



**Dallah  
Health**

## **Dallah Healthcare Company**

**Board of Directors Report**

**For Fiscal Year 2018**



**Dallah  
Health**



**مستشفى دلة**  
**Dallah Hospital**  
النجيل Al Nakheel



**مستشفى دلة**  
**Dallah Hospital**  
نمار Namat



**Dallah  
Pharma**



**Afyaa Al Nakheel**  
Support Services Company Ltd

# 新几何



## Chairman's Statement

Gentlemen, Shareholders of Dallah Company for health services.

May peace, mercy and blessings of Allah be upon you,

**I'm pleased to welcome you to our annual meeting**, and present you with the annual report of the company for the year ended on 31<sup>st</sup> December 2018, in addition to a presentation of the developments, achievements and challenges which the company has experienced over the past year.

we started a journey over 30 years ago with a hospital of limited beds capacity, which has now become a substantial institution that includes a number of hospitals, extensive beds capacity, great clinical potentials and a variety of services and health activities. Our journey has been , able to continue in spite of the challenges faced, all made possible through an expansion strategy that preserves the ethical and professional principles of the company, guided **by the country's National Transition Program of 2020** and in line with the vision 2030.

The year 2018 presented many challenges, summarized as follows:

1. The inauguration of the Dalla Namar Hospital and the incurred start-up costs.
2. The decline in the population base of the city of Riyadh leading to lower numbers of visitors and patients.
3. Our continued implementation of the Saudization Program, under national guidance.
4. The rise in competition in the health sector.
5. The opening of new marketing channels for the distribution of medicines despite market challenges.

In spite of all the mentioned challenges, our achievements and expansion plans are still in progress through:

1. Raising the beds capacity of the Dallah Al-Nakheel Hospital, which is expected to be inaugurated in the year of 2019.
2. Meeting the demand for health services in the east and north-east regions of the capital through our investment in Dr. Mohammed Al-Faqih Hospital, which is expected to begin operations in the year of 2019.
3. The entry into the Western Region market through the establishment of the Jeddah City Hospital.
4. The expansion in the field of management and operations through competitive governmental and private health sector offers.

And in support of our investors' confidence and the belief that our shares are being traded below their fair value, the Board of Directors has recommended buying treasury shares during the year of 2019, not exceeding 5% of the company's shares.

Dear shareholders, the financial performance achieved this year reflects the overall impact sustained by the entire sector and operational losses incurred as a result of initiating new projects for the company, in addition to the transition phase which the Saudi economy has been undergoing for some time, further compounded **by the current competitive nature of the sector. Never the less and by God's will, we shall be** able to progress and achieve through the support of our shareholders and our strong financial position, our commitment to our professional and ethical principles and the mutual support for the country's course of action.

**Finally, I'm honored to extend my sincere thanks to the members of the Board and to the management of** the company for their efforts throughout the year and their continuous guidance to support the strategies of the company and the achievement of its goals. **I'm** also grateful for the supportive efforts by the government, and the various supervisory authorities for their cooperation, hoping for all progress and prosperity.

May Allah grants success,

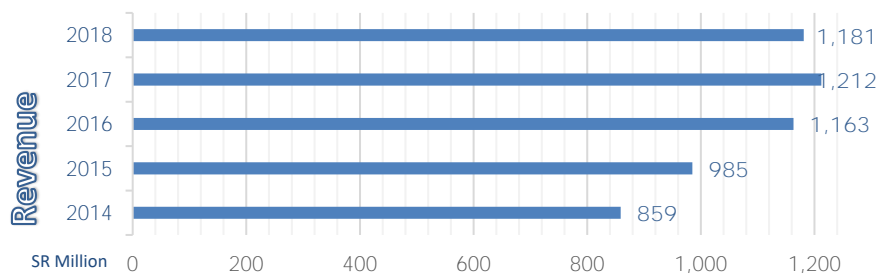
Tarek Bin Othman Al-Kasaby  
Chairman of Board of Directors

# Board of Directors Report

## For Fiscal Year 2018



## Share performance of Dallah Health co. in five years

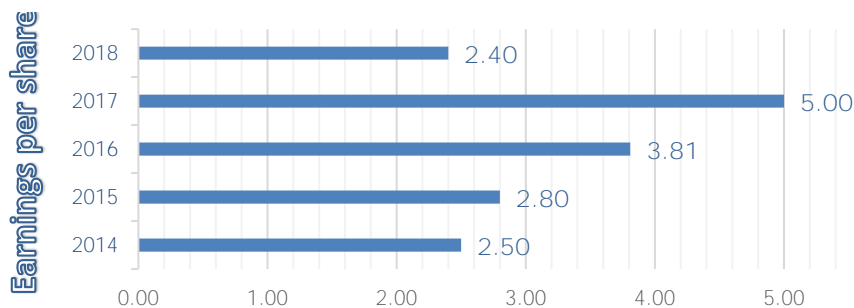


### Revenue

SR Million

**1,181**  
2018

**1,212**  
2017



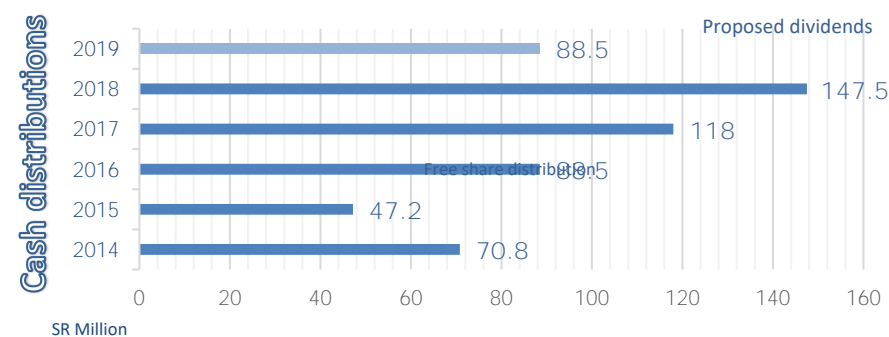
SR / share (based on 59 million shares)

### Profits

SR Million

**142**  
2018

**295**  
2017



SR Million

### Dividends

SR per share

**1.50**  
For 2018  
(for the 1<sup>st</sup> half + free shares)

**2.50**  
For 2017

### Ticker Symbols

Tadawul 4004

Reuters 4004.SE

Bloomberg DALLAH AB Equity

Dear Shareholders,

Peace, mercy and blessings of Allah be upon you.

The Board of Directors of Dallah Health Services Company is pleased to present its report to the company's shareholders for the fiscal year 2018. The company also has the honor to present the company's activities and overall status, along with the results of its operations, and the auditor's report on the company's annual consolidated financial statements.

## 1. Company Overview

Dallah Health Services Company is a public shareholding company, registered under Commercial Registration No. 1010128530, dated 13 Rabee Thani 1415H (corresponding to 18 September 1994). It is listed on the Capital Market in Saudi Arabia under the symbol 4004 and under the health care sector. The company's capital consists of 59 million shares, at a par value of SR 10 per share paid in full, with a total value of SR 590 million as of the end of 2018. All of the company's shares are of one class, and no shareholder has preferential rights over other shareholders.

## 2. Company's Fiscal Year

According to the company's statutes, the fiscal year starts January 1 and ends December 31 of each year.

## 3. Company's Auditor

Dr. Mohamed Al-Omari & Partners Co. (BDO) assumed the audit tasks of the Company for the fiscal year 2018, having been appointed as auditors by the General Assembly held on May 22, 2018 (Dr. Mohamed Al Omari & Partners Co. (BDO) for the year 2017).

## 4. Overall Situation during 2017

### Kingdom's Vision 2030: The Medical Sector

As part of Vision 2030, the Kingdom has embarked on achieving optimal utilization of hospitals and medical centers, and encouraging citizens to benefit from primary health care as a first step in their **treatment plan. It is within the vision's plan that the public sector in the Kingdom focuses on the role** of planning, organization and control of the health system. It is also planned that the quality of health services be raised through government companies.

As further part of Vision 2030, the government shall work towards broadening the base of beneficiaries of the health insurance system, facilitating faster access to services and reducing waiting times for access to specialists and consultants.

**Lastly, in line with Vision 2030's focus on human resource development of the health sector, , the** Kingdom shall seek to train physicians to better cope with and treat chronic diseases which pose both a challenge and a threat to the health of citizens.

The National Transition Plan for Health Care has endorsed this vision. The strategic objectives of this plan include: increasing privatization of governmental services from 2017 to 2020, thereby providing an environment which will enhance the confidence of local and international investors, so as to attract investments in the health sector.

## Notable Updates to the Insurance and the Demand on Healthcare Services:

### 1-1 Increase of Kingdom's Population:

In support of the government's initiatives to promote the health of both citizens and residents, the Cooperative Health Insurance Council has completed the electronic requirements for the application of compulsory health insurance to all Saudis working in the private sector and their family members, starting in early 2019.

This is expected to result in a growth in the health insurance sector, particularly with the renewal of the insurance documents by the end of 2018.

### 4-2- General health sector indicators in the Kingdom:

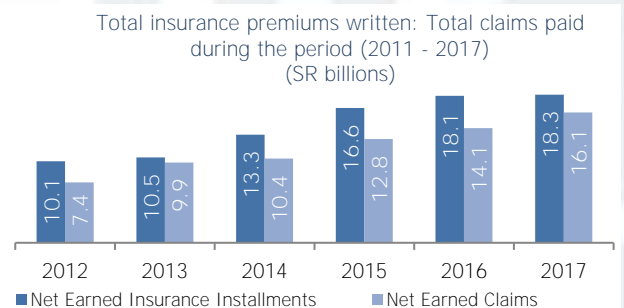
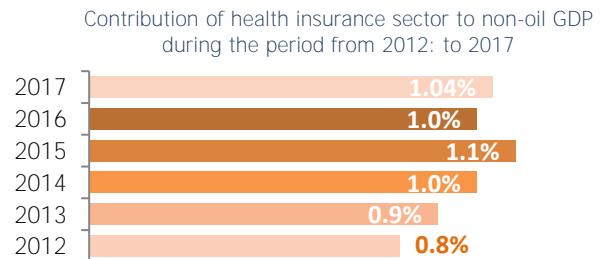
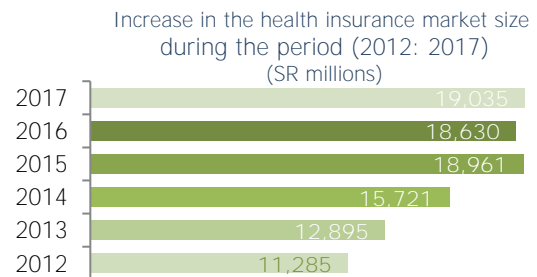
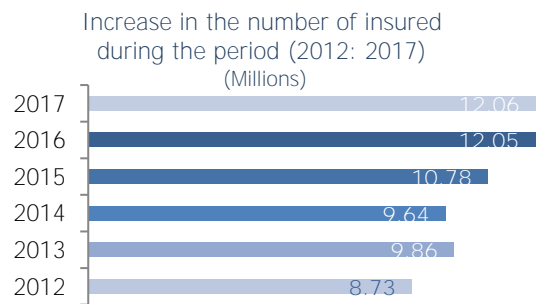
The number of beneficiaries covered by Cooperative Health Insurance has increased from 8.7 million beneficiaries in 2012 to around 12.06 million beneficiaries in 2017, at a compound annual growth rate of approximately 6.7%. Thus, 37% of the Kingdom's population have been covered by Cooperative Health Insurance.

