exist.

Saudization: The Company is subject to the "Saudization" program imposed by relevant regulations in the Kingdom, which requires a minimum ratio of Saudi employees in the Company as prescribed by law, in addition to establishing a higher Saudization ratio target for the Company to achieve, and developing the necessary plans to achieve this ratio target. The Company's operations, its ability to meet its obligations and obtain government loans, and its financial performance and ability to bring additional number of expatriate staff will be adversely affected if the Company fails in the future to comply with any more stringent Saudization policies issued by the Ministry of Labor. Despite the relative scarcity of qualified Saudi personnel in the health care market, the Company is doing its best to maintain the Saudization ratio prescribed by relevant government agencies.

17 Summary of Income Statement and Balance Sheet Elements:

Results of Company Operations:

SR Million	2016	2015
Revenues	1,163	985
Goss profit	537	407
Income from operations	232	170
Income before Zakat	240	175
Net income	226	165

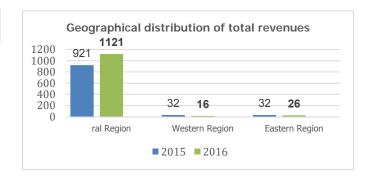


With the grace of Allah, revenues of the Company grew by 18.1% during the year 2016, and its gross profit increased by 31.9%. The increase in gross profit this year compared to the previous year is due to the distinct increase in the Company's business volume, as a result of expansion in the scope of services rendered to patients, which led to the general increase in the number of outpatients visits and number of inpatients. This has been in addition to improving contractual conditions and a price increase for Company's clients, which caused an increase in Dallah Heath Company revenues.

Net profits during the fiscal year 2016 increased by 37% over the previous year. The reason for the increase in net profits is an increase of sales, containment of some of the marketing expenditures and achievement of some capital gains from selling some of the Company's investments, which came with a higher profitability more than the increase in the general and administrative expenses, some inventory provisions and doubtful debts during the year and led to ongoing greater increase in net profit than the increase in profit margin. Consequently, the Company achieved remarkable improvement in both direct and indirect operational efficiency during the year 2016.

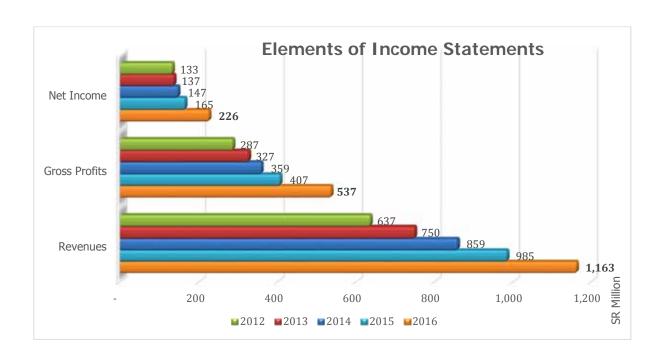
18 Geographical Distribution of Revenues of the Company and its Subsidiaries

Revenues (SR Million)	2016	2015
Central Region	1,121	921
Western Region	16	32
Eastern Region	26	32



19 Main Elements of Income Statement

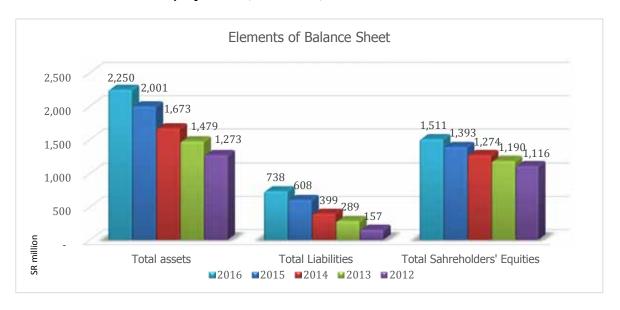
SR Million	2016G	2015G	2014G	2013G	2012G
Total revenues	1,163	985	895	750	637
Gross profit	537	407	359	327	287
Income from operations	232	170	145	138	131
Income before zakat	240	175	156	148	135
Net income	226	165	147	137	133



Dallah Health Company revenues grew at CAGR of 16% during the past five years, as they increased from SR 637 million in the year 2012 to SR 1,163 million in the year 2016. The Company's net profits rose during the past five years at a CAGR of 15%, as it grew from SR 133 million in the year 2012, to SR 226 million in the year 2016. Dallah Health Company endeavors continuously to raise the efficiency of operations and operational capacity, promote its market positioning and contain expenses to generate the best revenue for shareholders.

20 Main Elements of Balance Sheet

SR Million	2016	2015	2014	2013	2012
Total assets	2,250	2,001	1,673	1,479	1,273
Total liabilities	738	608	399	289	157
Total shareholders' equity	1,511	1,393	1,274	1,190	1,116



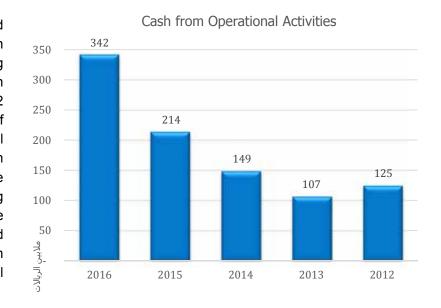
With the Grace of Allah, shareholders' equities grew from SAR 1,116 million in 2012 to SR 1,511 million at the end of 2016, at a CAGR of 8%, while the Company's assets increased from SR 1,273 million in 2012 to SAR 2,250 million in 2016, at a CAGR of 15%. Liabilities grew relatively from SR 157 million in 2012G to SR 738 million in 2016G, at a CAGR of 49%. The Company's assets also grew in parallel with owners' equities, due to increased growth of business and profits over the past five years. Company assets and shareholders' equities grew considerably, as a result of the Company's capital increase in 2012 through the initial public offering.

Despite the percentage of increase of liabilities during the past five years, which mainly resulted from the Company's increased borrowing to finance its planned expansions, some of which are already completed while others are still under construction, the liabilities value is still low compared to the Company's total assets and shareholders equities. This is due to the Company's various expansions in different projects. The Company has adopted a policy of conservative leverage relatively, and maintained relatively low borrowing levels during the past five years in order to have more dynamism and efficiency for future expansions.

21 Cash from Operating Activities

SR Million	2016G	2015G	2014G	2013G	2012G
Cash from Operational Activities	342	214	149	107	125

The Company achieved significant growth in cash generated from operating activities from SR 125 million in the year 2012 to SR 342 million in 2016, at a CAGR of 32%. Cash from total operational activities grew in parallel with the growth in the Company's revenues during the past five years. The Company maintained good levels of current assets, which strengthened operational cash level.



22 Earnings per Share

SAR/share	2016G	2015G
Share profitability	3.83	2.80

The Company achieved growth in earnings per share for 2016 as a result of its performance during the year. The share profitability was calculated on the basis of a weighted number of 59 million shares as at the end of 2016 and 2015, for a fair comparison of share profitability.

It is worth mentioning that the number of Company's outstanding shares increased from 47.2 million shares to 59.0 million shares in October 2015, as detailed later.

23 Shares, Debt Instruments and Options Rights' Activities:

<u>Shares Activities</u>: The number of Company's issued shares fully listed in the Financial Market was 59 million shares as at the end of 2016, following an increase of 11.8 million shares on 12 October 2015G, as result of distributing free shares on the basis of 1:4, through the conversion of part of the retained earnings. The Company was listed in the Saudi Financial Market on 17 December 2012.

<u>Debt Instruments</u>: The Company has no debt instruments convertible into shares, and there are neither rights for option nor similar rights certificates issued by the Company in 2016G. The Company has not issued any bonds, and therefore, did not buy, redeem or revoke any convertible or redeemable debt instruments. In addition, there are no agreements or arrangements for a waiver of any rights in profits by any of the shareholders.

24 Loans

As of 31 December 2016, the Company has Sharia-compliant short-term Murabaha financing from local banks amounting to around SR 87 million. This is in addition to a long-term financing amounting to SR 394 million from a local bank. The Company also signed an Islamic financing contract during 2016, including securitization (Tawarruq) in metals with a local bank. This financing will be repaid over a total period of six and a half years, after a grace period of 37 months. The Company aims to use this financing to establish new medical facilities and hospitals. This financing was obtained with an order note warrantee from the Company to the bank

All Company Loans are Shariah-Compliant

	Balance at the	Loan	<u>period</u>	Borrowed/F	Repaid Amount	Balance at the end
Loans (SR Million)	end of 2015	From	То	Borrowed during 2016	Repaid during 2016	of 2016
Murabaha- SABB, short-term	15	2015	2016	19	34	-
Murabaha- SABB – long- term	239	2015	2020	858	815	282
Murabaha- Samba – short-term	17	2015	2016	-	-	17
Murabah – Samba –long-term	72	2014	2018	355	315	112
Tawurruq, Saudi Fransi	50	2015	2016	370	420	-
Musharaka (Sharing- Alrajhi)	-	2015	2016	70	-	70
Total	393			1672	1584	481

The current portion of the long-term Murabaha stood at around SR 72 million as of 31 December 2016, to be repaid during 2017.

25 Shifting to International Financial Reporting Standards (IFRS)

The Company appointed an external advisor in 2015 to study the details of shifting from the standards of Saudi Organization for Certified Public Accountants (SOCPA) to the International Financial Reporting Standards (IFRS) in order for the Company to prepare for the shift by the beginning of the year 2017. The plan was comprised of three phases as follows:

- 1- Planning for the shift: The Company completed the planning phase.
- 2- Implementation preparing for the shift: The Company completed the preparing for the shift phase.
- 3- Implementation: Application of the shift: The Company is in the process of completing this phase so that shifting to international standards is implemented.

<u>Actual implementation during 2016:</u> In order to implement the phases for shifting to International Financial Reporting Standards, the Company has announced each phase as follows:

<u>First Phase</u>: On 25 August 2016, the Company announced commencement of the shift to international standards. This phase included the completion of the following works:

- 1. Prepare the shifting plan to apply the International Financial Reporting Standards and begin implementation.
- 2. Appoint an external advisor (Messrs. Ernst & Young and Partners), who completed study of the shifting plan, which is being applied by the Company.
- 3. Form an internal team responsible for the shifting plan and its implementation, in order to apply the International Financial Reporting Standards.
- 4. Thiry-one December 2017 was the targeted date to prepare the first financial statements for the first quarter of 2017, in accordance with the International Financial Reporting Standards.

<u>Second Phase:</u> On 25 October 2016, the Company announced that it had progressed with shifting to international standards. This phase included completion of the following works:

- 1. The Board of Directors approved the accounting standards required to prepare financial statements in accordance with the International Financial Reporting Standards.
- 2. Opening balances for the year 2016 were prepared in line with the international standards.
- 3. Interim financial statements for the first quarter of 2016 were prepared in line with the International Financial Reporting Standards, which were subject to auditing by the external auditor.
- 4. The Company disclosed that there were no material effects on the financial statements due to the application of international standards.
- 5. Accordingly, the Company announced its readiness to start applying the international standards in line with the planned time schedule.

Third Phase: In January 2017, the Company disclosed the last phase of implementing the shift to international standards, as follows:

- The opening financial position as of 1 January 2016 and the financial statements for the first quarter of 2016 have been prepared. The Company expects that the financial statements for the first quarter of 2017 will be ready, as per the international standard IAS 34 for quarterly financial statements.
- 2. There were no material effects on the Company's financial statements following application of International Financial Reporting Standards.
- 3. The draft financial statements per international standards included some immaterial differences, the most notable of which are as follows:
 - a. Slight increase in the depreciations resulting from segregating some fixed assets components.
 - b. Calculation of personnel end of service provisions in the actuarial method each year, which may differ from its calculation per Saudi Accounting Standards. Still, this has immaterial effect on the financial statements.
 - c. Restatement of explanations attached with the financial statements in a comprehensive method per international standards.
- 4. There were no impediments that affect the Company's ability to prepare its financial statements per the international standards.

