DALLAH HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
AND THE INDEPENDENT AUDITOR'S REPORT

DALLAH HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

CONTENTS

BDO Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

P.O. Box 8736, Riyadh 11492
Tel. : +966 11 278 0608
Fax : +966 11 278 2883
info@alamri.com

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.

M. A. Al-Amri

د. محمد العمري وشركاه - محاسبون قانونيون
س. ت : ١٠١٠٢٣٢٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

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

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

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362)
● Jeddah: Tel. 012 6394477, Fax: 012 6394058 ● Dammam: Tel. 013 8344311, Fax: 013 8338553, www.alamri.com
Dr. Mohamed Al-Amri & Co., a Saudi Professional Company registered under licence no. 323/11/66, C.R. 4030275330
member of BDO International Limited, a UK company Limited by guarantee, and forms part of the international BDO network of independent member firms.

DALLAH HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

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		**2,24٩,562,846**	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		**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
		310,767,310	272,818,676
Non-current liabilities			
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		**2,24٩,562,846**	2,000,628,373
Contingencies and commitments	24		

The accompanying notes from 1 to 27 form an integral part of these consolidated financial statements.

DALLAH HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

Consolidated income statement
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 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		**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

The accompanying notes from 1 to 27 form an integral part of these consolidated financial statements.

DALLAH HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

Consolidated cash flow statement
(All amounts in Saudi Riyals unless otherwise stated)

	Note s	For the Year ended December 31, 2016	2015
Cash flows from operating activities			
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)**	-
Changes in working capital			
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
Cash flow from investing activities			
Proceeds from sale of available for sale investments	8	**68,365,917**	-
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
Write-off bad debts of prepayments and other current assets		**62,210**	258,336
Unrealized (loss) / gain from revaluation of available for sale investments	8	**(19,185,915)**	1,208,281

The accompanying notes from 1 to 27 form an integral part of these consolidated financial statements.

DALLAH HEALTHCARE COMPANY
(A Saudi Joint Stock Company)

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

	Notes	Share capital	Statutory reserve: Share premium	Statutory reserve: 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		590,000,000	371,142,305	27,109,010	14,543,457	390,211,936	1,393,006,708

The accompanying notes from 1 to 27 form an integral part of these consolidated financial statements.

(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 to16 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 Jumad 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 quarter 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 percentage as of December 31,	
Subsidiaries	**Commercial Registration**	**Country of incorporation**	**2016**	**2015**
Dallah Pharma Company (i)	1010410613	Kingdom of Saudi Arabia	**98%**	98%
Afyaa Al-Nakheel for Supporting 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.

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.

(All amounts in Saudi Riyals unless otherwise stated)

1 GENERAL INFORMATION (continued).

Subsidiaries (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:

Branch	Commercial Registration	City
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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and disclosure of contingent 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Investments (continued)

(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:

(i) 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Property, plant and equipment (continued)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Selling, marketing and general and administrative expenses (continued)

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.

(All amounts in Saudi Riyals unless otherwise stated)

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

	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

	2016	2015
Receivables	**333,604,300**	283,010,641
Less: Allowance for doubtful debts	**(46,005,356)**	(23,517,273)
	٢87,598,944	259,493,368

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

	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

6 Inventories, net (continued)

The summary of the movement of provision for inventory obsolescence is as follows:

	2016	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
January 1,	**1,835,043**	2,037,754
Additions	**4,742,830**	201,652
Provision reversal	**-**	(146,027)
Write-off bad debts	**(62,210)**	(258,336)
December 31,	**6,515,663**	1,835,043

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.

(All amounts in Saudi Riyals unless otherwise stated)

8 INVESTMENTS (CONTINUED)

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, 2016	**Additions**	**Disposals**	**Transfers**	**December 31, 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	**(53,064,224)**	**(1,963,891)**	**6,500**	**-**	**(55,021,615)**
Medical equipment	**(202,865,713)**	**(32,063,605)**	**16,992,755**	**-**	**(217,936,563)**
Furniture and 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**

10 PROPERTY AND EQUIPMENT, NET (CONTINUED)

	January 1, 2015	Additions	Disposals	Transfers	December 31, 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).

12 MURABAHA FINANCING (CONTINUED)

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

(All amounts in Saudi Riyals unless otherwise stated)

14 Related parties (continued)

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

(All amounts in Saudi Riyals unless otherwise stated)

19 General and administrative expenses

	Notes	2016	201٥
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.

(All amounts in Saudi Riyals unless otherwise stated)

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)
December 31,	**13,230,311**	9,715,479

21.4 Zakat status

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.

(All amounts in Saudi Riyals unless otherwise stated)

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:

	December 31, 2016					
Details	**Hospitals**	**Medicines**	**Operations**	**Headquarters**	**Eliminations 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**	**Eliminations between 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.