The number of Saudis covered by the Cooperative Health Insurance System during 2017 was about 2.73 million beneficiaries, equivalent to 23% of the total covered by the system.

The total health insurance premiums rose from SR 11.3 billion for the year 2012, to SR 19.04 billion for the year 2017, with an annual growth rate of about 11%. It should be noted that the total premiums and insurance during 2017 increased by approximately 2.2% from the year 2016.

The percentage of total health insurance premiums subscribed to non-oil GDP, which is known as the depth of non-oil insurance, increased from 0.80% in 2012 to 1.04% during 2017.

The rate of retention of health insurance companies increased from 88% in 2012 to 97% in 2017. This indicates a growth in the capabilities of insurance companies to provide services to the insured.

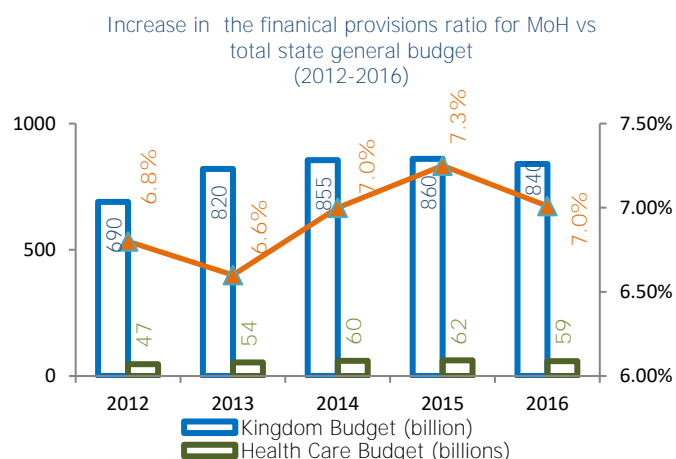


## Situation of Health Care Sector in the Kingdom

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

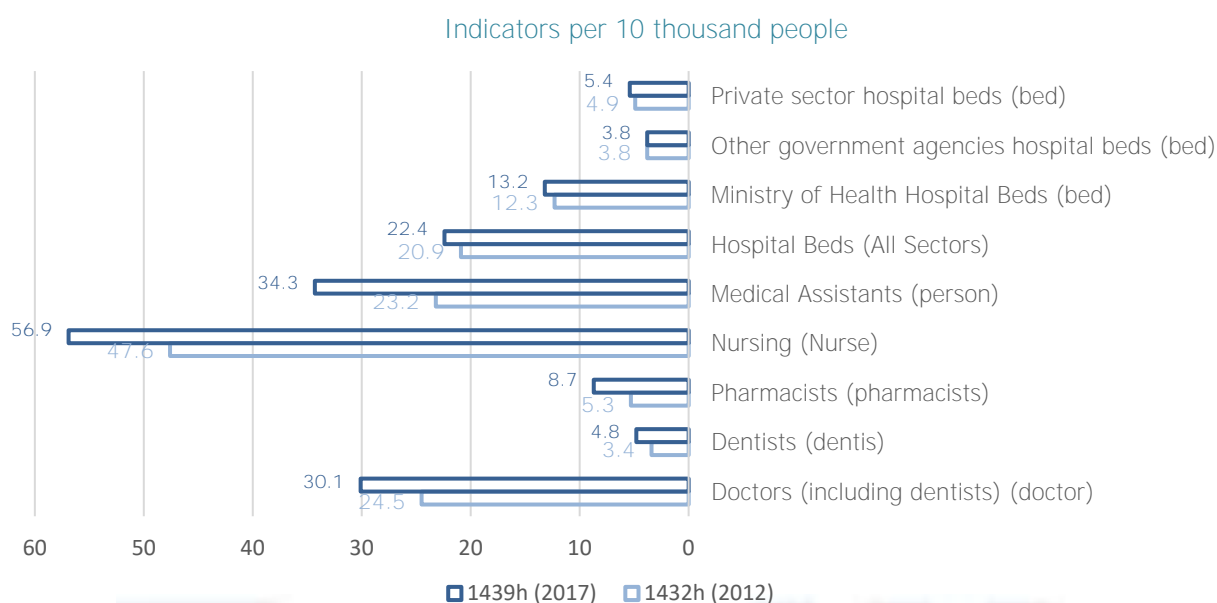
#### 4-5 Spending on Health Sector:

The proportion of financial allocations in the budget of the Ministry of Health for the total budget of the Kingdom of Saudi Arabia rose from 6.6% in 2013 to about 9.7% expected for the budget of 2019, thus reflecting the increasing interest of the Government of the Kingdom in providing health services to all citizens.



#### 4-6 Health Resources Indicators in the Kingdom in All Sectors

Health resources in most sectors have developed significantly over the past years. The following chart shows the evolution of health resources in the service sectors (Ministry of Health, other governmental agencies, private sector) during the period from 2012 to 2017.



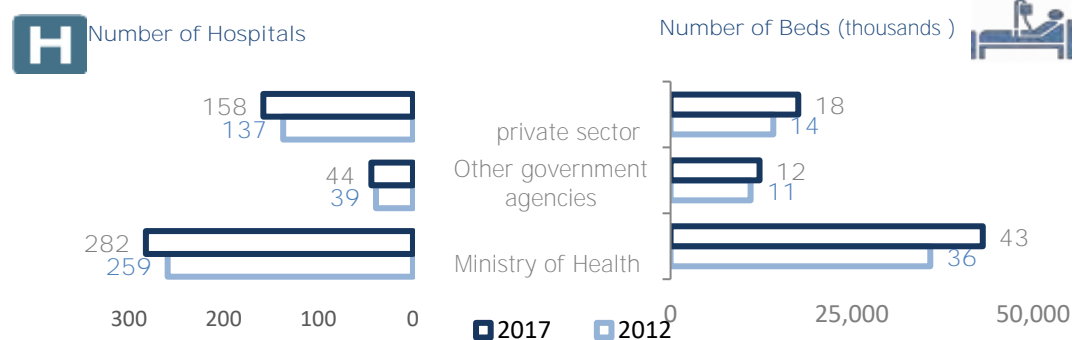
Source: Ministry of Health - Statistical Book

#### 4-7 Development in the Number of Hospitals and Beds in the Various Health Sectors:

The health care system in the Kingdom is based primarily on the health care services provided by the Ministry of Health. The number of beds belonging to the Ministry of Health hospitals compared to the total number of beds in all sectors was approximately 58% during 2017.

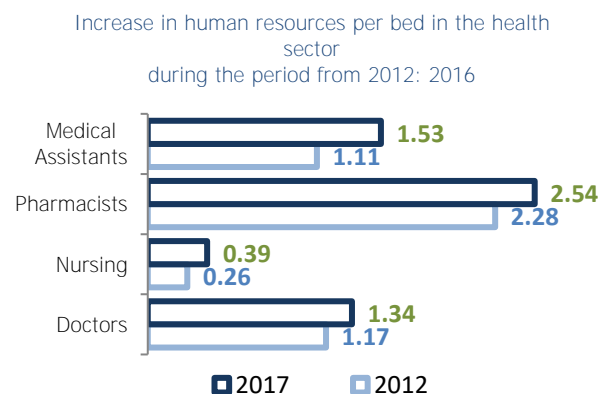
The percentage of beds in private sector hospitals (in relation to the total number of beds in all sectors) reached 32.6% during 2017 compared to 23.0% during 2012.

Number of Hospitals and Beds in the Various Health Sectors in the Kingdom during the Period 1433/1438H (2012/2017G)



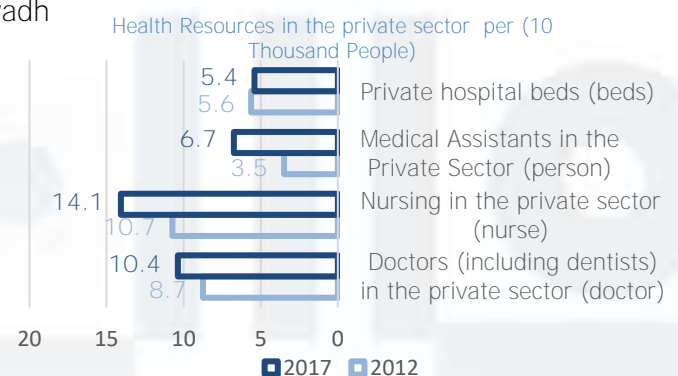
#### 4-8 Development in Human Resources

The increase in the number of households in the Kingdom in all sectors was accompanied by an increase in the number of workers supervising those beds during the last five years, thus reflecting the overall trend towards improving the service provided to patients. The following drawing shows the evolution in the human resources rate per bed in all health sectors in the Kingdom during the period 2012-2017.



#### 4-9 Health Resources in the Private Sector in Riyadh:

The health resources of the private sector in Riyadh from 2012 to 2017 also increased significantly in terms of number of beds, doctors, and nursing and auxiliary medical staff.



Source: Ministry of Health - Statistical

## 5. Dallah Health Company

In pursuit of pioneering in the health sector, Dallah Health Services has sought to provide the best medical staff and facilities of the highest standards of quality. Dallah is currently developing a number of projects to support the company's position to serve the health sector in the Kingdom.

The company seeks to expand through a variety of strategies ,including:

1. Building entirely new hospitals.
2. Expanding existing hospital facilities.
3. Acquiring other hospitals entirely.
4. Entering in partnerships to establish other hospitals.
5. Geographical expansion in pharmaceutical distribution networks in the Kingdom.
6. Expansion of pharmaceutical production and diversification of its products.
7. Expanding the number of hospital operating contracts in the Kingdom.
8. Increasing its efficiency and effectiveness in providing services of the best quality.

### 1-1 *Company Sectors*

The company's activities are concentrated in hospitals as a main sector. The company generally manages its activities from the Dallah-Al-Nakheel Hospital Complex, a wholly-owned subsidiary of Dallah Health Services. The Dallah-Al Nakheel Hospital complex provides comprehensive medical services through outpatient clinics, inpatient departments, and other supporting services, through several medical buildings at the Dallah-Al-Nakheel Hospital complex.

On April 9, 2018, Dallah began operating the Dallah-Namar Hospital, which marks a cornerstone addition to the company's operations, especially in the south-west region of Riyadh. The phased-in operating of this hospital began with an initial capacity of 150 beds and 100 clinics.