Based on the implemented plan, The Board of Directors of Dallah Health Company confirms the Company's readiness to shift to prepare the financial statements per the international standards by the beginning of 2017, during the statutory period stipulated in CMA circular no. (2978/4), dated 25 March 2014, which is based on the letter of HE the Secretary General of the Saudi Organization for Certified Public Accounts No. (outgoing/2014/4579), dated 22/02/2014.

26 Waiver of Interests by a Director, Senior Executive or Shareholder:

There is no information on any arrangements or agreements whereby a director, a senior executive, or a shareholder of the Company has waived his interests or rights to the dividends.

27 Dividends Distribution Policy

The Company intends to continue to distribute dividends to its shareholders in order to enhance the value of their investments in the Company in a manner consistent with achieving Company objectives, its capital expenditures and investment requirements. However, this will depend on the profits generated by the Company, its financial position, market condition, general economic climate and other factors, including the Company's emergent need for reinvestment of those profits, its capital requirements, future forecasts, economic activity and other legal and regulatory considerations. The dividends will be paid in Saudi Riyals.

In compliance with Company's articles of association, any decision by the shareholders on cash dividends distribution must be issued by the Ordinary General Assembly based on the recommendations of the Board of Directors and after taking into account the various factors mentioned above.

Dividends distribution process is subject to certain restrictions in accordance with the Company's articles of association, which stipulates distribution of annual net profits after deducting all expenses and other costs as follows:

- Set aside 10% of the net profits to form a statutory reserve, and the Ordinary General Assembly may stop such provisioning when the said reserve reaches half of the share capital.
- The Ordinary General Assembly may, upon proposal of the Board of Directors, set aside 20% of the net profits to form other reserves for certain purpose(s).
- From the remaining amount, a first payment will be distributed to shareholders equivalent to 5% of the paid-up capital.
- 10% of the remaining net profit will be distributed as remunerations to the Board of Directors provided that such remunerations should be in compliance with the instructions and regulations issued by the Ministry of Commerce and Industry in this regard.
- The shareholders' General Assembly may retain 10% of the net profits for the establishment of social facilities for the Company's employees or for granting shares to Company employees as bonuses.
- The remaining amount shall be distributed to shareholders as additional share in the profits.
- Dividends to be distributed to shareholders shall be paid to them at the place and time specified by the Board of Directors in accordance with the instructions of the Ministry of Commerce and Industry in this regard.

28 Recommendation of Distribution of Cash Dividends

The cash dividends distributed by Dallah Health Company to its shareholders reflect the Company's interests in the contribution of its shareholders in the success of the Company, which has achieved growing profits despite the expansion phas, which requires large cash investments to maximize its growth. Therefore, the Board of Directors recommends distribution of cash dividends for the fiscal year 2016 in the amount of SR 118 millions at SR 2 per share, or equivalent to 20% of share nominal value. The eligibility to these profits will be for the Company's shareholders registered in the records of the Securities Depository Center, "Tadawul", at the end of the trading day on which the General Assembly convened and approved distribution in accordance with the regulations of the Ministry of Commerce and the Capital Market Authority. The remaining balance of profits not distributed will be added to the retained earnings.

Below is a summary of dividends paid by the Company to its shareholders in the last five years:

SR Millions	2016G	2015G	2014G	2013G	2012G
Declared dividends for the year	118.0*	88.5	47.2	70.8	70.8
Cash Dividends paid	88.5	47.2	70.8	70.8	6.5

^{*}recommended to be distributed

29 Saudization

Based on national duty and social responsibility, Dallah Health Company has laid extreme importance on Saudization, and is currently embarking on hiring Saudi cadres in various fields & specializations, and intends to train, qualify and engage them in the relevant positions, in line with the Kingdom's intention to nationalize jobs.

The Saudization ratio in Dallah Health Company is 25%, placing the Company in Medium Green Band 'Nitaqat' field. The Saudization ratio has increased in the Company by 3% during the year 2016, reflecting the Company's keenness to increase hiring of national cadres each year.

Accordingly, the Company is now within the Medium Green Band as per Nitaqat Program, based on the Ministry of Labor classification applicable in the Kingdom. The Nitaqat or bands program specifies the bands for health services companies as shown in the following table:

Saudization Nitagat for Healthcare Companies

Nitaq (Band)	Required Saudization Ratio
Excellent	35% and above
Green	20% – 34%
Yellow	10% – 19%
Red	0% – 9%

30 Corporate Social Responsibility:

The Company's commitment to its social responsibility represents the essence of its approach in carrying out its businesses over the years. The management believes that this commitment is strongly consistent with the Company's endeavor to increase value for shareholders. The Company recognizes its responsibility towards the communities it serves, and it is actively seeking to fulfill its role as a responsible Company, through many activities in 2016, manifested as below:

Source: Ministry of Labor

- Conducting a World Social Work Day under the slogan, "Seek my advice," during the month of March 2016, in participation with a group of charitable societies, companies and schools.
- Conducting a World Orphan Day under the slogan, "You are not alone, we are with you," during the month of April 2016, in participation with societies from inside and outside Dallah Hospital - Al Nakheel.
- Conducting a World Breastfeding Day in Dallah Hospital Al Nakheel during the month of October 2016.
- Conducting a World Diabetes Day during the month of November 2016, in participation with the different departments of the Company.

- Conducting a World Breast Cancer Day under the slogan, "you are the life, check and reassure us," during the month of November, in participation with a group of societies and companies outside Dallah Hospital, Al Nakheel. The exhibition was covered by the media.

Social activities outside the hospital during the year 2016:

- Visit to Al Tarbia Alalia Schools, where a lecture on smoking risks was delivered by female specialists.
- Visit by Call to Islam Center, North of Riyadh and presenting gifts to patients.
- Visit by students of Al Tarbia Alahlia Schools, and presenting gifts to pediatric inpatients.
- Training students of Al Tarbia Alahlia Schools on first aid.

31 Board of Directors:

A. Composition of the Board of Directors:

The Company's Board of Directors consists of nine members per the Company's articles of association. The fifth ordinary general assembly convened on 07 October 2013 and appointed the board members for a three-year term that commenced on 21 October 2013. Engineer Tariq Bin Othman Al-Qasabi was elected Chairman of the Board of Directors for this term on 27 October 2013.

After that, the nomination to the Board membership for the next three years' term, which commenced on 21 October 2016, was announced on 03 August 2016. The ninth Ordinary General Assembly, which convened on 18 October 2016, appointed the board members for the three Gregorian years' term, which commenced on 21 October 2016. Engineer Tariq Bin Othman Al-Qasabi was elected the Chairman of the Board for this term on 24 October 2016.

Following are the names of directors, membership status, and the names of joint stock listed and unlisted companies in which they are board members.

Board Term from 21/10/2013 – 20/10/2016					
Name of Member	Title	Status			
Eng. Tariq Othman Al-Qasabi	Chairman	Non-executive			
Dr. Abdulrahman Abdulaziz Al- Suwailem	Member	Independent			
Dr. Mohammed Rashid Al-Faqih	Member	Executive			
Mr. Mohiuddin Saleh Kamel	Member	Non-executive			
Mr. Fahad Abdullah Al-Qasim	Member	Independent			
Eng. Ammar Hassan Kamel	Member	Non-executive			
Dr. Ahmed Saleh Babaeer	Member – CEO and Managing Director	Executive			
Eng. Fahad Siraj Mala'ikah	Member	Non-executive			
Eng. Faris Ibrahim Al Rashid Al- Hamid	Member	Independent			

Board Term fro	Board Term from 21/10/2016 – 20/10/2019				
Name of Member	Title	Status			
Eng. Tariq Othman Al-Qasabi	Chairman	Non-executive			
Dr. Abdulrahman Abdulaziz Al- Suwailem	Member	Independent			
Dr. Mohammed Rashid Al-Faqih	Member	Executive			
Mr. Mohiuddin Saleh Kamel	Member	Non-executive			
Mr. Fahad Abdullah Al-Qasim	Member	Independent			
Eng. Ammar Hassan Kamel	Member	Non-executive			
Eng. Faris Ibrahim Al Rashid Al- Hamid	Member	Independent			
Eng. Fahad Siraj Mala'ikah	Member	Non-executive			
Mr. Hamza Bin Othman Khoshaim (Representative of the General Organization for Social Insurances)	Member	Independent			

Board Members Membership in the Boards of Other Joint Stock Companies:

The following are some Board members of the Company who were board members in other joint stock companies in 2016:

Membership in other listed and unlisted joint stock companies in the Saudi Financial Market:

Name of Member	Listed Joint Stock Companies	Unlisted Joint Stock Companies
Eng. Tariq Othman Al-Qasabi	1- Al-Jazira Bank 2- Aseer Company	1- Ataa Educational Company2- Sarb Real Estate Company3- Razm Holding Company
Dr. Abdulrahman Abdulaziz Al- Suwailem	-	-
Dr. Mohammed Rashid Al-Faqih	-	Dr. Mohammed Rashid Al-Faqih and Partners Company
Mr. Mohiuddin Saleh Kamel	1- Jabal OmarCompany2- Saudi Research &Marketing Company	1- Al-Khuzama Management Company
Mr. Fahad Abdullah Al-Qasim	 1- Safola Group 2- Jarir Marketing Company 3- Door Aldiyafah Company 4- Bank Albilad 	 Abdullatif Al Issa Group Holding Company Fahad Abdullah Abdulaziz Al- Gassim & Sons Company for Trading & Investment Saudi Heritage Hospitality Company Dr. Mohammed Rashid Al-Faqih and Partners Company Rakeen Najd Company International Naqel Company
Eng. Ammar Hassan Kamel	-	-
Eng. Faris Ibrahim Al-Rahid Al- Hamid	1- Shaker Company	 Ibrahim Al Rashid Al Hamid Sons Company Derayah Financial Company Saudi Home Loans Company Al Saghiyr Trading-Contracting Company Riyadh Real Estate Fund
Eng. Fahad Siraj Mala'ikah	-	1- Foras International Investment Company
Dr. Ahmed Saleh Babaeer (1)	-	-
Mr. Hamza Bin Othman Khoshaim (Representative of the General Organization for Social Insurances (2)	-	-

- (1) Board member for the term from 21/10/2013 20/10/2016
- (2) Board member for the term from 21/10/2016 20/10/2019

During 2016, none of the Company's board members has had any membership in the boards of more than five public joint stock companies.

B. <u>Interests of Board of Directors Members and Senior Executives in the Shares of the Company and its Subsidiaries:</u>

The table below shows interests of Board members in the shares of the Company during the fiscal year 2016. There is no ownership or interest for their spouses or minor children in the shares of the Company or its subsidiaries. Also, there is no ownership or interest for senior executives, their spouses or minor children in the shares of the Company or its subsidiaries:

Name of Member	Beginning of the Year	End of the Year	Net Change during the Year	Change %
Eng. Tariq Othman Al-Qasabi	2,845,000	2,845,000	-	0%
Dr. Abdulrahman Abdulaziz Al- Suwailem	1,250	1,250	-	0%
Dr. Mohammed Rashid Al-Faqih	3,095,000	3,095,000	-	0%
Mr. Mohiuddin Saleh Kamel	1,250	1,250	-	0%
Mr. Fahad Abdullah Al-Qasim	1,250	1,250	-	0%
Eng. Ammar Hassan Kamel	1,250	1,250	-	0%
Dr. Ahmed Saleh Babaeer (1)	1,250	1,250	-	0%
Eng. Fahad Siraj Mala'ikah	1,250	1,250	-	0%
Eng. Faris Ibrahim Al Rashid Al Hamid	1,250	1,250	-	0%
General Organization for Social Insurances	-	143,354	143,354	_
(represented by Mr. Hamza Bin Othman Khoshaim) (2)	-	1,359,875	1,359,875	_
Hasana Company (3)				
Dr. Ahmed Bin Saleh Babaeer (CEO)	1,250	1,250	-	-

- (1) Member of the Board term from 21/10/2013 20/10/2016
- (2) Member of the Board term from 21/10/2016 20/10/2019
- (3) Explanation: Hasana Company is a subsidiary of the General Organization for Social Insurances.