### 1-2 *Company Activities*

Although the main activity of the company is concentrated on the establishment and operation of hospitals, there are other subsidiary activities. These subsidiary activities are:

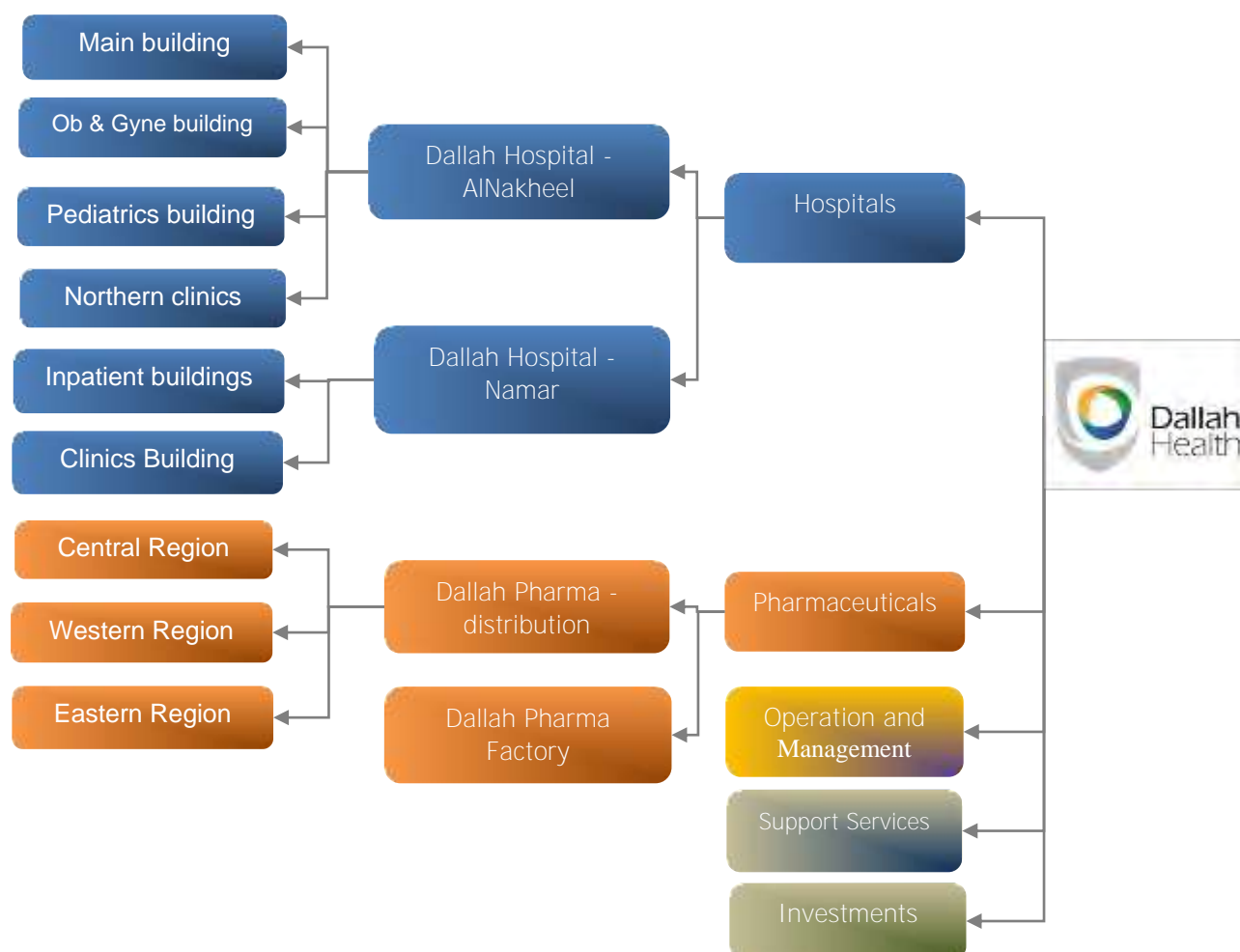
**Manufacturing, distribution and trading of medicines:** This activity is mainly comprised of Dallah Pharma and Dallah Pharma Factory Company, which is a subsidiary fully owned by Dallah Health Company, directly. Dallah Pharma is a distributor of pharmaceutical, herbal and cosmetic products, infant formula and medical and surgical supplies. Dallah Pharma distributes these products to hospitals, government agencies, pharmacies and stores that sell these products through several centers in different parts of the Kingdom. Dallah Pharma has exclusive distribution rights in the Kingdom for approximately 75 pharmaceutical products, 50 different medical devices and supplies and 15 food 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 for marketing all over the Kingdom, with the possibility of expanding into other international markets.

**Operation and Management of Third Party Hospitals:** The Company provides operational and management expertise to hospitals owned by other parties for fixed and/or variable annual fees based on the earnings of such hospitals. During 2018, the Company did not have any existing contracts.

**Support Services:** 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 Dallah Hospitals Group.

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

#### Activities Structure of Dallah Healthcare



## 6. Company Objects, Activities and Sectors

**The company's objectives are to operate, manage and maintain health facilities and centers, wholesale and retail trade in medicines, machinery, medical and surgical devices, prostheses, devices for the disabled, hospital equipment, pharmaceuticals, herbal and health products, cosmetics, detergents, disinfectants and packaging in Saudi Arabia.**

Dallah Health Services are classified into five main categories:

- (1) Medical services for owned hospitals;
- (2) Sale, distribution and manufacture of medicines;
- (3) Operating and management;
- (4) Support services;
- (5) Investments.

The company's main activity is to provide comprehensive medical services through:

1. Dallah Hospital Complex - Al Nakheel, Riyadh.
2. Dallah - Namar Hospital, Riyadh.

3. Other hospitals and medical centers planned for the future, including Dr. Mohammed al-Faqih Hospital.

As for the sale and distribution of pharmaceuticals, Dallah Pharma is a wholesale distributor of pharmaceutical, herbal and cosmetic products. For operating and management activities, the Company manages a hospital business owned by third parties. In addition, the company has some investments in the healthcare sector in the Kingdom and the Middle East.

## 7. Analysis of Company's activities

Sales of Dallah Health Company amounted to 1,181 million Saudi riyals for the year 2018, a decrease of 2.6% from the revenues of 2017 which amounted to 1,212 million Saudi riyals. The company's total revenue came from hospital activity. The company's total profit amounted to SR 436 million for the year 2018 compared to SAR 558 million for the year 2017, a decrease of 21.9%.

## 8. Subsidiaries

The following are all the subsidiaries and the incorporated company in the Kingdom:

Subsidiary	Commercial Registration Number	Country of Incorporation and Main Country of Operations	Ownership as of 31 Dec,	
			2017	2016
Dallah Pharma Company	1010410613	KSA	100%	100%
<b>Afiya' Al Nakheel Support Service Company Ltd.*</b>	1010404576	KSA	100%	99%
Dallah Namar Health Hospital Company	1010495218	KSA	100%	100%

Dallah Health Company had owned a 100% share of Afiya'a Al Nakheel Support Services Ltd., as the rest of the ownership rights were owned by other parties, on behalf of the company, as of the end of 2017. The transfer of the remaining portion of Al-Nakheel Company to Dallah Health Company has been completed, with the company's share being 100% as of the end of 2018.

**Dallah Pharma Company:** Dallah Pharma Company was founded on 13 April 2014. It is a limited liability Company with a capital of SR 4 million. Its activities include wholesale and retail sale of herbal, **cosmetic, food and milk products, children's supplies, detergents**, and 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 2016, the Company had to stop distribution of some of the products because of its low operating profit.

**Afiya' Al Nakheel Support Service Company Ltd.:** Al Nakheel Support Services Company was founded on 14 January 2014. It is a limited liability company with a capital of SR 50,000. Its activities include establishment and maintenance of hospitals and medical centers, and other support services. **Afiya' Al Nakheel provides its services mainly to the Group.**

**Dallah Namar Health Hospital Company:** On Wednesday 8 January 2016, the Board decided to establish a limited liability (one person) company with a capital of SR 5 million, fully owned (self-financed) by Dallah Health Company. The objectives 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.

## 9. Company Branches:

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

Branch Name	Commercial Registration	City
Branch of Dallah Health	2057004206	Al Khafji
Dallah Hospital	1010132622	Riyadh
<b>Dallah Pharma Pharmaceuticals Factory</b>	<b>4030278471</b>	<b>Jeddah</b>
Drug Store (Dallah Pharma)	2050071905	Dammam
Drug Store (Dallah Pharma)	1010128997	Riyadh
Drug Store (Dallah Pharma)	4030140769	Jeddah
Drug Store (Dallah Pharma)	4030265250	Jeddah

## 10. High Quality Medical Care of Dallah Healthcare Co.

The name of Dallah Hospital has been associated with providing high quality medical care with distinguished professionalism and concern for patients' health and safety.

Despite the growing number of clinic frequenters and inpatients and the steady increase in the number of surgical and birth operations at the Dallah Hospital complex, it manages integrated medical services with high performance, international quality accreditation standards, and continuous monitoring of medical performance, measured by about 200 performance quality indicators. The Dallah-Nakheel Hospital Complex has obtained the following credentials:

1. Certificate of Accreditation of Hospitals, issued by the Saudi Center for the Accreditation of Health Facilities, during the year 2017.
2. JCI Certificate, issued by the American Joint Commission for Accreditation of Hospitals, for four consecutive 3-year periods, extending from 2009 to 2021.
3. International ISO 9001-2015 Certificate for Quality Performance, from 1998 to date.
4. Certificate from the American College of Pathology (CAP), which is renewed annually and granted after continuous **meticulous monitoring of the hospital's laboratories**. It indicates the high quality of Dallah Hospital laboratories.
5. The HACCP Global Quality and Safety Certificate has been awarded for several years and is renewed every year, indicating the quality of nutrition services at Dallah Hospital.
6. Dallah Hospital was awarded the King Khalid Award for Responsible Competitiveness (Sustainability) for the year 2018 for obtaining the highest performance evaluation in good corporate Governance among the nominated companies in the Kingdom. This demonstrates Dallah's commitment to good Governance and high quality in all business sectors inside the Kingdom.



## 11. Quality of Financial Claims for Dallah Healthcare

Despite the complexity of Dallah's financial claims procedures for all its clients, whether government entities, insurance companies or private companies, Dallah Health Company - since its inception – has been committed to maintaining high professionalism and the best standards of financial control when issuing its bills and claims to its customers for the services provided. Dallah Health Company considers its clients to be one of its most important partners in its success, and deals with patients in a compassionate manner. This is part of the integrated quality system adopted by the company in its dealings with customers and patients. The high quality of the billing process has resulted from the implementation of control systems and effectiveness in the financial process within the company, thus providing the greatest amount of confidence to customers.

## 12. Operation Contracts for Hospitals Owned by Third Parties

To promote the brand built by Dallah Hospital over the years, the company decided in 2002 to enter into contracts for the management and operation of hospitals owned by third parties. Dallah provides its services by offering operational expertise for fixed annual fees and / or variable fees based on the realized profits of the managed hospitals. The company has no ownership interest in previously operated hospitals.