Interest in the Class of Voting Shares:

The Company was not notified during the year 2016 of any rights in the class of voting rights or any change to such interest for persons other than Board members, senior executives and their relatives under article (45) of the Listing Rules related to substantial holding of Company shares.

1) A description of any interest in the class of voting shares for persons (other than Board members, senior executives and their relatives) who notified the Company of such holdings pursuant to article (45) of the Listing Rules, and any change to such rights during the last fiscal year, in line with the requirements of paragraph (11) of article forty three of the Listing Rules.

Name of Party that holds	Beginning of 2016		During 2016		End of 2016	
interest	Number of Shares	Ownership %	Number of Shares	Change	Number of Shares	Change %
Dallah AL Barakah Holding Company	32,335,000	54.61	32,225,000	-	32,225,000	-

C. Board Meetings:

The Board members communicate with each other periodically, during the periods between the board meeting dates, to discuss and follow-up on the Company affairs, discuss latest developments and prepare meeting agenda as required. The Board held four meetings during the fiscal year 2016. The following record shows members' attendance of board meetings:



	Meet	tings Attenda	nce Record, 20	016G	Attended
Name of Member	First 18/02/2016G	Second 28/4/2016G	Third 24/10/2016G	Fourth 14/12/2016G	No. of Meetings
Eng. Tariq Othman Al- Qasabi	√	✓	√	√	4/4
Eng. Abdulrahman Abdulaziz Al-Suwailem	√	✓	√	√	4/4
Eng. Mohammed Rashid Al-Faqih	√	✓	√	Х	3/4
Mr. Mohiuddin Saleh Kamel	√	✓	√	√	4/4
Mr. Fahad Abdullah Al- Qasim	√	✓	√	√	4/4
Eng. Ammar Hassan Kamel	√	✓	√	√	4/4
Dr. Ahmed Saleh Babaeer (1)	√	✓			2/4
Eng. Fahad Siraj Mala'ikah	Х	✓	√	√	3/4
Eng. Faris Ibrahim Al- Rashid Al- Hamid	√	✓	√	√	4/4
Mr. Hamza Bin Othman Khoshaim (2) (representative of the General Organization for Social Insurances)			√	√	2/4

- (1) Member of the Board term from 21/10/2013 20/10/2016
- (2) Member of the Board term from 21/10/2016 20/10/2019

Remunerations and compensations of board members and senior executives:

Details (SR 000's)	Executive Members	Non- Executive Members	Independent Members	Payments to Five of Senior Executives Including CEO and CFO
Salaries and Remunerations	2,281	-	-	4,626
Allowances	484	-	-	916
Periodic and Annual Bonuses	400	800	600	1,267
Motivation Plans	-	-	-	-
Compensations and Privileges in-Kind	-	-	-	-

D. Board Committees:

In line with the Corporate Governance Regulations and in accordance with the needs and nature of company business, four main committees have been formed by the Board to support the Board in carrying out its tasks & responsibilities, and raising the standard of supervision and decision-making controls. These committees are: Audit Committee, Remunerations & Nomination Committee, Investment & Financing Committee and Executive Committee. Works of these committees are under supervision of the Board and they periodically present the findings of their businesses and recommendations to the Board. The fourth Ordinary General Assembly, which convened on 21 April 2013, approved the membership selection rules for the Remunerations and Nomination Committee, membership term and work methodology of the committee. The Board approved the regulations for the work of each committee. The fifth Extraordinary General Assembly, which convened on 16 November 2016, approved the formation of the Audit Committee, its functions, business controls and remunerations of its members for the new Gregorian three-year term, which commenced on 21 October 2016.

Below is summary of the committees' tasks, formation, members and number of their meetings during 2016:

- Audit Committee:

The Audit Committee was formed to strengthen the role of the Board of Directors in the review of the Company's accounting policies, oversee internal control systems and procedures, follow up on the work of auditors, study interim and annual financial statements before they are presented to the Board of Directors, and any other tasks assigned by the Board. The Audit Committee held 6 meetings during the fiscal year 2016 as follows:

First meeting	Second meeting	Third meeting	Fourth meeting	Fifth meeting	Sixth Meeting
17/01/2016	16/02/2016	18/04/2016	05/06/2016	26/07/2016	17/10/2016

The Company took into account the instructions of the governance regulations regarding the formation of this committee from non-executive board members. The committee consists of four members as follows:

1	Mr. Fahad Abdullah Al-Qasim	Chairman*	(Independent Board Member)
2	Eng. Faris Ibrahim Al-Rashid Al- Hamid	Member	(Independent Board Member)
3	Abdulrahman Bin Saleh Al-Khelaifi*	Member	Independent External Member
4	Mohammed Hamad Al Faris	Member	Independent External Member

^{*} Note: Mr. Fahad Abdullah Al-Qasim was the Chairman of the Audit Committee until the end of the Board term on 20/10/2016.

- The fifth Extraordinary General Assembly, convened on 16/11/2016, approved the formation of the Audit Committee, its functions, its business controls and the remunerations of its members in the new Gregorian three-year ter, which commenced on 21/10/2016. Committee members are the same mentioned members of the previous term, who are mentioned in the above table. The committee chairman will be named in the first meeting of the committee.

- Remunerations and Nominations Committee:

The Remunerations and Nominations Committee was formed to: enhance the role of the Board of Directors in making recommendations regarding the development of policies related to remunerations and incentives for Board members and senior executives of the Company; confirm, on an annual basis, the independence of independent members; review annualy the skills required for Board membership; identify weaknesses and strengths of the Board; and review the Board structure, making recommendations for possible changes and Board membership nominations. The committee held two meetings during the fiscal year 2016, and is composed of four members as follows:

1	Dr. Abdulrahman Abdulaziz Al-Suwailem	Chairman	(Independent Board Member)
2	Eng. Tariq Othman Al-Qasabi	Member	(Non-Executive Board member)
3	Eng. Ammar Hassan Kamel	Member	(Non-Executive Board member)
4	Mr. Hamza Bin Othman Khoshaim	Member	(Independent Board member)
	(Representative of GOSI)		

- ❖ Note: Mr. Abdulrahman Abdulaziz Al-Suwailem was the Chairman of the Remunerations and Nominations Committee until the end of the Board term on 20/10/2016.
- The Board of Directors, in its meeting held on 24 October 2016, has re-formed the committee for the Board term, which commenced on 21 October 2016, from the same previous members in addition to Mr. Hamza Bin Othman Khoshaim. The committee chairman will be named in the first meeting of the committee.

- Investment & Financing Committee:

The Investment & Financing Committee was formed by a decision of the Board of Directors; some tasks of the Board of Directors were delegated to this committee, the most important of which are: studying investment opportunities and the consistency of these investments with the Company's strategies, approving the Company investment decisions and banking facilities, and any other tasks entrusted to it by the Board of Directors. The Investment & Finance Committee held three meetings during the fiscal year 2016. It consists of five members as follows:

1	Eng. Tariq Othman Al-Qasabi	Chairman	(Non-executive Board Member)
2	Dr. Mohammed bin Rashid Al-	Member	(Executive Board Member)
	Faqih		
3	Mr. Mohiuddin Saleh Kamel	Member	(Non-executive Board Member)
4	Eng. Fahad Bin Siraj Mala'ikah	Member	(Non-executive Board Member)
5	Mr. Fahad Abdullah Al-Qasem	Member	(Independent Board Member)

❖ Note

- The Board of Directors, in its meeting held on 24 October 2016, has re-formed the committee for the Board term which commenced on 21 October 2016, from the same previous Board term members. Eng. Tariq Othman Al-Qasabi, was re-named as the Committee Chairman in the meeting of the committee in 14 December 2016.

- Executive Committee:

The Executive Committee, formed by a decision of the Board of Directors, was assigned some tasks of the Board of Directors, including: periodically following up on strategic plan implementation and estimated budget approval by the Board; assuming the tasks related to its authority in line with the approved authorities regulations; completeing amortization of debts in line with the approved chain of authorities and the recommendations of the Board for amortizations above that limit; reviewing and modifying credit terms of new clients of the Company and its subsidiaries; reviewing the Company's credit limits and credit risks of clients of the Company and its subsidiaries; monitoring and reviewing the Company's executive management compliance with the credit controls identified by the committee. The Board reviews the committee's meeting minutes periodically. The Committee performs its responsibilities under the authority granted by the Board, and completes any other tasks entrusted by the Board. The committee held four meetings during the fiscal year 2016. The committee is comprised of three members as follows:

1	Eng. Tariq Othman Al-Qasabi	Chairman	(Non-executive Board Member)
2	Dr. Mohammed Rashid Al	Member	(Executive Board Member)
	Faqih		
3	Dr. Ahmed Saleh Babaeer	Member	(Executive Board Member)

*Note:

- The Board of Directors, in its meeting held on 24 October 2016, has re-formed the committee for the Board term, which commenced on 21 October 2016, from the same previous Board term members. The committee chairman, Eng. Tariq Othman Al-Qasabi was named as the Committee Chairman in the first meeting of the committee.
- 2. Dr. Ahmed Babaeer's Board membership expired on 20 October 2016. However, he is a member of the committee in his capacity as the Company' CEO.

E. Results of the Annual Audit of Internal Control System's Effectiveness and Procedures:

The Audit Committee was formed in accordance with article 14 of the Corporate Governance Regulations issued by the Capital Market Authority. Its tasks and responsibilities are summarized as follows:

- 1. Oversee internal audit function to verify their effectiveness in implementing its tasks and responsibilities
- 2. Analyze the internal control system and report, in writing, its findings and recommendations.
- 3. Analyze internal audit reports and follow-up on implementation of the corrective actions noted in the reports.
- 4. Recommend appointment of auditors to the Board, after ensuring their independence, terminate them and identifying their fees.
- 5. Analyze audit plan in conjunction the auditor and submit comments on the plan.
- 6. Analyze comments of auditors on the financial statements and follow-up actions taken on them.
- 7. Inspect interim and annual financial statements before submission to the Board and express opinions and recommendations thereto.
- 8. Conduct a study of approved accounting policies followed, evaluate performance and give recommendations thereto.

The committee held 6 meetings during the year 2016G. The following is a statement of committee members and attendance record during the year.

Ser.	Name of Member	Post	Audit Committee Meetings Held during the Year 2016G					
			17/01	16/02	18/04	05/06	26/07	17/10
1	Fahad Abdullah Qasem *	Committee Chairman	✓	√	√	√	√	√
2	Faris Bin Ibrhim Al Rashed Al Hamid	Member	✓	✓	✓	✓	✓	✓
3	Abdulrahman Bin Saleh Al Khelaifi	Member	✓	✓	✓	✓	✓	✓
4	Mohammed Bin Hamad Faris	Member	✓	✓	✓	✓	✓	✓

^{*} Note: Chairmen of the Committee until expiry of Board term on 20/10/2016.

In light of the projects undertaken by the committee for the year 2016, the Audit Committee is of the opinion that there is no significant negligence or any substantial change in the internal control systems which are effective in the prevention and detection of errors, and that no substantial breach or violation of the internal control system have occurred during 2016.

F. Declarations of the Board of Directors:

The Company's Board of Directors acknowledges that:

- Proper books of accounts have been maintained.
- The internal control system is sound in design and has been effectively implemented.
- There is no doubt as to the Company's ability to continue its business.

32 Implementation of the Corporate Governance Regulations:

The Company seeks to comply with the governance standards through ongoing review of its policies and enactment of policies and procedures that will enhance the concept of transparency and integrity, and endeavors to upgrade the Company's compliance with Corporate Governance Regulations. The Company has developed its own governance regulations in light of the Governance Regulations issued by the Capital Market Authority and in compliance with its provisions and objectives. The Company reaffirms its practical compliance with all provisions of the Corporate Governance Regulations in the Kingdom of Saudi Arabia, with the following exceptions:

- Paragraph (d) of Article six: Is not applicable to the Company, as it is applicable for mutual fund investors and the like.
- Paragraph (i) of Article twelve: Is not applicable to the Company; the Company articles of association has not granted any natural person the right to appoint representatives to the Board of Directors. Voting, under the articles of association, is a right for all shareholders.