The company did not have valid contracts during 2018. The scope of operations and management during the year 2018 focused on preparation and processing of operating contracts in the public and private sectors.

## 13. Investments-in Companies:

### *13-1 Dr. Mohammed Rashid Al Faqih and Partners Company*

Dallah Health Services has invested SR147 million, for a 31.21% share capital stake of Dr. Mohammed Rashid Al Faqih and Partners Company, a closed shareholding company that is constructing a public hospital in the east of Riyadh.

### *13-2 Makkah Medical Center Company*

Makkah Medical Center Company is a Saudi shareholding company registered in Commercial Registration No. 4031021286, dated 14/08/1410H (corresponding to 11/03/1990). It is based in Makkah with 136 beds, with a capital of SAR 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 capital, having executed this investment in 1990 (1410H).

### *1-3 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. Its products are also sold by Dallah Pharma.

#### *1-4 Al-Ahsa Medical Services Company Ltd.*

Al-Ahsa Medical Services Company is a Saudi company with limited liability under Commercial Registration No. 2252025213, dated 07/08/1418H (07/12/1997), with a total of 120 beds, with a total capital of SR 150.0 million, divided into 150,000 shares with a nominal value of SR 1,000 per share. Dallah Health Services Company owns 1.1% of the capital.

### **14. Company's Plans and Decisions:**

As the company seeks a pioneering role in the health sector in the Kingdom, Dallah Health Services attaches great importance to the development of its products and services for this sector. The company is striving to achieve the best health services in the Kingdom.

To meet the growing demand for health care products and services, and the distribution and production of medicines, Dallah Health Services is seeking to expand its business in Riyadh, expand its geographical reach in the most densely populated areas of the Kingdom, such as the eastern and western regions, and increase its direct investment pursuits in medical and pharmaceutical companies. The company should then be able to increase its share in the health care market and achieve greater shareholder returns, consistent with the company's vision to be a leader in health delivery services in the Kingdom.

Following its restructuring, Dallah Pharma, a wholly-owned subsidiary of Dallah Health Services, started producing and selling drugs in an upward trend in 2018.

### **15. Future Forecasts of Company Business**

#### **Development of Dallah Hospital Complex – Al Nakheel**

The management of Dallah Health Services Company intends to transform the sites surrounding Dallah Hospital Complex - Al Nakheel in Riyadh - to a full service site that offers the best medical specialties. The site now includes the main hospital building, an OB/Gyn hospital building, a pediatrics hospital building, a parking building, as well as the North Clinics building, with its various facilities.

In addition, the Dallah Health Company is working on the development of the West Complex site of the Dallah-Palm Hospital. Work is underway to complete the western expansion of the hospital, which is expected to include at least 150 beds and 30 clinics; completion is projected during the fourth quarter of 2019.

To better provide services in its vicinity, Dallah Health Company has completed the development of the southern expansion building, which includes doctors' accommodation, a basement, and other facilities to serve the hospital's clients. This building started operation in 2018.

The company is also working on the development of the Eastern Hospital Complex which is expected to include additional parking spaces serving company clients in Dallah-Al-Nakheel Complex, and additional housing units to serve doctors and staff.

### Dallah Hospital – Namar

According to the company's expansion plan, the Dallah-Namar hospital has been operational since April 9, 2018, with the required 150-bed license and 100 clinics as a first stage. The hospital offers many specialties to serve the population in the surrounding area.

### Jeddah Hospital

In line with the company's strategy of having a presence in the western region, Dallah Health Company has signed a partnership agreement with Awoj Investment Company to establish a closed shareholding company for the establishment and operation of an integrated hospital in Al-Manar district in Jeddah. The land area upon which the hospital is planned to be built is approximately 150,000 square meters. It is agreed in principle that Dallah Health Services will own 56% of the company's shares and Awoj Investment Company owns 44% of the company's shares. The hospital is a significant addition to Dallah Health, and is its first project in the western region.

### Dallah Medical Tower

In line with the company's efforts to expand the business of Dallah Hospital in Riyadh's Al-Nakheel neighborhood, the company has decided to purchase the land adjacent to the hospital's location on King Fahd Road with an area of 6,300 square meters. Clinics, specialized medical centers, a medical commercial complex and other facilities are planned to be built. The new facility will comprise an extension of Dallah Hospital Complex.

### Dallah Pharma

During the year, the Company has 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

There were no contracts for operation and management during 2018. However, The Company expects to commence contractual operation of Dr. Mohamed Al Faqih Hospital during 2019, by the operation and management team of Dallah Health Services Company, per the established agreement.

## 16. Potential Risks Facing the Company:

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

1. Limited potential for growth under the current location: While the company is expanding in the areas around Dallah-Al Nakheel Hospital (Dallah-Nakheel Hospital Complex), limits constrain the possibility of expanding the current location of this complex.
2. Competitive environment and mergers in the healthcare sector: The company operates within a market where there are many public and private healthcare providers. Competitors may seek to increase their market share by providing non-existing treatment services or may form alliances through incorporations or acquisition, which could enable them to increase their market share and could negatively impact the company's business. The company strives to support its competitive advantage and increase its market share by applying a number of strategies in marketing its services and products, in addition to remaining competitive in the market as well as continuously updating the prevailing market information.

3. The contractual relationship with the main customers has been negatively impacted, by price competition for the quality of the services provided: The Company strives to maintain the best service to its customers.

4. Progress in medical and administrative technology: The company uses various types of medical and administrative equipment to carry out its work. The health care sector is characterized by continuous progress in products and technical developments, in addition to the high costs of this technology, which may cause the rapid outdateding of the technologies adopted by the company, adversely affecting the company's business. The company is implementing a policy of constantly updating technical equipment used, despite increasing costs, in order to achieve the company's goal of providing the best health services.

5. Depending on doctors, nursing staff and other professional staff: Despite the relative scarcity of medical and pharmaceutical personnel, the company seeks to attract the best professionals while simultaneously addressing the general increase in wages.

6. Erosion of profit margins: The profitability of the company depends on many factors, including the cost of human resources. The health sector in the Kingdom in general, and Dallah Health, in particular, is characterized by the extensive reliance on human resources in servicing patients through an integrated health care service. With the increasing cost of human resources in the Kingdom, Dallah Health Company, accordingly, may face increasing costs in conjunction with the relative stability of the contractual prices of its customers. This may lead to low rates of profitability for the company. Dallah is striving to lock or improve its profitability every year by setting price programs with its customers. These programs should help the company maintain profit margins.

7. Government statutes and regulations: The company is subject to several rules and regulations which may require the company to obtain a number of licenses. The relevant government authorities may impose more stringent regulations on The Company, which may increase the operating costs and / or capital expenses borne by the Company, or may reduce future revenues. Nevertheless, The Company always seeks to comply with all regulations and statutes and obtain all the licenses required to carry out its business.

8. Electronic attacks: Dallah Health Services Company in general, and in particular Dallah Hospitals Group, is developing electronic systems to provide maximum comfort for patients and visitors of the hospital, and facilitate the work of suppliers and customers of the company. Therefore, the reliance on the company's electronic systems is increasing. Because of the growing, unprecedented technical capabilities of cyber-attacks on corporate sites, the risks that the company can be exposed to are also increasing. Dallah Health Services is aware of these risks and is working to address them with the best technologies available to provide information and the systems security. Dallah Health Service is making the necessary investment in information technology and security infrastructure to protect its business and ensure continuity.

9. Outdating of pharmaceutical products and production lines: Due to the nature of its business, Dallah Health Services maintains a stock of substantive value. In addition, the production lines are designed to produce standardized products. As a result of technological advancements, advances in the productions of medicines both locally and internationally, and changes in the market, medications stocks and production lines are prone to obsolescence, a rise in production costs and a loss of demand. Dallah is therefore taking all necessary steps to address these risks and modernize production lines to cope with market developments.

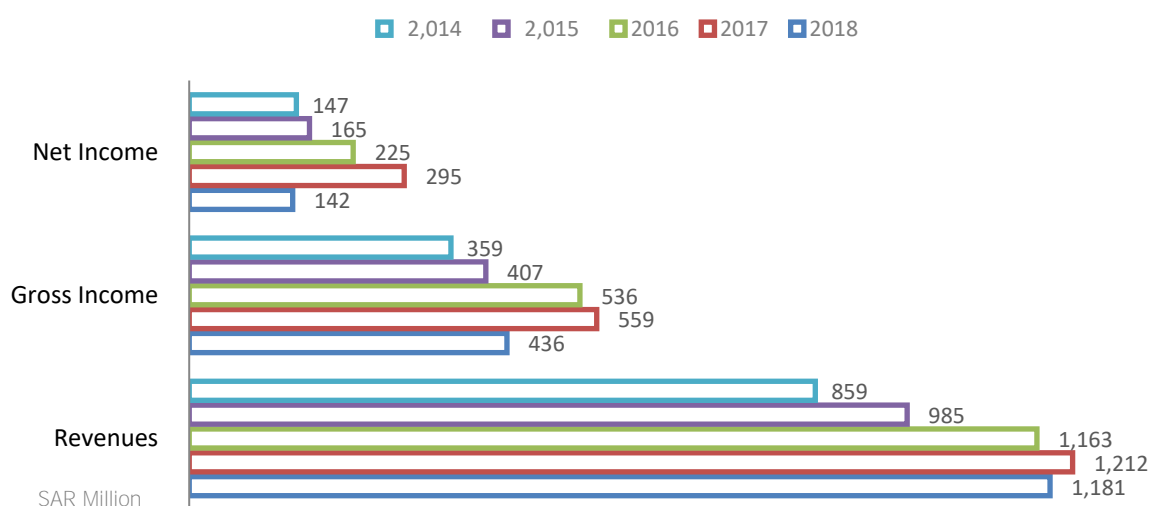
10. Profit distribution: The distribution of profits in the future depends on several factors, including the company's ability to generate earning, its financial position, legal requirements, available credit limits, general economic conditions, and other factors, which are subject to resolutions adopted by the Board of Directors, in announcing distribution of dividends as it sees fit. The proper conditions may not always exist to allow the company to distribute dividends to its shareholders.

11. Saudization: The company is subject to the Saudization program in the Kingdom, which requires that the number of Saudi employees among the employees of the company reach the Saudization legal quota. The Company's operations, the request for government loans, its financial performance and its ability to recruit additional foreign employees will be adversely affected if the company fails in the future to comply with any stricter new Saudization policies issued by the Ministry of Labor. Despite the relative scarcity of Saudi cadres in the health care market, the Company is making its best effort to maintain the Saudization rate set by the relevant government agencies.

## 17. Comparing Business Results for the Last Five Years

SR Million	2018	2017	2016	2015	2014
Revenue	1,181	1,212	1,163	985	859
Gross Revenue	436	559	536	407	359
Operations Income	146	308	231	170	145
Income before Zakat	145	305	239	175	156
Net Income	142	295	225	165	147

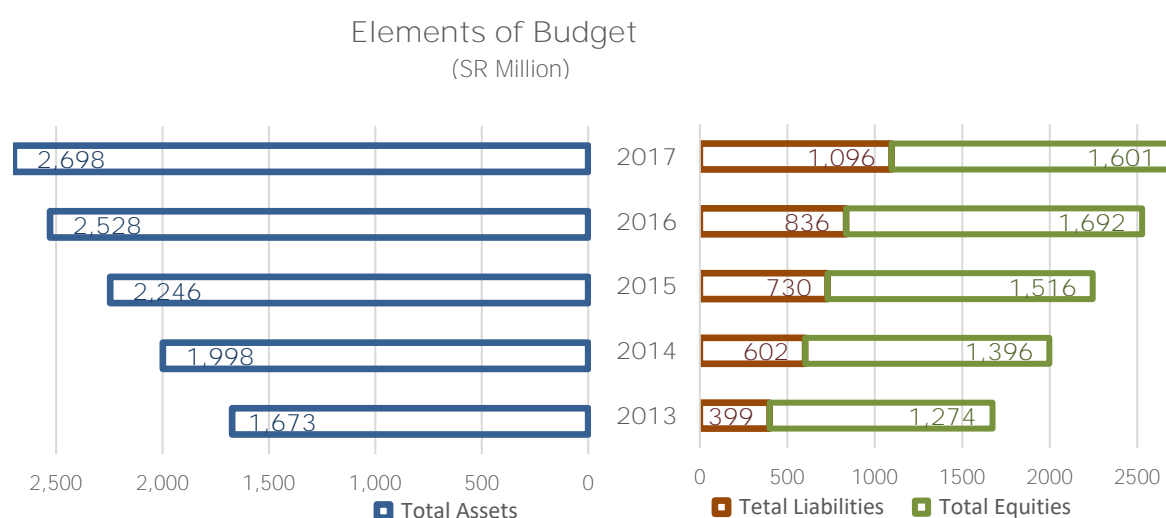
Main Elements of Income Statement



The revenues of Dallah Health Services have grown at a CAGR of 9% over the past five years, increasing from SR 859 million in 2014 to SR 1,181 million in 2018. While the net profit of the company during the past five years is at a compound annual growth rate + 7%, profits fell from 147 million riyals in 2014 to 142 million riyals in 2018. Dallah Health Services continuously seeks to increase operational efficiency and operational capacity, increase market share and contain expenses to achieve the best possible long-term returns to shareholders.

## 18. A comparison of the Company's assets and its liabilities for years (elements of Balance Sheet)

SR Million	2018	2017	2016	2015	2014
Current Assets	575	591	624	545	490
Non-current Assets	2,123	1,937	1,622	1,453	1,183
Total Assets	2,698	2,528	2,246	1,998	1,673
Current Liabilities	416	271	311	273	279
Noncurrent Liabilities	680	565	419	329	120
Total Claims	1,096	836	730	602	399
Total Equities	1,601	1,692	1,516	1,396	1,274

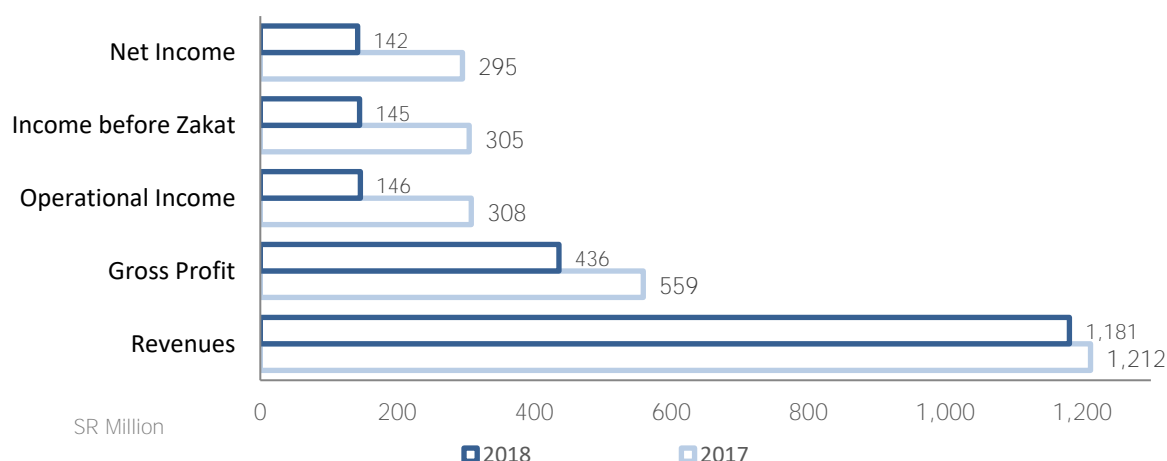


Shareholders' equity increased from SR 1,274 million in 2014 to SR 1,601 million at the end of 2018, or at a CAGR of 6%, while liabilities increased from SR 399 million in 2014 to SR 1,096 million in 2018 at a CAGR of 29%. The company's assets grew from SR 1,673 million in 2014 to SR 2,698 million in 2018, at a CAGR of 13%. The company's assets have grown in line with shareholders' equity due to the growth of its business and profits over the last five years.

Despite the increase in liabilities, (the main purpose of which was to finance the planned expansions, some of which were terminated while others remained under construction), during the past five years, the value of the liabilities remains low compared to the total assets of the company and its shareholders' equity. The company has pursued a relatively conservative leverage policy and maintained relatively low borrowing ratios over the past five years to have greater dynamism and efficiency for future expansions.

## 19. Summary of Income Statement:

SR Million	2019	2017	Change	%
Revenues	<b>1,181</b>	1,212	+49	4.2%
Cost of revenues	<b>744</b>	653	+26	4.0%
Gross profit	<b>436</b>	559	+23	4.3%
Operational expenses	<b>290</b>	251	-54	-18.0%
Operations Income	<b>146</b>	308	+77	33.3%
Income before Zakat	<b>145</b>	305	+66	27.6%
Net profit	<b>142</b>	295	+70	31.0%



The company's revenues during the year 2018 decreased by 2.6% compared to the previous year. The decline in revenues is due to the general decline in the population of the Kingdom in general, including Riyadh in particular, which led to a decrease in the number of insured and thus, the number of outpatients and inpatients.

The company's total profits decreased by 21.9% during the year 2018 as compared to the previous year, due to the increase in direct costs of revenues due directly to pre-operating expenses and start-up expenses of the Namar Hospital during the second quarter of 2018, while other expenses rose, such as fees for direct expatriate compensations and foreign labor commitments.

Operation's income also decreased by 52.6% during the year 2018 compared to the previous year. Further, there was an increase in indirect operating expenses, due to the commencement of the operation of the Namar Hospital during the year, as well as an increase in indirect expenses for indirect labor fees and pledges of foreign employment. In addition, there were increasing sales and marketing expenses as a result of efforts to promote the sale of medicines during the year.

Other revenues increased during the year 2018 from SR 0.9 million in 2017 compared to SR 12.5 million in 2018, due to the loss of selling investments in 2017.

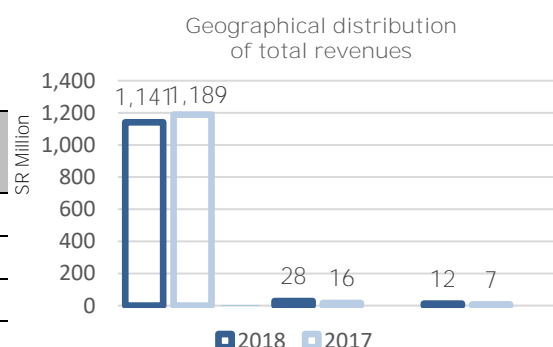
Financing costs increased from SR 1.9 million during the year 2017 to SR 11.5 million during the current year 2018, due to the start of operation and the suspension of capitalization of finance expenses on this project.

As a result, income before Zakat (operating and non-operating) for the year 2018 decreased by 52.5% compared to the previous year.

Zakat expenses decreased during 2018 due to lower income and fixed asset additions (projects), which resulted in a decrease in net income by 51.9% during the year compared to the last year.

## 20. Geographical Distribution of Revenues of the Company and its Subsidiaries

Revenues (SR Million)	2018	2017
Central Region	<b>1,141</b>	<b>1,189</b>
Western Region	<b>28</b>	<b>16</b>
Eastern Region	<b>12</b>	<b>7</b>

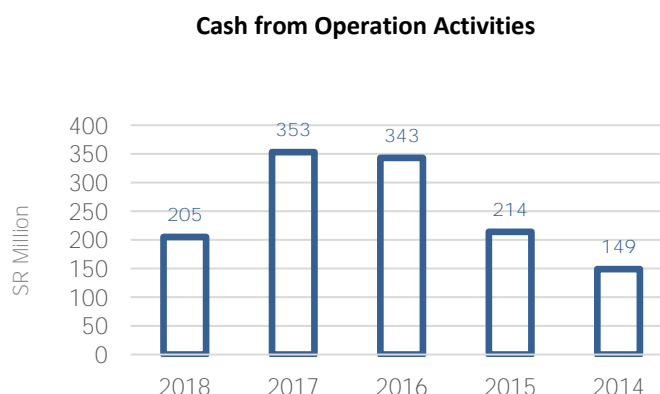


Most of the company's revenues are currently concentrated in Riyadh, represented in the Dallah Hospital's revenues.

## 21. Cash from Operational Activities

SR Million	2018	2017	2016	2015	2014
Cash from Operational Activities	149	353	343	214	149

The company has grown in cash generated from operating activities over the past five years, rising from 149 million Saudi riyals in 2014 to 205 million Saudi riyals in 2018 at a CAGR of + 16%, in line with the growth rate of the company's revenues. The cash flow from operating dropped by -41.9% in 2018 compared to last year, due to decreases in incomes for the above mentioned reasons.



## 22. Earnings per Share:

SAR/share	2017	2016
Share profitability	2.40	5.00

Earnings per share declined for the year 2018 as a result of low profitability for the above mentioned reasons. Earnings per share were calculated based on the number of shares weighted at 59 million shares, as at the end of 2018 and 2017.

## 23. Shares, Debt Instruments and Options Rights' Activities:

Shares Activities: The total number of shares issued to the company is 59 million shares at the end of 2018 and 2017. No new shares were issued during the year 2018. The company was listed on the Saudi Shares Market on 17 December 2012.

In December 2018, the Board of Directors of the Company was recommended to distribute 16 million free bonus shares to the shareholders and raise the issued shares from 59 million shares, worth 590 million Saudi riyals, to 75 million shares, worth 750 million Saudi riyals.

Convertible debt instruments and other financial instruments: The Company does not have any debt instruments that can be converted into shares, nor are there any option rights, contractual securities, warrants of subscription rights or similar rights issued or granted by the Company during 2018 or any previous years. The Company has no previous treasury shares and did not acquire any of them, and therefore, did not buy, redeem or revoke any debt or financial instruments that are mentioned above.