What was applied from the provisions of the Company's Governance Regulations during the year 2016 and was not applied during the year 2015:

Paragraph (b) of Article six is related to adopting the method of cumulative voting in the selection of board members. The Company's articles of association has been amended to stipulate, in its article thirty five, that cumulative voting shall be adopted in the selection of Board members. In pursuit of protecting the rights of all shareholders and facilitating the exercise of their legal rights in the voting to select members of the Board by cumulative voting, Board members have been selected for the new Gregorian three-year term, which commenced on 21 October 2016, by cumulative voting, in the ninth Ordinary General Assembly meeting on 18 October 2016.

Paragraph (f) of Article ten: Has been fully applied. The Company has developed its policies and procedures on respecting laws and regulations and compliance with the disclosure of material information of shareholders, creditors and other stakeholders. This policy was approved by the Board of Directors on 28 April 2016.

33 Transactions with Related Parties:

The Company's transactions included contracting with several parties related to one major shareholder in the Company or members of the Board of Directors. Pursuant to the principle of disclosure and transparency, all these transactions are mentioned in this report. Moreover, the Company, until the end of the fiscal year ending 31 December 2016, obtained approval from the eighth Ordinary General Meeting held on 02 May 2016, for all the following businesses and contracts, except item number 5:

#	Name of	Nature of	Transaction	Transaction	Transaction
	Related Party	Transaction	Amount	Term	Conditions
1	Board Members: 1. Mr. Mohiuddin Saleh Kamel 2. Eng. Ammar Hassan Kamel 3. Eng. Fahd Siarj Mala'ikah In their capacity as senior executives in Dallah Al Barakah Holding Company, one of the major shareholders of the Company	Business dealing with Darin Travel and Tourism Agency Company Ltd. regarding issuance of flight reservations and tickets to some Company employees. It is fully owned by Dallah Al-Barakah Holding Company.	SR 5,911,653	One year from 01/01/2016 to 31/12/2016	Prevalent market conditions. This dealing began several years ago, and is still ongoing.
2	Tariq Bin Othman Al- Qasabi (Board Chairman and Partner in Adaptive Techsoft) (ATS)	Two agreements with Adaptive Techsoft with the objective to provide technical support and maintenance services in addition to sales agreement relating to the Company's database	SR 3,106,565	One year from 01/01/2016 to 31/12/2016	Prevalent market conditions. This technical support dealing began several years ago and is still ongoing.
3	Board Members:	Business dealing with	SR 2,274,567	One year	Prevalent market
	1. Mr. Mohiuddin Saleh Kamel 2. Eng. Ammar Hassan Kamel 3. Eng. Fahd Siarj Mala'ikah In their capacity as senior executives in Dallah Al Barakah Holding Company, one of the major shareholders of the Company	Dallah Trading Company for spare parts and maintenance of air-conditioning equipment. It is owned by Dallah Al Barakah Holding Company		from 01/01/2016 to 31/12/2016	conditions. This dealing began several years ago, and is still ongoing.

#	Name of Related Party	Nature of Transaction	Transaction Amount	Transaction Term	Transaction Conditions
4	Board Members: 1. Mr. Mohiuddin Saleh Kamel 2. Eng. Ammar Hassan Kamel 3. Eng. Fahd Siarj Mala'ikah In their capacity as senior executives in Dallah Al Barakah Holding Company, one of the major shareholders of the Company	Rental of a site in Dammam for office purposes as well as for distribution and marketing of the Company's products. This property is owned by Dallah Real Estate and Tourism Company, a subsidiary of Dallah Al-Barakah Holding Company.	SR 40,000	One year from 01/01/2016 to 31/12/2016	Prevalent market conditions. This rental agreement started several years ago and is still on going.
5	Fahad Abdullah Al- Qasim (Board Member in Dallah Healthcare Company and major shareholder in Amwal Financial Consulting Company)	The Company rendered services from Amwal Consulting Company for business development and consultancy related services.	SR 130,000	One-time contract during 2016	Prevalent market conditions. These services started several years ago and are still on going.

34 Involvement of Board Members in Competitive Business Activities:

- 1) The Company discloses that Eng. Tariq Bin Othman Al-Qasabi is a partner owning 15.06% of Alosrah Medical Company without assuming any administrative position. Alosrah Medical Co. is a closed joint stock company providing medical care and treatment through Alosra Hospital. The Company further discloses that Eng. Tarik Bin Othman Al-Qasabi sold his share in Alosra Medical Company on 6 June 2016. It also discloses that there is no commercial transaction between the two companies. Egn. Tariq Bin Othman Al-Qasabi obtained the approval of the General Assembly in its eighth meeting held on 02 May 2016 to take part in this business activity.
- 2) The Company discloses that Dr. Mohammed Bin Rashid Al-Faqih, a member of Dallah Health Company Board of Directors, is a partner owning 13.178% (direct ownership) and 7.035% (indirect ownership) of Dr. Mohammed Bin Rashid Al-Faqih and Partners Company and is its Board Chairman. It is a closed joint stock company providing medical care and treatment through a general hospital east of Riyadh. The Company also discloses that Dallah Health Company has investment share of 30% in the capital of SR 430 million of Dr. Mohammed Bin Rashid Al-Faqih Company and that it has been agreed with the target company that Dallah Health will manage the hospital that will be built east of Riyadh. Dr. Mohammed Bin Al-Rashid obtained the approval of the General Assembly in its eighth meeting held on 02 May 2016 to take part in this business activity.

3) The Company discloses that Mr. Fahad Bin Abdullah Al Qassem, member of Dallah Health Company, is a partner owning 11.88% (indirect ownership), of Dr. Mohammed Bin Rashid Al Faqih and Partners Company and is a member of its board. Dr. Mohammed Bin Rashid Al Faqih and Partners Company is a closed joint stock company providing medical care and treatment though a general hospital east of Riyadh. The Company further discloses that Dallah Health Company has investment share of 30% in the capital of SR 430 million of Dr. Mohammed Bin Rashid Al Faqih and that it has been agreed with the target company that Dallah Health Company will manage the hospital that will be built east of Riyadh. Mr. Fahad Bin Abdullah Al-Qassem obtained the approval of the General Assembly in its eighth meeting held on 02 May 2016 to take part in this business activity

35 Company Loans to Any of its Board Members:

The Company confirms that there is no cash loan of any kind to any of its Board members by the end of 2016G.

36 Outstanding Regular Payments:

Description	Dues as at the end of 2016G	Remarks
GAZT	13,230,311	Dues for the year 2016G
GOSI	992,050	Dues for Dec. 2016G
Total	14,222,361	-

37 Penalties:

There is no penalty or provisional attachment imposed on the Dallah Health Company by the Capital Market Authority.

38 Company Auditor Selection:

The eighth Ordinary General Assembly, convened on 02 May 2016, decided to select Messrs. Dr. Mohammed Alamri and Partners BDO – Certified Accountants, as the Company Auditor for the fiscal year 2016G. The Board of Directors will make its recommendation to the Ordinary General Assembly, which will convene during 2017, to appoint the Company Auditor to audit the Company accounts for the year 2017 based on recommendation of the Audit Committee. The assembly may approve the appointment or appoint another auditor to audit the Company's accounts for the fiscal year 2017.

39 Shareholders General Assemblies in 2016G

The Company held three General Assembly meetings of shareholders in 2016. The Ordinary General Assembly Meeting no. (8) was held on 02 May 2016, which is the annual assembly which approved: the auditor's report, the financial statements for the fiscal year ended on 31 December 2015, the Board's annual report for the year 2015, payment of remunerations for Board members for the fiscal year 2015, absolving of board members responsibility for their business in 2015, appointment of the auditor for the fiscal year 2016G, approving and renewing transactions and contracts concluded in 2015 between the Company and related parties with direct or indirect interests and the Company, and authorization of its renewal for the year 2016, as well as the participation of board members in competitive activities.

The Company held the Ordinary General Assembly no. (9), dated 18 October 2016, during which Board members were elected for the Board term commencing 21 October 2016. The second agenda item of the assembly was to vote on the current dealing between Dallah Hospital and Riyadh Pharma Company due to interest for a Board candidate, Mr. Abdulaziz Mohammed Othman Al Yahya, in his capacity as senior executive of Riyadh Pharma Company.

The Company also held the Extraordinary General Assembly no. (5), on 16 November 2016, which approved the amendment of the Company's articles of association in line with the new Company's Law and the formation of the Audit Committee, its tasks, business controls and remunerations for its members during the new Gregorian three-year term, which commenced on 21 October 2016.

Company Shareholders General Assemblies:

The properly composed general assembly represents all company shareholders and shall convene in the city where the head office is located.

General Assembly Meeting

The shareholders general or private assemblies meeting shall be convened by invitation from Board of Directors pursuant to the Company's Law and its Regulations. The general assembly meeting shall also be convened by invitation from the Board if requested by the auditor, Audit Committee or a number of shareholders representing at least (5%) of the capital. The auditor may request the assembly to convene if the Board has not invited the assembly to convene within thirty days as of the auditor's request date.

Announcement of the General Assembly Meeting

The General Assembly meeting shall be announced in a daily newspaper distributed in the city of the Company head office at least ten days prior to the date of the meeting. It may be enough, however, for the general assembly to convene on the specified date via invitation in Tadawul website or via registered mail to all shareholders. A copy of the invitation and agenda shall be sent to the Ministry and the Capital Market Authority within the time specified for publication.

The Right to Attend the General Assembly

Each shareholder shall have the right to attend the general assembly meeting. The shareholder may assign by proxy in writing, another shareholder, other than board members or Company employees, to attend the general assembly.

Quorum of General Assembly Meeting

The Ordinary General Assembly Meeting shall be valid only if attended by shareholders representing at least a quarter of the capital. If the meeting falls short of quorum, one of the two following options should be considered:

- 1. The second meeting shall be held one hour after expiry of the time specified for the first meeting to convene, provided that the invitation to the first meeting shall include a proof of announcing the possibility of holding this meeting.
- 2. An invitation has been addressed to a second meeting to be held within thirty days following the previous meeting. This invitation shall be published as set forth in article (31) of the Company's articles of association.

In all cases, the second meeting shall be valid irrespective of the number of attending shares.

Quorum of Extraordinary General Assembly Meeting

The Extraordinary General Assembly Meeting shall be valid only if attended by shareholders representing at least half of the capital. If the quorum of the first meeting is not met, one of the two following options should be considered:

- The second meeting shall be held one hour after expiry of the time specified for the first meeting to convene, provided that the invitation to the first meeting shall include a proof of announcing the possibility of holding this meeting.
- 2. An invitation has been addressed to a second meeting that will be held under the same conditions set forth in article (31) of the Company's article of association.

In all cases, the second meeting shall be valid if attended by of a number of shareholders representing quarter of the capital.

If the second meeting falls short of quorum, an invitation shall be addressed for a third meeting that will convene under the same conditions set forth in article (31) of the Company's article of association. The third meeting shall be valid irrespective of the number of attending shares, after approval of the concerned authorities.

Voting on Assembly Decisions

Each shareholder has one vote for each share in the general assembly. The votes in the ordinary and extraordinary general assemblies are calculated on the basis of one vote/share. However, Board members shall not vote on the general assembly decisions which are related to absolving their responsibility during their membership term. Selection of Board members by the general assembly of shareholders shall be based on cumulative voting.

Quorum of Ordinary General Assembly Decisions

The Ordinary General Assembly decisions shall issue by absolute majority of shares in the meetings.

Quorum of Extraordinary General Assembly Decisions

The Extraordinary General Assembly decisions shall issue by two-thirds majority of shares represented in the meeting unless the decision is related to capital decrease or increase, extending the Company term or dissolving the Company prior to term as stated in its articles of association, or merger with another company or establishment. In these cases, the decision shall be valid if taken by three-quarters majority of shares in the meeting.

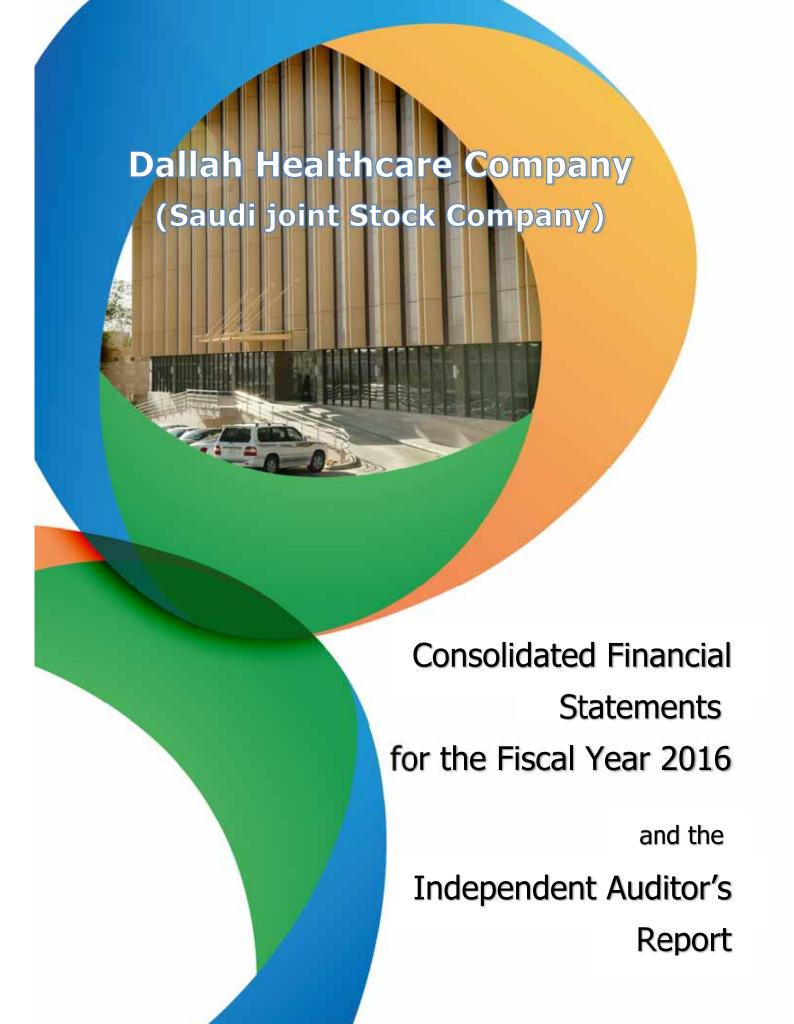
General Assembly Discussions

Each shareholder has the right to discuss topics in the agenda of the general assemblies and address questions related to these topics to Board members and the auditor. The Board or auditor shall answer shareholders questions to the extent that shall not cause damage to the Company's interest. If the shareholder has considered that the answer is not satisfactory, he may resort to the general assembly whose decision in this regard shall be enforceable.

40 Closing Statement:

In conclusion, the Board members of Dallah Health Company extend their thanks and appreciation to the Company's shareholders, its clients and all governmental and private agencies for their cooperation and continued support. The Board, also, expresses its sincere thanks to the Company's employees and consultants for their tireless efforts and dedicated work, which enabled the Company – with the grace of Allah - to realize these achievements in the previous year 2016. The Board looks forward, with optimism and ambition, to realize more achievements, progress and prosperity for the Company in the years to come.







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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Dallah Healthcare Holding Company (A Saudi Joint Stock Company)

Scope of Audit

We have audited the accompanying balance sheet of Dallah Healthcare Company ("the Company") and its subsidiaries (collectively "the Group") as of December 31, 2016 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, including the related notes from 1 to 27. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of the Regulations for Companies and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements, taken as a whole:

- present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and
 the results of its operations, cash flows and changes in shareholders' equity for the year then ended in
 conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia; and
- comply with the requirements of the Regulations for Companies with respect to preparation and presentation of consolidated financial statements.

For Dr. Mohamed Al-Amri & Co.

Dr. Mohamed Al-Amri Certified Public Accountant License Number 60 Byoth Adohomed N-Moh

> February 23, 2017 (G) 26 Jumad I, 1438(H)

Consolidated balance sheet

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 31,		
Assets	-	2016	2015	
Current assets				
Cash and cash equivalents	4	186,556,641	93,403,056	
Accounts receivable, net	5	287,598,944	259,493,368	
Inventories, net	6	69,149,649	87,980,415	
Prepayments and other assets, net	7	79,908,712	103,927,620	
Due from related parties, net	14.2-a	844,184	825,047	
	- -	624,058,130	545,629,506	
Non-current assets	-			
Investments	8	59,864,606	138,000,426	
Investment in an associate	9	142,814,086	141,424,895	
Property, plant and equipment, net	10	1,403,607,239	1,144,907,276	
Intangible assets	11	19,218,785	30,666,270	
	-	1,625,504,716	1,454,998,867	
Total assets	<u>-</u>	2,249,562,846	2,000,628,373	
Liabilities and shareholders' equity Current liabilities				
Short-term murabaha finance	12	86,841,876	82,260,866	
Current maturity of long-term murabaha finance	12	71,500,000	65,583,334	
Trade accounts payable	12	69,995,236	64,625,152	
Accrued expenses and other liabilities	13	68,892,686	50,066,188	
Due to related parties	14.2-b	307,201	567,657	
Zakat payable	21	13,230,311	9,715,479	
Zanat payablo	<u>-</u> .	310,767,310	272,818,676	
Non-current liabilities	=	0.0,10.1,0.10	2,2,0,0,0,0	
Long-term murabaha finance	12	323,028,630	245,453,716	
Employees' termination benefits	15	104,613,712	89,349,273	
	-	427,642,342	334,802,989	
Total liabilities		738,409,652	607,621,665	
Shareholders' equity				
Share capital	16,1-C	590,000,000	590,000,000	
Statutory reserve	17	398,251,315	398,251,315	
Fair value reserve for available for sale investments		(4,642,458)	14,543,457	
Retained earnings		527,544,337	390,211,936	
Total shareholders' equity	- -	1,511,153,194	1,393,006,708	
Total liabilities and shareholders' equity		2,241,562,846	2,000,628,373	
Contingencies and commitments	24			

Consolidated income statement

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year Decembe	
	_	2016	2015
Operating revenue, net		1,162,788,987	985,441,197
Operating costs		(625,967,858)	(578,306,254)
Gross profit	-	536,821,129	407,134,943
Operating expenses			
Selling and marketing	18	(24,695,664)	(17,018,700)
General and administrative	19	(280,005,888)	(219,739,809)
Income from operations	_	232,119,577	170,376,434
Share in the profits of an associate	9	1,389,191	(475,105)
Impairment of intangible assets	1-d	(11,091,000)	-
Other income, net	20,8-3	19,235,398	9,463,206
Financial charges	12	(1,809,233)	(4,633,556)
Income before zakat	_	239,843,933	174,730,979
Zakat	21	(14,011,532)	(9,673,911)
Net income for the year	<u>-</u>	225,832,401	165,057,068
Earnings per share:			
Income from operations for the year	1-c	3.93	2.89
Net income for the year	_	3.83	2.80
Weighted average number of outstanding shares	_	59,000,000	59,000,000

Consolidated cash flow statement

(All amounts in Saudi Riyals unless otherwise stated)

(All almounts in Saudi Riyals unle	Notes	For the Year ende	d December 31.
Cash flows from operating activities	-	2016	2015
Net income for the year		225,832,401	165,057,068
Adjustments for non-cash items		-,, -	,,
Deferred underwriting expenses write-off	1-b	_	4,148,353
Impairment of intangible	1-d	11,447,485	-
Depreciation of property, plant and equipment		57,500,689	56,303,377
Provision for doubtful debts, net	5	31,000,710	14,879,204
Provision for inventory	6	25,373,432	5,933,454
Provision for employees' termination benefits	15	37,106,015	22,699,993
Loss on sale of property, plant and equipment		155,180	2,098,659
Share in the (profits) / loss of an associate	9	(1,389,191)	475,105
Zakat provision	21	14,011,532	9,673,911
Gain on disposal of available for sale Investments	8.3	(9,416,012)	5,075,511
Changes in working capital	0.5	(3,410,012)	_
Accounts receivable		(59,106,286)	(31,667,913)
Inventories		(6,542,666)	679,801
Prepayments and other assets		24,018,908	(17,898,474)
Due from related parties		(19,137)	2,400,088
Trade accounts payable		5,370,084	(4,695,329)
Accrued expenses and other liabilities		18,826,498	1,617,219
Due to related parties		(260,456)	(268,538)
Employees' termination benefits paid		(21,841,576)	(8,077,111)
Zakat paid		(10,496,700)	(9,044,930)
Net cash generated from operating activities	-	341,570,910	214,313,937
	-	341,370,310	214,515,957
Cash flow from investing activities			
Proceeds from sale of available for sale investments	8	68,365,917	(000,400)
Additions to available for sale investments	8	-	(383,128)
Additions to investment in an associate	9	-	(141,900,000)
Additions to property, plant and equipment		(316,356,832)	(190,047,198)
Proceeds from sale of property, plant and equipment		1,000	267,061
Additions to Intangible assets	-	-	(3,422,270)
Net cash Used in investing activities	-	(247,989,915)	(335,485,535)
Cash flow from financing activities			
Proceeds of short-term murabaha finance		456,000,000	1,318,781,991
Repayments of short-term murabaha finance		(454,000,000)	(1,373,088,465)
Proceeds of long-term murabaha finance		1,215,679,077	329,037,050
Repayments of long-term murabaha finance		(1,129,606,487)	(78,000,000)
Dividends paid	23	(88,500,000)	(47,200,000)
Net cash (used in) / generated from financing activities	=	(427,410)	149,530,576
Net change in cash and cash equivalents		93,153,585	28,358,978
Cash and cash equivalents at beginning of the year		93,403,056	65,044,078
Cash and cash equivalents at end of the year	-	186,556,641	93,403,056
Supplementary information for non-cash transactions	•		
Write-off of accounts receivable bad debts		9,360, 215	11,591,843
Write-off of inventories obsolescence	•	14,709,912	2,901,315
	•	62,210	258,336
Write-off bad debts of prepayments and other current assets		62,210	230,330
Unrealized (loss) / gain from revaluation of available for sale investments	8	(19,185,915)	1,208,281

Consolidated statement of changes in shareholders' equity (All amounts in Saudi Riyals unless otherwise stated)

			Statutory	reserve			
	Notes	Share capital	Share premium	Transfers from net income	Fair value reserve for available for sale investments	Retained earnings	Total shareholders' equity
January 1, 2016		590,000,000	371,142,305	27,109,010	14,543,457	390,211,936	1,393,006,708
Net income for the year		-	-	-	-	225,832,401	225,832,401
Dividends	23	-	-	-	-	(88,500,000)	(88,500,000)
Change in unrealized loss from available for sale investments	8	-	-	-	(19,185,915)	-	(19,185,915)
December 31, 2016		590,000,000	371,142,305	27,109,010	(4,642,458)	527,544,337	1,511,153,194
January 1, 2015		472,000,000	371,142,305	27,109,010	13,335,176	390,354,868	1,273,941,359
Net income for the year		-	-	-	-	165,057,068	165,057,068
Increase in share capital	1-c	118,000,000	-	-	-	(118,000,000)	-
Dividends	23	-	-	-	-	(47,200,000)	(47,200,000)
Change in unrealized gain from available for sale investments	8	-	-	-	1,208,281	-	1,208,281
December 31, 2015	<u>-</u>	590,000,000	371,142,305	27,109,010	14,543,457	390,211,936	1,393,006,708

Notes to the consolidated financial statements

For the year ended December 31, 2016

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

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 the Company as a Saudi closed joint stock company on 14 Jumada I 1429H (corresponding to May 20, 2008). On 28 Dhu Al-Qadah 1433H (corresponding to October 14, 2012), the Company obtained regulatory approvals to be converted into 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 listed in the Saudi Capital Market on 4 Safar 1434H (corresponding to December 17, 2012). The Company changed its trading name from Dallah Healthcare Holding Company to Dallah Healthcare Company during an extraordinary annual general meeting held on 16 Safar 1438H (corresponding to 16 November 2016).