Treasury shares:

In January 2019, the company announced its intention to buy its shares and keep them as treasury shares by up to 5% of the company's own resources, as it realizes that the market price is below its fair value. The Company's purchase of its shares is subject to approval by the General Assembly. The Company has no previous treasury shares and has not yet purchased any treasury shares during the year 2018 until the date of publication of this report. The purchase or sale of treasury shares and their outstanding balance will be announced later.

## 24. Loans

As of 31/12/2018, the company has short term (Murabaha) financing from local banks amounting to SR 140 million, in addition to long-term financing of about SR 569 million from local banks.

- The Company signed an Islamic profitization contract with a local bank amounting to SR 1,300 million on 22 Rabea Al Thani 1439H (8 January 2018) for an 8-year financing period to finance the construction of new medical and hospital facilities under construction with working capital financing.
- The Group signed an Islamic profitization contract with a local bank for SR 175 million on 24 Jumada Al-Akhar 1439H (12 March 2018) to finance the construction of medical facilities and hospitals under construction. The used financing was as of 31 December 2018 amounted to (none).
- These funds were secured by bonds issued by the company to the lending banks.
- The long-term portion of bank interests was SR 6 million as of 31/12/2018 to be paid in 2019.
- All the Company's loans are acquired in accordance with Islamic Shari'aa.

Loans (SR Million)	Beginning Balance	Loan period		Borrowed during 2018	Repaid during 2018	Balance at the end of 2018
		From	To			
Murabaha- SABB, long-term	0	2018	2019	25	15	10
Murabaha- Samba, short-term	341	2016	2025	1,303	1,295	349
Murabaha- Samba, long-term	23	2018	2019	7	20	10
Tawurruq, Saudi Fransi	153	2014	2025	838	772	219
Musharaka (Sharing- Alrajhi)	47	2018	2019	17	64	0
Total	564			2,458	2,314	708

## 25. International Financial Reporting Standards (IFRS):

Standards, amendments and interpretations issued with effect on the financial statements:

- IFRS No. 9- Financial Instruments.
- IFRS No. 15- Revenue from Contracts with Customers.

IFRS 15, "Revenues from contracts with customers" and IFRS 9 "Financial Instruments", effective from 1 January 2018.

The International Standards Board adopted the IFRS 15, "Revenues from Contracts with Customers" and IFRS 9 "Financial Instruments" as of January 1, 2018. This amendment resulted in several amendments, the most important of which were reflected on the company's financial statements:

### IFRS 15- Revenues from contracts with customers:

- Comprehensive change in revenue recognition policy.-
- Proving the terms of contract assets and contract obligations-
- Recognition of the effect of the application of the requirements of the International Financial Reporting Standard (IFRS 15) "Revenues from Contracts with Customers" as at 1 January 2018 and as at 31 December 2018.
- The Company has applied the Standard using the accumulated effect method.
- There was no material effect on the adoption of Standard No. (15) "Revenue from Contracts with Customers".
- For further details on the application of IFRS 15, "Revenue from contracts with customers", please refer to the Company's detailed financial statements.

### IFRS 9- Financial Instruments:

- A comprehensive change in the policy of recognition and classification of financial instruments.
- Adjusting the impairment policy in the financial instruments to be based on the expected credit loss method.
- Recognition of the effect of applying the requirements of IFRS 9 Financial Instruments as at 1 January 2018 and 31 December 2018.
- Effect of application of IFRS 9 Financial Instruments:

#### Reclassification of loans and receivables to financial assets at amortized cost:

Financial assets classified as loans and receivables under IAS 39, measured at amortized cost to financial assets, are measured at amortized cost under IFRS 9 Financial Instruments as they are retained in the business forms to collect contractual cash flows. These cash flows consist of principal payments and commission only.

#### Reclassification of available-for-sale investments into equity instruments at fair value through other comprehensive income:

The Company has introduced changes in the fair value of other comprehensive income for all equity investments previously classified as available-for-sale investments, as these investments are not held for trading.

## 26. There is no statement on any arrangements or agreements whereby a director, a senior executive, or a shareholder:

No information is available about arrangements or agreements under which any of the members of the Board of Directors or a senior executive or any of the shareholders of the company may waive his interests or rights to receive profits.

## 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 a manner consistent with the company's objectives and capital and investment requirements, and based on the company's profits and financial position, the state of the market, the general economic climate, profits, capital requirements, future prospects, economic activity, and other legal and regulatory considerations. Distribution of profits is in Saudi riyals.

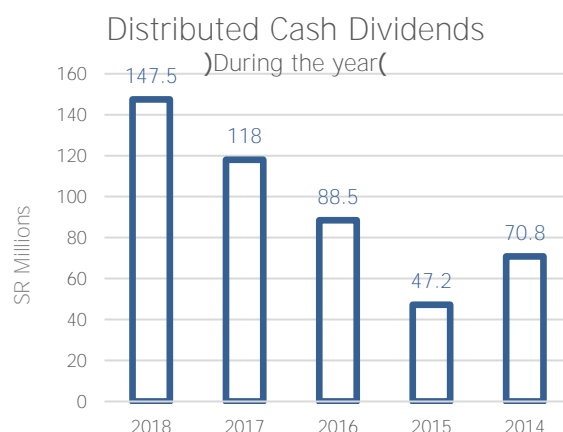
In accordance with the statute of the Company, any resolution to the shareholders to distribute cash dividends shall be issued by the Ordinary General Assembly on the recommendation of the Board of Directors, after taking into consideration the various factors mentioned above.

The distribution of profits is subject to certain restrictions in accordance with the Company's statute, which provide that annual net profits shall be distributed after deducting all other expenses and costs as follows:

- The marginalization of 10% of net profits to form a statutory reserve, and the General Assembly may stop this marginalization when the reserve amounts to 30% of the capital.
- The Ordinary General Assembly may, on the proposal of the Board of Directors, set aside 20% of net profits for the formation of other reserves for a purpose or other purposes.
- A first payment of the remainder will be distributed to shareholders at a rate of 5% of the paid-up share capital.
- 10% of the remaining net profits shall be allocated as remuneration to the Board of Directors, provided that such remuneration are in conformity with the regulations and instructions issued by the Ministry of Trade and Investment in this regard.
- The General Assembly of Shareholders may deduct 10% of the net profits to establish social facilities for the employees of the Company, or to use them to provide shares to the employees of the Company as a remuneration for them.
- The remainder is then distributed to the shareholders as an additional share of the profits.
- The profits to be distributed to the shareholders, in the place and on the dates determined by the Board of Directors, shall be paid in accordance with the instructions of the Ministry of Commerce and Industry.

## 28. Recommendation of Distribution of Dividends (Cash and non-cash dividends)

Dallah's cash dividends distribution to its shareholders reflect the company's interest in engaging its shareholders in the success of the company, despite the company's expansion phase. In this regard, the General Assembly decided on 22 May, 2018, to approve cash dividends for the year 2017 amounting to SR147.5 million (One hundred and forty-seven million five hundred thousand Saudi riyals), equivalent to SR 2.5 per share or 25% of the nominal value of the share. The Board of Directors of Dallah Health Services Company, in its meeting on Tuesday, 4 Rabie II 1440 H (December 12, 2018), recommended as follows:



1- A dividend of SAR 1.5 per share for the first half of 2018, amounting to SR 88.5 million of retained earnings, representing 15% of the nominal value of the share. The entitlement of these profits is to the shareholders of the company, registered on the date of maturity 20/12/2018, and registered in the records of the Securities Depository Center "Tadawul" by the end of the second trading day, which follows the date of maturity.

2- Distributing 16 million share dividends from the statutory reserve by increasing the company's capital by 0.2712 new shares per existing share. Increasing the number of shares issued from the current 59 million shares to 75 million shares, or 27.12%, so that the bonus shares of the shareholders will be registered with the company's registered records at Tadawul by the end of the second trading day, after the Extraordinary General Assembly on February 26 2019

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

In Million -SR	2019	2018	2017	2016	2015	2014
Cash dividends paid over the previous year	88.5 <sup>①②</sup>	147.5	118.0	88.5	47.2 <sup>①</sup>	70.8

① Distributing stock dividends with the cash dividends

② Distributed in January 2019 for the first half of 2018.

## 29. Work atmosphere and Saudization

Although the company's branches and sectors are spread throughout the Kingdom, Dallah Health Services Co. is nevertheless committed to providing the best working environment for its employees. This is accomplished by building a positive family work environment, advancing more professional and humane practices, ensuring the continued development of employee skills, and allocating qualified personnel in suitable positions.

### 1- Employee incentive programs:

Considering its national duty and social responsibility, Dallah Health Services has assigned its employees great importance, as it works to attract the best cadres and motivate its employees with a number of programs, mostly:

**Employees' Incentives Employee Benefits:** Dallah Health Company provides its qualified employees who pass the annual assessment with bonuses and allowances according to an approved incentives program.

**Periodic honoring for distinguished employees.**

Dallah Health Company regularly honors and praises distinguished employees as part of the company's steps to maintain a positive working environment.

**Incentives for distinguished employees**

Dallah Health Company is keen to award its qualified employees, and commends their efforts to improve the working environment.

**Sales and collection staff equivalents**

Dallah Health has a specific program to stimulate sales and collection staff to stimulate sales efforts.

**Training and Development Programs**

Dallah Health Company provides its employees with annual training programs to develop their skills and knowledge and to raise their level of performance, thereby increasing the level of service provided to the company clients.

### 2- Reserves and investments for company employees

Dallah Health Services Co. has an end-of-service benefits program for its employees, carried out according to the requirements of the **Kingdom's** labor law. Meanwhile, the Company has no other programs for any reserves or investments.

### 3- Saudization

In line with the Kingdom's goals for Saudization, the Saudization rate at Dallah Health Services Co. was 29%, putting the company within the green range. The Saudization rate in Dallah Health Services Company increased by 1% in 2018, reflecting the company's keenness to increase the recruitment of national cadres to better levels each year. Dallah Health Services Co. employed more than 288 new Saudi employees during that year.

Accordingly, the company is placed in the **Medium Green Band 'Nitaqat' field**, according to the classification of the Ministry of Labor in the Kingdom, which defines the ranges of health service companies.

#### Saudization Nitaqat for Healthcare Companies

Nitaq (Band)	Required Saudization Ratio
Excellent	36% and above
Green	21% - 35%
Yellow	11% - 20%
Red	0% - 10%

Source: Ministry of Labor

### 30. Social Responsibility:

The Company's commitment to social responsibility is to increase the public awareness in the health of the community, which has been at the core of its approach to implementing its business over the years. Management believes that this commitment is in line with the company's original values. The company recognizes its responsibility towards the community it serves, and actively seeks to fulfill its role as a responsible company. This is reflected in the activities of the hospital in Dallah-Al-Nakheel during 2018.