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

- **a- Construction in progress -** The Company has completed the design 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 for this project amounting to SR 920 million. The work was completed on the concrete structure and the final finishing works are under progress for the first stage to complete 150 beds and 100 clinics and it is expected to start operations by the third quarter of 2017.
- **b- Dr. Erfan and Bagedo General Hospital ("The acquired company") -** On 11 Jurnad II 1436H (corresponding to March 31, 2015), the acquisition agreement was expired and the target company decided not to renew the said agreement. Accordingly, the Company has written-off the deferred underwriting expenses related to such procedures amounting to SR 4.1 million during the first guarter of 2015 which were recorded under current assets.
- **c- Share capital -** The share capital of the Company as of December 31, 2016 amounted to SR 590,000,000 (2015: SR 472,000,000) comprises of 59 million shares (2015: 47.2 million shares) stated at SR 10 per share.

The Company increased its share capital by transferring reserves from its retained earnings on 28 Dhu al-Hijjah 1436 H (corresponding to October 12, 2015) during an Extraordinary General Assembly Meeting ("EAGM") of shareholders. This resulted in an increase of the Company's share capital by 25% amounting SR 118 million by issuing 1 share for every 4 shares held by shareholders registered at the EAGM date. Accordingly, the Company's share capital has increased to SR 590 million from SR 472 million divided into 59 million shares of SR 10 each.

The accompanying consolidated financial statements include the Company's financial results and the following subsidiaries (collectively referred to as the "Group") operating under separate individual commercial registrations:

			Ownership as of Dece	
<u>Subsidiaries</u>	Commercial <u>Registration</u>	Country of incorporation	<u>2016</u>	<u>2015</u>
Dallah Pharma Company (i) Afyaa Al-Nakheel for Supporting	1010410613	Kingdom of Saudi Arabia	98%	98%
Services Company Limited (ii)	1010404576	Kingdom of Saudi Arabia	99%	99%

The Company effectively owns 100% of all the subsidiaries as the remaining equity interests therein are owned by other parties on behalf of the Company.

On 15 Rabi I 1438H (corresponding to December 14, 2016), the Company decided to acquire all the remaining equity interests in Dallah Pharma Company. See note 27-b for a subsequent event.

1. General information (continued).

- **d- Dallah Pharma Company-** Dallah Pharma Company was established on 13 Jumad II 1435 H (corresponding to April 13, 2014) as a limited liability company with a share capital of SR 4 million. The activities of the company are the wholesale and retail trade in herbal and cosmetic products, food, milk and baby supplies, detergents, medical and surgical supplies and their maintenance and spare parts, chemicals, importing, exporting, marketing on behalf of others and operating factories and warehouses. The Company decided to transfer the operations of its branch (Dallah Pharma) and its assets and liabilities to Dallah Pharma Company effective January 1, 2015.
- 1 GENERAL INFORMATION (continued).

d- Dallah Pharma Company (continued)

During the year ended December 31, 2016 the Company recorded SR 11,091,000 as losses from impairment of intangible assets that were initially booked on acquisition of Dallah Pharma Plant and were recorded as part of the net intangible assets in the consolidated balance sheet. Additionally the Company amortized an amount of SR 356,485 against leasehold rights, which is part of intangible assets in the consolidated balance sheet.

e- Afyaa Al-Nakheel for Supporting Services Company Limited - Afyaa Al-Nakheel for Supporting Services Company Limited was established on 13 Rabe'e II 1435H (corresponding to January 14, 2014) as a limited liability company with a share capital of SR 50,000, the activities of this company are to establish and provide maintenance services to hospitals and medical centers and other supporting services. Afyaa Al-Nakheel Company mainly provides its services to the Group.

These consolidated financial statements also include the financial results of the following branches of the Group, operating under separate individual commercial registrations:

<u>Branch</u>	Commercial Registration	<u>City</u>
Head Office	2057004306	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 Healthcare Company clinics complex	1010428613	Riyadh
Dallah Pharma Factory for medicines	4030278471	Jeddah

On 15 Rabi Al-awal 1438 (corresponding: 14 December 2016) the Company announced that it would be establishing a (Single Person) limited liability company with a total share capital of SR 5 million, fully owned by Dallah Healthcare Company. The activities of the new company will include the management, operations, development of hospitals, health facilities, complexes, medical clinics and buying lands for the Company. See note 27-a for a subsequent event.

The accompanying consolidated financial statements were approved by the Company's management on 26 Jumad I 1438 (corresponding :23 February 2017).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with financial reporting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA"). The accounting policies applied in the preparation of these consolidated financial statements are in line with those used in the preparation of the annual financial statements for the year ended December 31, 2015. Significant accounting policies are summarized as follows:

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention as modified by revaluation of available-for-sale investments to fair value and investment in an associate using equity method and on the accrual basis of accounting and in compliance with the accounting standards promulgated by the SOCPA.

2.2 Basis of consolidation

The consolidated financial statements include the financial results of the Company and its subsidiaries in which the Company has effective equity of 50% or more and/or controls more than half of the voting rights or has the ability to lead its financial and operation policies. Inter-company accounts and balances are eliminated upon consolidation.

2.3 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management makes estimates and assumptions concerning the future which, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Provision for doubtful debts

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering the past recovery rates.

(b) Provision for inventories obsolescence

Inventories are held at the lower of cost and net realizable value. When inventories become damaged, expired, old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are damaged, expired, old or obsolete, are assessed collectively, and an allowance applied according to the inventory type and the degree of ageing or obsolescence based on expected selling prices.

(c) Estimated impairment of intangible assets

The Group tests annually whether intangible assets have suffered any impairment, in accordance with the accounting policies of the Group. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(d) Estimated useful lives of property, plant and equipment

The Group's useful lives of property, plant and equipment are reviewed by the management at least once a year at the end of each financial year. When the expected useful life of an asset is difference from the prior expectations, changes are accounted for as changes in the accounting estimates and are charged to the consolidated income statement. Such estimates may have significant impact on the book value of property, plant and equipment and on the amount of depreciation charged to the consolidated income statement.

2.4 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a share of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying consolidated balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a share of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated amortization and impairment losses, if any.

The Group's share of its associates' post-acquisition income or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the consolidated income statement.

(c) Available-for-sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted/unquoted investments including investments in mutual funds. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the consolidated balance sheet date.

These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date of consolidated financial statements as follows:

- Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments;
- (ii) Fair values of investments in mutual funds are based on last unit price of the fund announced by Fund Manager before or at year end; and
- (iii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows. Where information is not available and there is no indication of impairment in the investment value, and cost is considered the fair value.

2.4 Investments (continued)

Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as fair value reserve until the investment is disposed.

(d) Held to maturity investments

Held to maturity investments are carried at cost (adjusted for any premium or discount), less any decline in value which is other than temporary. Such investments are classified as non-current assets with the exception of investments maturing in the following twelve months.

2.5 Impairment of financial assets value and uncollectability

Financial assets are reviewed for impairment at each consolidated balance sheet date whenever there is objective evidence that a certain financial asset did not suffer impairment. When such evidence exists, impairment loss is recognized in the consolidated income statement. Impairment of value is determined as follows:

- (a) Assets recognized at fair value impairment in value represents the difference between cost and fair value net of impairment losses previously recognized in the consolidated income statement.
- (b) Assets recognized at cost impairment in value represents the difference between book value and present value of future cash flows discounted on the basis of prevailing interest rate in the market of similar asset.
- (c) Assets recognized at amortized cost impairment in value represents the difference between book value and present value of future cash flows discounted using original effective interest rate.

2.6 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) Engaged in revenue producing activities;
- (ii) Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) Financial information is separately available.
- (b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.7 Foreign currency translations

(a) Reporting currency

The consolidated financial statements of the Group are presented in Saudi Riyals which is the reporting currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at banks and other short-term highly liquid investments, if any, with maturities of three months or less from the purchase date.

2.9 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement and reported under "General and administrative expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated income statement.

2.10 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using weighted average cost method/batch. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. A provision is provided for obsolescence inventories.

2.11 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation except construction in progress which is carried at cost. Lands are not depreciated. Depreciation is charged to the consolidated income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

Number of years

•	Buildings Leasehold improvements	16 - 33 Shorter of estimated useful life (5) or lease year
•	Machinery and equipment	3 - 10
•	Medical equipment Furniture and fixtures	6 - 8 5 - 10
•	Motor vehicles	4

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated income statement, when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.12 Intangible assets

Intangible assets include licenses of manufacturing products and licenses of medical and herbal products and leasehold rights which represent the amount paid to lessor to acquire land lease contract. These intangible assets are not amortized, since they have indefinite useful life and are reviewed annually for impairment. The intangible assets which have definite useful life represented in the amount paid to acquire a land lease contract are amortized over the remaining contract years.

They also include the goodwill resulted from the acquisition which is reviewed annually to confirm that there is no impairment in its value.

2.13 Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. A reversal of an impairment loss is recognized for intangible assets other than goodwill.

2.14 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods received and services rendered, whether or not billed to the Group.

2.15 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.16 Zakat

The Company and its subsidiaries are subject to zakat in accordance with the regulations of the General Authority of Zakat and Income Tax (the "GAZT"). Provision for zakat is calculated on the zakat base. Any differences between the provision and the final assessment are recorded at the approval of the final assessment, when the provision is closed.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required by GAZT regulations.

2.17 Employees' termination benefits

Employees' termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its subsidiaries charged to the consolidated income statement. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the consolidated balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

2.18 Revenues

Revenues are recognized net of trade discount, quantity discount and insurance companies rejections upon providing the services to customers or upon delivery of products or accepted by customers. Other income is recognized when they occur. The value of services provided which are not yet invoiced is recognized as accrued revenue at the year-end.

Dividends income is recognized when the right to receive payment is established from the Group.

2.19 Selling, marketing and general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of operating as required under generally accepted accounting standards.

Allocations between selling and marketing expenses, general and administrative expenses and cost of operating, when required, are made on a consistent basis.

2.20 Murabaha finance

Murabaha finance is recognized at the proceeds received, net of transaction costs incurred, if any. Murabaha finance costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other murabaha finance costs are recognized in consolidated income statement.

2.21 Earnings per share

Earnings per share represent the share of profit in available income for ordinary shares. Earnings per share are computed for income from operations and net income based on the weighted average number of outstanding shares for the years ended December 31, 2016 and 2015.

2.22 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transferred 10% of its annual net income to a statutory reserve until such reserve equaled 30% of the share capital. This reserve is not currently available for distribution to the shareholders. Share premium is being transferred to statutory reserve according to Article No. 98 of the Saudi Regulations for Companies.

2.23 Operating leases

Rental expenses under operating leases are charged to the consolidated income statement over the year of the respective lease using the straight-line method.

2.24 Dividends

Dividends are recorded in the consolidated financial statements in the year in which they are approved by the General Assembly of the Company.

2.25 Reclassifications

Certain reclassifications have been made in the comparative year consolidated financial statements to conform to current year presentation.

3. Financial instruments and risk management

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management. The most important risks are currency risk, fair value and cash flow interest rate risks, credit risk, liquidity risk and fair value.

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, investments, accounts receivable, due from/to related parties, prepayments and other current assets, murabaha finance, trade accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company does not have concentration of significant currency risk as its transactions are principally in Saudi Riyals, Jordanian Dinars and US dollars. Management monitors changes in currency rates and believes that currency risk is insignificant.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risk associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group is not exposed to fair value and cash flow interest rate risks as the murabaha finance have a fixed finance rate.