The social activities inside the Hospital during the year 2018:

Numerous awareness exhibitions have been held and several external parties have been invited to attend and participate in order to increase public health awareness. Some important events include:

- Social Service International Day
- Blood Donating International Day
- Anti-Smoking International Day
- Fighting Breast Cancer International Day
- Alzheimer International Day
- People with Disabilities International Day

Organizing the Social Activities with parties from outside the Hospital with during the year of 2018:

- Numerous awareness events have been organized in coordination with foreign parties to increase public health awareness. Some important events include:
- Visiting charities and present gifts to the patients to support them morally.
- Participation in health exhibitions such as **Saudi Women's exhibition.**
- Sponsorship of several occasions, volunteering, and awareness activities.
- Providing free medical checkups during the exhibitions and external events such as the blood glucose test.
- Children school visits and gifting.
- Organizing visits from institutes and colleges and gifting the children on holidays.



## Board of Directors

### 31. Composition of the Board of Directors

- The Company's Board of Directors consist of nine members, as 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.

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

The Board of Directors:

Eng.	Name	Current jobs	Previous jobs	Qualifications	Experiences
1.	Eng. Tariq Othman Al-Qassabai	xxxx	<ul style="list-style-type: none"> <li>- Project Engineer at Kara Establishment (1976-1977)</li> <li>- Manager for the King Faisal Bridge in Muzdalifah project - Kara Establishment (1978-1981)</li> <li>- Vice President of Kara Establishment (1981-1988)</li> <li>- Deputy General Manager of Makkah Construction and Development (1988-1990)</li> </ul>	Bachelor of Civil Engineering - King Saud University	<p>More than 41 years of experience in several sectors, such as the health sector, including the following:</p> <ul style="list-style-type: none"> <li>- Project Engineer at Kara Establishment (1976-1977)</li> <li>- Manager for the King Faisal Bridge in Muzdalifah project - Kara Establishment (1978-1981)</li> <li>- Vice President of Kara Establishment (1981-1988)</li> <li>- Deputy General Manager of Makkah Construction and Development (1988-1990)</li> </ul>
2.	Dr. Abdul Rahman Abdulziz Al-Swailim	xxxx	<ul style="list-style-type: none"> <li>- Former member of the Shura Council</li> <li>- President of the Saudi Red Crescent Authority (1418-1426 Hejri)</li> <li>- Undersecretary of the Health Ministry for Executive Affairs (1409-1418 Hejri)</li> <li>- Assistant Undersecretary of the Ministry of Health for Therapeutic Medicine (1403-1409 Hejri)</li> <li>- General Manager of the Health Affairs at the Eastern Province (1/1403-9/1403 Hejri)</li> <li>- Head of Pediatrics Department, Maternity &amp; Children Hospital, Riyadh (1394-1403 Hejri)</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Medicine and Surgery - University of Munich - Germany</li> <li>- Diploma of Pediatrics (Cairo University)</li> <li>- British Fellowship in Pediatrics, University of Edinburgh</li> </ul>	<ul style="list-style-type: none"> <li>- Former member of the Shura Council</li> <li>- President of the Saudi Red Crescent Authority (1418-1426 Hejri)</li> <li>- Undersecretary of the Health Ministry for Executive Affairs (1409-1418 Hejri)</li> <li>- Assistant Undersecretary of the Ministry of Health for Therapeutic Medicine (1403-1409 Hejri)</li> <li>- General Manager of the Health Affairs at the Eastern Province (1/1403-9/1403 Hejri)</li> <li>- Head of Pediatrics Department, <b>Childbirth and Children's Hospital</b>, Riyadh, Saudi Arabia 1394-1403 Hejri, Head of Pediatrics Department, Childbirth and <b>Children's Hospital</b>, Riyadh 1394-1403 Hejri</li> </ul>

3.	Dr. Mohammed Rashid Al-Faqih	<ul style="list-style-type: none"> <li>- Medical Superintendent</li> <li>- Dallah Healthcare Co.</li> </ul>	<ul style="list-style-type: none"> <li>- Clinical Professor of Surgery at King Saud University</li> <li>- Non-resident professor of Cardiothoracic Sciences (University of Lomaland), California, USA</li> <li>- Visiting Professor of Cardiothoracic Surgery (Harvard University 1995)</li> <li>- Vice-President of the International Society of Cardiothoracic and Vascular Surgery (1997)</li> <li>- Member of the Panel of Examiners, the Royal College of Surgeons (1987-1994)</li> <li>- Member of the Board of Directors of King Faisal Specialist Hospital and Research Center (2008-2011)</li> <li>- Head of the Department of Cardiology and Head of Physicians at the Armed Forces Hospital in Riyadh, and then the Medical Director, the Chief of Physicians and the Head of Cardiac Surgery Department at Prince Sultan Cardiac Center (1979-2005)</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Medicine (University of Baghdad) 1971</li> <li>- Associate degrees from the Royal College of Surgeons of London (Edinburgh) - (Clasico) 1977</li> </ul>	<ul style="list-style-type: none"> <li>- Clinical Professor of Surgery at King Saud University</li> <li>- Non-resident professor of Cardiothoracic Sciences (University of Lomaland), California, USA</li> <li>- Visiting Professor of Cardiothoracic Surgery (Harvard University 1995)</li> <li>- Vice-President of the International Society of Cardiothoracic and Vascular Surgery (1997)</li> <li>- Member of the Panel of Examiners, the Royal College of Surgeons (1987-1994)</li> <li>- Member of the Board of Directors of King Faisal Specialist Hospital and Research Center (2008-2011)</li> <li>- Head of the Department of Cardiology and Head of Physicians at the Armed Forces Hospital in Riyadh, and then the Medical Director, the Chief of Physicians and the Head of Cardiac Surgery Department at Prince Sultan Cardiac Center (1979-2005)</li> </ul>
4.	Mr. Mohiuddin Saleh Kamel	<ul style="list-style-type: none"> <li>- Deputy Chief Executive, Projects Sector, Dallah Al Baraka Holding Group.</li> </ul>	<ul style="list-style-type: none"> <li>- Supervisor of sport channels at Arab Radio and Television Network (ART) from 2003 to 2005, a company working in the media sector and registered at the Cayman Islands.</li> <li>- Deputy Chief Executive of the Arab Media Corporation from 2009 to 2011, a company working in the media sector and registered at the Cayman Islands.</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Economics (Management and Marketing) from the University of San Francisco (USA) in 2002</li> </ul>	<ul style="list-style-type: none"> <li>- Supervisor of sport channels at Arab Radio and Television Network (ART) from 2003 to 2005, a company working in the media sector and registered at the Cayman Islands.</li> <li>- Deputy Chief Executive of the Arab Media Corporation from 2009 to 2011, a company working in the media sector and registered at the Cayman Islands.</li> </ul>
5.	Mr. Fahad Abdullah Al-Qassim	××××	<ul style="list-style-type: none"> <li>- Chief Executive Officer of Amwal Financial Consultants (2001-2011)</li> <li>- General Manager of Al Othaim Group (2000-2001)</li> <li>- Managing Partner of KPMG - a global firm providing accounting and consulting services (1995-1999)</li> <li>- Executive Director of Dallah Hospital (1991-1995)</li> <li>- Partner of Al-Qasim Certified Public Accountants (1990-1991)</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Administrative Sciences, Accounting, King Saud University</li> <li>- Advanced Management and Leadership Program, Oxford University</li> </ul>	<ul style="list-style-type: none"> <li>- Chief Executive Officer of Amwal Financial Consultants (2001-2011)</li> <li>- General Manager of Al Othaim Group (2000-2001)</li> <li>- Managing Partner of KPMG - a global firm providing accounting and consulting services (1995-1999)</li> <li>- Executive Director of Dallah Hospital (1991-1995)</li> <li>- Partner of Al-Qasim Certified Public Accountants (1990-1991)</li> </ul>
6.	Eng. Ammar Hassan Kamel	<ul style="list-style-type: none"> <li>- General Manager of Dallah Trans Arab Estates Co.</li> </ul>	<ul style="list-style-type: none"> <li>- (1992-1993) Operations Control Engineer at Smark, which was emerged with Saudi Aramco Co.</li> <li>- (1994) Product Manager at Halwani Bros Co. Ltd.</li> <li>- (1995) Assistant General Manager at Halwani Bros Co. Ltd.</li> <li>- (1997-1999) General Manager at Halwani Bros Co. Ltd.</li> <li>- (1999-2001) General Manager of Corporate Follow-up at Dallah Al Baraka Holding Company</li> <li>- (2001-2002) Assistant Manager of Dallah Al Baraka Holding Company</li> <li>- (2003-2004) General Manager of Mouwad Jewellery Company</li> <li>- (2004-2007) General Manager of Energy Projects at Dallah Al Baraka Holding Company</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Science, Systems Engineering, King Fahd University of Petroleum and Minerals (KFUPM).</li> </ul>	<ul style="list-style-type: none"> <li>- (1992-1993) Operations Control Engineer at Smark, which was emerged with Saudi Aramco Co.</li> <li>- (1994) Product Manager at Halwani Bros Co. Ltd.</li> <li>- (1995) Assistant General Manager at Halwani Bros Co. Ltd.</li> <li>- (1997-1999) General Manager at Halwani Bros Co. Ltd.</li> <li>- (1999-2001) General Manager of Corporate Follow-up at Dallah Al Baraka Holding Company</li> <li>- (2001-2002) Assistant Manager of Dallah Al Baraka Holding Company</li> <li>- (2003-2004) General Manager of Mouwad Jewellery Company</li> <li>- (2004-2007) General Manager of Energy Projects at Dallah Al Baraka Holding Company</li> </ul>