3 Financial instruments and risk management (continued)

3.3 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to price risk with respect to ownership shares in respect of investments held by the Group and classified as available for sale in the consolidated financial statements. The Group has diversified its portfolio to manage the price risk arising from investments in equity securities.

3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is placed with local banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts. A percentage of approximately 29% of accounts receivable are due from governmental bodies as of December 31, 2016 (December 31, 2015: approximately 31%).

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

4. Cash and cash equivalents

<u>-</u>	2016	2015
Cash in hand	601,016	1,123,050
Cash at banks	118,155,625	92,280,006
Short term deposits	67,800,000	-
- -	186,556,641	93,403,056
5. Accounts receivable, net		
<u>-</u>	2016	2015
Receivables	333,604,300	283,010,641
Less: Allowance for doubtful debts	(46,005,356)	(23,517,273)
	۴87,598,944	259,493,368
The summary for the movement of provision for doubtful debts is as follows:		
<u>-</u>	2016	2015
January 1,	23,517,273	17,880,078
Charge for the year	31,848,298	17,229,038
Write-off of bad debts	(9,360,215)	(11,591,843)
December 31,	46,005,356	23,517,273
_		, , ,

6. Inventories, net

•		
	2016	2015
Medicines	66,009,101	74,898,229
Raw materials	5,219,402	6,449,259
Medical supplies	4,833,659	4,346,706
Medical consumables and cosmetics	4,964,734	3,503,367
Other	2,067,296	2,063,877
	83,094,192	91,261,438
Less: Provision for inventories obsolescence	(13,944,543)	(3,281,023)
December 31,	69,149,649	87,980,415
The summary of the movement of provision for inventory obsolescence is a	as follows:	2015
January 1,	3,281,023	248,884
Charge for the year	25,373,432	5,933,454
Write-off of inventories obsolesce	(14,709,912)	(2,901,315)
December 31,	13,944,543	3,281,023
7. Prepayments and other assets, net	2016	2015
Advances to suppliers	34,360,402	45,701,705
Prepayments	15,899,168	23,252,151
Accrued revenue	11,758,267	15,308,700
Retention receivables	9,124,197	11,844,540
Employees' advances	5,492,878	5,506,907
Other current assets	9,789,463	4,148,660
	86,424,375	105,762,663
Less: Provision for doubtful debts	(6,515,663)	(1,835,043)
	79,908,712	103,927,620
The summary of the movement of provision for doubtful debts is as follows:		
	2016	2015
	4 00 - 040	0 007 754

1,835,043

4,742,830

(62,210)

6,515,663

2,037,754

201,652

(146,027)

(258,336) 1,835,043

January 1,

Provision reversal

Write-off bad debts

December 31,

Additions

8. INVESTMENTS

Available for sale investments	Country of incorporation	Ownership percentage	2016	2015
Quoted investments:				
Aseer Trading, Tourism , Manufacturing,				
Agricultural, Real Estate and Contracting Company	Saudi Arabia	0.3%	7,195,150	9,399,792
Jordanian Pharmaceutical Manufacturing Company	Jordan	0.4%	312,463	398,221
Total quoted investments			7,507,613	9,798,013
Unquoted investments*:				
Makkah Medical Center Company	Saudi Arabia	7.5%	3,448,120	3,448,120
Al Ahsa Medical Services Company	Saudi Arabia	1.1%	1,798,145	1,798,145
Total unquoted investments		_	5,246,265	5,246,265
Other available for sale investments (8-1)			18,985,728	94,831,148
Total available for sale investments		_	31,739,606	109,875,426
Held to maturity investments (8-2)			28,125,000	28,125,000
, ,			59,864,606	138,000,426

^{*} The unquoted equity investments are stated at cost.

8-1 Other available for sale investments

This item represents an investment in the units of local real estate mutual fund, which complies with Islamic Sharia.

8-2 Held to maturity investments

This item represents an investment in Sukuk in US dollars which complies with Islamic Sharia, maturing on April 7, 2023 and it is available for sale before its maturity date.

8-3 The movement of investments is listed below:

	2016	2015
January 1,	138,000,426	136,409,017
Additions to available for sale investments	-	383,128
Disposal of Investments	(68,365,917)	-
Realized Gain on sale of investment *	9,416,012	-
Change in unrealized (losses) / gains	(19,185,915)	1,208,281
December 31,	59,864,606	138,000,426

^{*} Included in other income in consolidated income statement.

9. INVESTMENT IN AN ASSOCIATE

This represents an investment in an associate company for an amount of SR 129 million, which represents 30% of the share capital in Dr. Mohammed Rashed Al-Faqeeh Company, a closed joint stock company with an objective to construct general hospital east of Riyadh city. The Company paid additional SR 12.9 million, which represents the excess of the purchase price over the share in share capital that has been recorded as goodwill. The Company's share of profit from this investment is SR 1,389,191 for the year ended December 31, 2016 (2015: (loss) SR 475,105).

The movement of investment in an associate is listed below:

	2016	2015
January 1,	141,424,895	-
Additions	-	141,900,000
Share in net profit / (loss)	1,389,191	(475,105)
December 31,	142,814,086	141,424,895

10. Property and equipment, net

	January 1,				December 31,
	2016	Additions	Disposals	Transfers	2016
Cost					
Land	530,002,198	-	-	-	530,002,198
Buildings	473,302,208	6,841,580	-	-	480,143,788
Leasehold improvements	61,224,476	9,687,758	(241,437)	-	70,670,797
Machinery and equipment	61,732,996	9,094,475	(6,500)	-	70,820,971
Medical equipment	324,718,184	24,275,745	(17,109,451)	-	331,884,478
Furniture and fixtures	21,401,402	1,917,461	(2,086,776)	-	21,232,087
Vehicles	7,872,217	509,400	-	-	8,381,617
Construction in progress*	162,687,101	264,030,413	-	-	426,717,514
Total	1,642,940,782	316,356,832	(19,444,164)	-	1,939,853,450
Accumulated depreciation					
Buildings	(182,704,727)	(15,232,763)	-	-	(197,937,490)
Leasehold improvements	(40,376,505)	(5,439,499)	241,429	-	(45,574,575)
Machinery and equipment Medical	(53,064,224)	(1,963,891)	6,500	-	(55,021,615)
equipment Furniture and	(202,865,713)	(32,063,605)	16,992,755	-	(217,936,563)
fixtures	(13,566,448)	(1,630,273)	2,047,300	-	(13,149,421)
Vehicles	(5,455,889)	(1,170,658)	-	-	(6,626,547)
Total	(498,033,506)	(57,500,689)	19,287,984	-	(536,246,211)
Net book value	1,144,907,276				1,403,607,239

					December 31,
	January 1, 2015	Additions	Disposals	Transfers	2015
Cost					
Land	530,002,198	-	-	-	530,002,198
Buildings	382,727,498	821,209	-	89,753,501	473,302,208
Leasehold improvements	48,610,016	1,093,934	(33,043)	11,553,569	61,224,476
Machinery and equipment	54,997,301	5,281,961	-	1,453,734	61,732,996
Medical equipment	283,298,346	43,908,917	(5,771,915)	3,282,836	324,718,184
Furniture and fixtures	19,790,849	1,672,553	(62,000)	-	21,401,402
Vehicles	7,134,316	1,004,949	(267,048)	-	7,872,217
Construction in progress*	134,494,585	136,263,675	(2,027,519)	(106,043,640)	162,687,101
Total	1,461,055,109	190,047,198	(8,161,525)	=	1,642,940,782
Accumulated depreciation					
Buildings	(167,702,834)	(15,001,893)	-	-	(182,704,727)
Leasehold improvements	(36,259,086)	(4,131,461)	14,042	-	(40,376,505)
Machinery and equipment	(50,107,257)	(2,956,967)	-	-	(53,064,224)
Medical equipment	(177,813,883)	(30,790,276)	5,738,446	-	(202,865,713)
Furniture and fixtures	(11,504,539)	(2,105,226)	43,317	-	(13,566,448)
Vehicles	(4,138,335)	(1,317,554)	-	-	(5,455,889)
Total	(447,525,934)	(56,303,377)	5,795,805	-	(498,033,506)
Net book value	1,013,529,175				1,144,907,276
				_	

^{*} Refer to note 12 for murabaha finance cost which is capitalized as part of construction in progress.

11. Intangible assets

	Goodwill	Manufacturing products licenses	Products licenses	Leasehold rights *	Total
January 1, 2016	5,091,000	10,648,000	11,505,000	3,422,270	30,666,270
Amortization	-	-	-	(356,485)	(356,485)
Impairment	(5,091,000)	(3,000,000)	(3,000,000)	-	(11,091,000)
December 31, 2016	-	7,648,000	8,505,000	3,065,785	19,218,785
January 1, 2015	5,091,000	10,648,000	11,505,000	-	27,244,000
Additions	-	-	-	3,422,270	3,422,270
December 31, 2015	5,091,000	10,648,000	11,505,000	3,422,270	30,666,270

^{*} The leasehold rights represent the amount paid to a lessor for acquiring land lease contract in Jeddah that is amortized over the remaining contract year which is started on 10 Safar 1436H (corresponding to December 2, 2014) and ends on 10 Safar 1456H (corresponding to April 29, 2034).

12. Murabaha financing

The Company 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 from the Company.

On 30 Rabi I 1437 (corresponding to January 10, 2016) the Company signed an Islamic financing contract with a local bank amounting SR 640 million. This financing will be repaid in quarterly installments for 8 years after a grace year of 3 years. The Company aims to finance the expansion of Dallah Hospital – Nakheel from the proceeds of this financing. A promissory note with a total of SR 640 million was signed by the Company for the financing bank.

During the year ended December 31, 2016, the Company capitalized financial charges amounted to SR 11,543,902 (December 31, 2015: SR 5,939,694).

The volume of murabaha financing obtained by the Group is approximately SR 2,011 million, of which SR 1,530 million represents the unused portion as at December 31, 2016 (December 31, 2015: SR 1,272 million and SR 879 million, respectively).

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

12.1 Maturity profile of long-term murabaha financing

Set out below are the maturity details of murabaha financing:

	2016	2015
Year ended December 31,:		
2016	-	65,583,334
2017	71,500,000	71,500,000
2018	35,500,000	35,500,000
2019	134,971,508	138,453,716
2020 and after	152,557,122	-
	394,528,630	311,037,050

The book value of murabaha financing is in Saudi Riyals only.

13. Accrued and other liabilities

	2016	2015
Employees' related accruals*	28,620,161	25,027,518
Accrued expenses	21,226,597	14,774,583
Other payables	17,494,461	9,712,050
Deferred revenues	292,697	149,841
Other liabilities	1,258,770	402,196
	68,892,686	50,066,188

^{*} Employees' related accruals include balances for vacations, tickets, accrued bonus and other accruals.

14. Related parties

14.1 Related party transactions

Significant transactions and balances with related parties in the ordinary course of business which does not include preferred transactions, included in the consolidated financial statements are summarized as follows:

Nature of transactions	Related party	2016	2015
Travel tickets	Mutually directorate company	5,911,653	6,605,172
Technical support	Mutually directorate / owned company	3,106,565	4,689,150
Salaries and bonuses of the Company's executive directors		3,164,798	3,613,600
Board of directors' and Commitee members' remunerations (refer to note 19)		3,114,500	3,555,970
Medical services	Shareholders	771,427	1,123,668
Maintenance of air conditions	Mutually directorate company	2,274,567	702,723
Financial consultancy	Mutually directorate company	130,000	-
Office rent	Mutually directorate company	40,000	90,000

14.2 Related party balances

Year-end balances resulting from transactions with related parties are listed below:

a) Due from related parties

	2016	2016
Dallah Al Baraka Holding Company	829,984	810,847
Other	14,200	14,200
	844,184	825,047
b) Due to related parties		
	2016	2015
Dareen Travel Agency	256,456	355,172
Dallah Trading Company	-	7,147
Other	50,745	205,338
	307,201	567,657

15. Employees' termination benefits

	2016	2015
January 1,	89,349,273	74,726,391
Provision	37,106,015	22,699,993
Payments	(21,841,576)	(8,077,111)
December 31,	104,613,712	89,349,273

16. Share capital

The share capital of the Company as of December 31, 2016 amounting to SR 590,000,000 (2015: SR 590,000,000) comprises of 59 million shares (2015: 59 million shares) stated at SR 10 per share.

The Board of Directors of the Company proposed in its meeting held on 29 Rabi II 1436H (corresponding to February 18, 2015) increase in the share capital by 25% through transferring an amount of SR 118 million from retained earnings by issuing one bonus share for every four existing shares of the shareholders. Accordingly, the Company's share capital increased from SR 472 million divided by 47.2 million shares to SR 590 million divided by 59 million shares,. This increase in share capital has been approved by the shareholders in the General Assembly meeting on 28 Dul-al-Hijjah 1436H (corresponding to October 12, 2015). Earnings per share was recalculated based on the new number of shares. The legal proceeding for the increase was completed during 2016.

17. Statutory reserve

In accordance with Saudi Regulations for Companies and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the capital. No transfer has been made to statutory reserve during 2016 since the statutory reserve reached more than 30% of the Company's share capital. The statutory reserve in these consolidated financial statements represents the statutory reserve of the Company. This reserve is not available for distribution to shareholders.

18. Selling and marketing expenses

	2016	2015
Advertising and promotion	11,875,709	10,336,485
Salaries, wages and benefits	10,773,351	4,956,124
Marketing incentives	432,795	226,312
Other	1,613,809	1,499,779
	24,695,664	17,018,700

19. General and administrative expenses

	Notes	2016	2015
Salaries, wages and benefits	_	145,493,114	135,342,315
Material		23,444,261	26,216,806
Maintenance and services		16,512,673	5,265,576
Professional fees		6,131,479	6,210,746
Provision for doubtful debts, net*	5	31,000,710	7,697,801
Provision for inventories	6	25,373,432	5,933,454
Utilities		3,314,172	3,623,647
Rentals		3,895,817	3,610,035
Board of Directors and related committees remunerations	14	3,114,500	3,555,970
Insurance		3,133,889	2,996,482
Stationery		2,352,290	2,735,650
Depreciation		3,965,607	7,135,183
Permissions and licenses		1,809,686	1,386,156
Training and development		2,648,562	1,050,047
Other		7,815,696	6,979,941
	_	280,005,888	219,739,809

^{*} During the year ended December 31, 2016, the Company collected an amount of SR 847,588 (2015: SR 9,531,237) net of collection fees and it is related to a receivable balance written-off in prior years.

20. Other income, net

	2016	2015
Education support	2,493,005	3,096,757
Rentals	3,037,781	4,770,997
Buffet	1,990,477	1,558,910
Investments income	9,932,548	979,148
Dividends received	400,844	400,844
Loss on sale of property and equipment	(155,180)	(2,098,659)
Other	1,535,923	755,209
	19,235,398	9,463,206

21. Zakat

21.1 Components of the zakat base:

Certain adjustments were made to the financial information of 2016 based on the zakat return submitted to the GAZT.

	2016	2015
Zakat base		
Shareholders' equity	1,289,963,251	1,213,406,183
Provisions	83,437,588	56,642,121
Loans used in financing non-current assets	476,789,496	258,793,897
Adjusted net income	329,520,105	269,098,814
	2,179,710,440	1,797,941,015
Less:		
Property and equipment, net	(1,425,619,785)	(1,144,907,276)
Investments	(202,678,692)	(237,231,969)
Unrealized losses on available for sale investments	(4,642,458)	-
Intangible assets	(19,219,785)	(27,244,000)
Zakat base	527,549,720	388,557,770

Zakat is payable at 2.5 percent of higher of the zakat base or adjusted net income.

21. Zakat (continued)

21.2 Adjusted net income

	2016	2015
Net income before tax	239,843,933	174,730,979
Adjustments	89,676,172	94,367,835
Adjusted net income	329,520,105	269,098,814
21.3 Provision for zakat movement summarized as follows:	2016	2015
-		
January 1,	9,715,479	9,086,498
Provisions	14,011,532	9,673,911
Payments	(10.496.700)	(9 044 930)

9,715,479

13,230,311

21.4 Zakat status

December 31,

The Company filed its zakat returns up to December 31, 2015 and obtained unrestricted zakat certificates.

22. Earnings per share

Earnings per share from operating and net income for the two years ended December 31, 2016 and 2015 are computed based on the weighted average number of shares outstanding during these two years of 59.000.000 shares.

23. DIVIDENDS

On 25 Rajab 1437H (corresponding to May 2, 2016), the General Assembly approved the Board of Directors recommendation regarding the distribution of cash dividends of SR 88,500,000 for the year ended December 31, 2016 at SR 1.5 per share which have been fully paid during second quarter of 2016 (2015: SR 47,200,000, which have been paid fully during 2015).

24. CONTINGENCIES AND COMMITMENTS

- a) As at December 31, 2016, the Company had capital commitments that mainly relate to the construction contracts of the expansion of Dallah Hospital Nakheel and the construction of Namar Hospital amounting to SR 332.9 million (December 31, 2015: SR 96.2 million).
- b) As at December 31, 2016, the Group has a contingent liability in the form of bank guarantees amounting to SR 6.46 million which have been issued on behalf of the Group in the normal course of business (December 31, 2015: SR 4.7 million).
- c) 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.

25. SEGMENTAL INFORMATION

The Group consists of the following major business segments:

Hospitals segment - The objectives of the segment are to own, manage, operate and maintain the healthcare facilities.

Medicines segment - The objectives of the segment are to import, distribute, wholesale and retail of medicals. Also, manufacturing of medicines, pharmaceuticals, herbals, health, cosmetics, detergents, disinfectants, and packaging.

Head Office segment - The objectives of the segment are to operate, manage and maintain the healthcare facilities, wholesale and retail of surgical equipment, artificial parts, handicapped and hospitals equipment and other supporting services.

The Group operates its activities within the Kingdom of Saudi Arabia only.

25. SEGMENTAL INFORMATION (continued)

The following analysis is a summary of selected financial information as at December 31, 2016 and 2015 and for the years then ended, to the above-mentioned business segments:

Dece	mhar	21	2016	
Dece	mber	IJΙ.	2010	

Details					Eliminations		
	Hospitals	Medicines	Operations	Headquarters	between segments	Total	
Operating							
revenues, net	1,132,297,239	36,670,211	20,518,633	-	(26,697,096)	1,162,788,987	
Operating costs	(602,247,688)	(36,756,628)	(13,660,638)	-	26,697,096	(625,967,858)	
Gross profit/							
(loss)	530,049,551	(86,417)	6,857,995	-	-	536,821,129	
Net income/							
(loss) for the							
year	326,779,052	(78,565,664)	6,088,786	(28,469,773)	-	225,832,401	
Total assets	957,344,116	134,120,930	41,948,971	1,062,080,977	54,067,852	2,249,562,846	
Total liabilities	224,030,790	131,493,004	10,391,743	490,314,881	(117,820,766)	738,409,652	
Capital							
expenditures	30,599,525	619,755	2,050	285,135,502	-	316,356,832	
Depreciation	53,539,727	3,076,176	444,218	440,568	-	57,500,689	

December 31, 2015

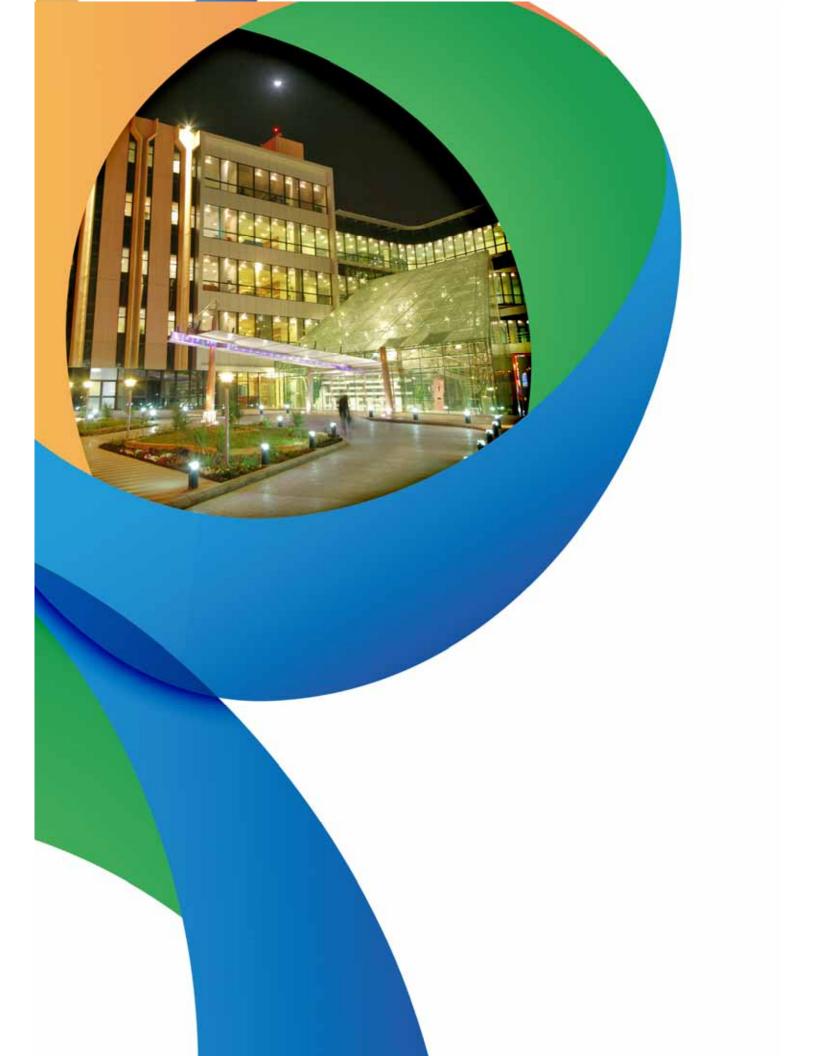
- -						
Details	Hospitals	Medicines	Operations	Headquarters	segments	Total
Operating						
revenues, net	917,204,380	60,239,734	21,264,135	-	(13,267,052)	985,441,197
Operating costs	(531,987,041)	(44,139,992)	(15,446,273)	-	13,267,052	(578,306,254)
Gross profit	385,217,339	16,099,742	5,817,862	-	-	407,134,943
Net income						
(loss) for the						
year	223,438,701	(17,956,381)	3,707,700	(44,132,952)	-	165,057,068
Total assets	974,255,559	188,711,113	36,536,080	848,767,903	(47,642,282)	2,000,628,373
Total liabilities	172,214,785	70,972,735	7,791,028	416,930,297	(60,287,180)	607,621,665
Capital						
expenditures	71,907,787	7,183,790	32,700	110,922,921	-	190,047,198
Depreciation	49,169,879	5,341,379	1,351,549	440,570	-	56,303,377

26. TRANSITION TO IFRS

SOCPA has approved a plan for transition to International Financial Reporting Standards. The plan requires that effective from January 1, 2017 all the companies listed on Saudi Stock Exchange ("Tadawul") shall prepare their financial statements in accordance with the International Financial Reporting Standards as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the SOCPA ("IFRS"). Accordingly, effective from January 1, 2017, the Company shall prepare its financial statements in accordance with IFRS.

27. SUBSEQUENT EVENTS

- a- 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.
- b- On 5 Rabi II 1438H (corresponding to January 2, 2017), the Company acquired remaining equity interest of 2% in Dallah Pharma Company and corresponding to that the Company's shareholding changed from 98% to 100%.
- c- On 26 Jumad I 1438H (corresponding to February 23, 2017), the Board of Directors recommended a distribution of cash dividends to the Company's shareholders for the financial year ended December 31, 2016 amounting SR 118 million at SR 2 per share. The dividend distribution recommendation will be presented to the shareholders for approval at the next General Assembly meeting.





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