7.	Eng.Fahad Siraj Malaikah	Co-Founder and CEO - ELITE PIONEERS FINANCIAL CONSULTING	<ul style="list-style-type: none"> <li>- (1996-2003) Software Developer at the Banking Technology Group, as well as Project Manager and Head of the Banking Technology at the Saudi Arabian Monetary Agency.</li> <li>- (2003-2005) General Manager of Al-Attar Group</li> <li>- (2005-2007) Vice President of the Banking Products at Al Khabeer Capital, and then Executive Partner and Acting Managing Director of the Investment Banking.</li> <li>- (2007-2009) Director of Capital Markets at Swicorp in Saudi Arabia.</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Computer Engineering - King Saud University</li> <li>- MBA from Oxford University</li> </ul>	<ul style="list-style-type: none"> <li>- (1996-2003) Software Developer at the Banking Technology Group, as well as Project Manager and Head of the Banking Technology at the Saudi Arabian Monetary Agency.</li> <li>- (2003-2005) General Manager of Al-Attar Group</li> <li>- (2005-2007) Vice President of the Banking Products at Al Khabeer Capital, and then Executive Partner and Acting Managing Director of the Investment Banking.</li> <li>- (2007-2009) Director of Capital Markets at Swicorp in Saudi Arabia.</li> </ul>
8.	Eng. Fares Ibrahim Al-Rashed Al-Hamid	CEO - Ibtikar for Information Technology	<ul style="list-style-type: none"> <li>- (2006-2007) General Manager of Riyadh Steel Company</li> <li>- (2000-2006) General Manager of Al Dawalij Technology Company</li> <li>- (2003-2004) General Manager of High Tech Company (1996-2000) Manager of Future Kids Center</li> <li>- (1994-1996) Lecturer at the Buraidah College of Technology</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Computer Sciences - King Saud University</li> <li>- Oxford Advanced Leadership and Management Program from Ceylon School of Management - Massachusetts Institute of Technology Cambridge</li> <li>- Oxford Business Development Program</li> <li>- Board of Director Certificate from the Board Directors Institute (BDI)</li> </ul>	<ul style="list-style-type: none"> <li>- (2006-2007) General Manager of Mouwad Jewellery Company</li> <li>- (2000-2006) General Manager of Al Dawalij Technology Company</li> <li>- (2003-2004) General Manager of High Tech Company</li> <li>- (1996-2000) Manager of Future Kids Center</li> <li>- (1994-1996) Lecturer at the Buraidah College of Technology</li> </ul>
9.	Mr.Hamza Othman Khashim  <b>(Representative of the General Organization for Social Insurance) *</b>	Director of International Investment - Hassana Investment Company	<ul style="list-style-type: none"> <li>- Hedge Funds Portfolio Manager - Endowment of King Abdullah University of Science &amp; Technology (KAUST) - USA.</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Finance from the University of Michigan, East Lansing - USA.</li> <li>- MBA (Public Administration), the University of Michigan - Ann Arbor - USA</li> <li>- Certified member of the Chartered Financial Analyst (CFA), USA.</li> </ul>	<ul style="list-style-type: none"> <li>- Hedge Fund Manager (Investment Management - Treasury - Saudi Aramco - Dhahran).</li> <li>- Financial Analyst, Investment Management - Treasury (Saudi Aramco - Dhahran).</li> </ul>
10.	Mr.Othman Mohammad Al Ghamidi  <b>(Representative of the General Organization for Social Insurance) **</b>	CEO of Financial and Administrative Affairs - Hassana Investment Company	<ul style="list-style-type: none"> <li>- Director of Financial and Administrative Affairs - Hassana Investment Company</li> <li>- Financial and Operations Director - Hassana Investment Company</li> <li>- Investment Department of Investment Portfolios (General Organization for Social Insurance)</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor in Computer Sciences from King Saud University</li> <li>- Master of Finance from the University of Colorado (USA)</li> </ul>	<ul style="list-style-type: none"> <li>- Director of Financial and Administrative Affairs - Hassana Investment Company</li> <li>- Financial and Operations Director - Hassana Investment Company</li> <li>- Investment Department of Investment Portfolios (General Organization for Social Insurance)</li> </ul>

\* : Membership Expiry: Mr. Hamzah bin Othman Khashim for resigning on 13 November 2018

\*\* Membership Start: Mr. Othman bin Mohammad Al Ghamidi on 13 November 2018

Members of Committees  
An Audit Committee:

Eng.	Name	Current jobs	Previous jobs	Qualifications	Experiences
1.	Eng. Fares Ibrahim Al-Rashed Al-Hamid	CEO - Ibtikar for Information Technology	<ul style="list-style-type: none"> <li>- (2006-2007) General Manager of Mouwad Jewellery Company</li> <li>- (2000-2006) General Manager of Al Dawalij Technology Company</li> <li>- (2003-2004) General Manager of High Tech Company</li> <li>- (1996-2000) Manager of Future Kids Center</li> <li>- (1994-1996) Lecturer at the Buraidah College of Technology</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Computer Sciences - King Saud University</li> <li>- Oxford Advanced Leadership and Management Program from Ceylon School of Management - Massachusetts Institute of Technology Cambridge</li> <li>- Oxford Business Development Program</li> <li>- Board of Director Certificate from the Board Directors Institute (BDI)</li> </ul>	<ul style="list-style-type: none"> <li>- (2006-2007) General Manager of Mouwad Jewellery Company</li> <li>- (2000-2006) General Manager of Al Dawalij Technology Company</li> <li>- (2003-2004) General Manager of High Tech Company</li> <li>- (1996-2000) Manager of Future Kids Center</li> <li>- (1994-1996) Lecturer at the Buraidah College of Technology</li> </ul>
2.	Mr. Fahad Abdullah Al-Qassim	× × × ×	<ul style="list-style-type: none"> <li>- Chief Executive Officer of Amwal Financial Consultants (2001-2011)</li> <li>- General Manager of Al Othaim Group (2000-2001)</li> <li>- Managing Partner of KPMG - a global firm providing accounting and consulting services (1995-1999)</li> <li>- Executive Director of Dallah Hospital (1991-1995)</li> <li>- Partner of Al-Qasim Certified Public Accountants (1990-1991)</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Administrative Sciences, Accounting, King Saud University</li> <li>- Advanced Management and Leadership Program, Oxford University</li> </ul>	<ul style="list-style-type: none"> <li>- Chief Executive Officer of Amwal Financial Consultants (2001-2011)</li> <li>- General Manager of Al Othaim Group (2000-2001)</li> <li>- Managing Partner of KPMG - a global firm providing accounting and consulting services (1995-1999)</li> <li>- Executive Director of Dallah Hospital (1991-1995)</li> <li>- Partner of Al-Qasim Certified Public Accountants (1990-1991)</li> </ul>
3.	Mr. Abdulrahman Saleh Al Khulaifi	× × × ×	<ul style="list-style-type: none"> <li>- Saudi Telecom Co. (STC) (Director General of Financial Audit and Business Units)</li> <li>- Internal Audit of the Group since 11/2006 - 5/2016</li> <li>- (3/2004 - 8/2006) Saudi <b>Arabia's National Medical Care</b> Co. - Financial Controller</li> <li>- (5/1998-2/2004) Director of Financial and Administrative Affairs at Oracle Systems Limited</li> <li>- (7/1996-4/1998), General Manager of Dalmaz Food Industries company (Dafico)</li> <li>- (8/1998-12/1995), General Manager of Saudi Bakeries Company (SBCO)</li> <li>- (4/1985-8/1993), Internal Auditor of the Saudi Industrial Development Fund (SIDF).</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Accounting, King Saud University</li> <li>- Bachelors of Economics and Accounting from The Economics Institute in Boulder, Colorado, United States.</li> <li>- CPA Certificate from the Colorado State Board of Accountancy in Denver, Colorado, United States.</li> <li>- Member of American Institute of Certified Public Accountants (AICPA) since 7/1990</li> <li>- Member of the Institute of Internal Auditors since 12/2006</li> </ul>	<ul style="list-style-type: none"> <li>- Saudi Telecom Co. (STC) (Director General of Financial Audit and Business Units)</li> <li>- Internal Audit for the Group</li> <li>- (3/2004 - 8/2006) Saudi <b>Arabia's National Medical Care</b> Co. - Financial Controller</li> <li>- (5/1998-2/2004) Director of Financial and Administrative Affairs at Oracle Systems Limited</li> <li>- (7/1996-4/1998), General Manager of Dalmaz Food Industries company (Dafico)</li> <li>- (8/1998-12/1995), General Manager of Saudi Bakeries Company (SBCO)</li> <li>- (4/1985-8/1993), Internal Auditor of the Saudi Industrial Development Fund (SIDF).</li> </ul>
4.	Mr. Mohammed Hamad Al-Fares	Vice President and Regional Director in the Central Region - Private Banking Group at Bank Al Jazira.	<ul style="list-style-type: none"> <li>(2008-2013) Senior Commercial Banking Director at Saudi British Bank (SABB).</li> <li>(2003-2008) Leading Companies Banker at the National Commercial Bank (NCB).</li> <li>(2000-2001) Telecommunication Engineer at Saudi Electricity Co.</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Electrical Engineering, King Fahd University of Petroleum and Minerals (KFUPM).</li> <li>- MBA (Financial Management) from KOGOD SCHOOL OF BUSINESS, American University</li> </ul>	<ul style="list-style-type: none"> <li>- Obtaining the General Certificate in Securities Trading in 2018.</li> <li>- Certified Wealth Manager (CWM) since 2013.</li> <li>- Obtaining an Islamic Banking Diploma in 2012</li> </ul>

## Remunerations and Nominations committee:

Eng.	Name	Current jobs	Previous jobs	Qualifications	Experiences
1.	Dr. Abdul Rahman Abdulziz Al-Swailim	x x x x	<ul style="list-style-type: none"> <li>- Former member of the Shura Council</li> <li>- President of the Saudi Red Crescent Authority (1418-1426 Hejri)</li> <li>- Undersecretary of the Health Ministry for Executive Affairs (1409-1418 Hejri)</li> <li>- Assistant Undersecretary of the Ministry of Health for Therapeutic Medicine (1403-1409 Hejri)</li> <li>- General Manager of the Health Affairs at the Eastern Province (1/1403-9/1403 Hejri)</li> <li>- Head of Pediatrics Department, Maternity &amp; Children Hospital, Riyadh (1394-1403 Hejri)</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Medicine and Surgery - University of Munich - Germany</li> <li>- Diploma of Pediatrics (Cairo University)</li> <li>- British Fellowship in Pediatrics, University of Edinburgh</li> </ul>	<ul style="list-style-type: none"> <li>- Former member of the Shura Council</li> <li>- President of the Saudi Red Crescent Authority (1418-1426 Hejri)</li> <li>- Undersecretary of the Health Ministry for Executive Affairs (1409-1418 Hejri)</li> <li>- Assistant Undersecretary of the Ministry of Health for Therapeutic Medicine (1403-1409 Hejri)</li> <li>- General Manager of the Health Affairs at the Eastern Province (1/1403-9/1403 Hejri)</li> <li>- Head of Pediatrics Department, Maternity &amp; Children Hospital, Riyadh (1394-1403 Hejri)</li> </ul>
2.	Eng. Tariq Othman Al-Qassabai	x x x x	<ul style="list-style-type: none"> <li>- Project Engineer at Kara Establishment (1976-1977)</li> <li>- Manager for the King Faisal Bridge in Muzdalifah project - Kara Establishment (1978-1981)</li> <li>- Vice President of Kara Establishment (1981-1988)</li> <li>- Deputy General Manager of Makkah Construction and Development (1988-1990)</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Civil Engineering - King Saud University</li> </ul>	<ul style="list-style-type: none"> <li>- Project Engineer at Kara Establishment (1976-1977)</li> <li>- Manager for the King Faisal Bridge in Muzdalifah project - Kara Establishment (1978-1981)</li> <li>- Vice President of Kara Establishment (1981-1988)</li> <li>- Deputy General Manager of Makkah Construction and Development (1988-1990)</li> </ul>
3.	Eng. Ammar Hassan Kamel	- General Manager of Dallah Trans Arab Estates Co.	<ul style="list-style-type: none"> <li>- (1992-1993) Operations Control Engineer at Smark, which was emerged with Saudi Aramco Co.</li> <li>- (1994) Product Manager at Halwani Bros Co. Ltd.</li> <li>- (1995) Assistant General Manager at Halwani Bros Co. Ltd.</li> <li>- (1997-1999) General Manager at Halwani Bros Co. Ltd.</li> <li>- (1999-2001) General Manager of Corporate Follow-up at Dallah Al Baraka Holding Company</li> <li>- (2001-2002) Assistant Manager of Dallah Al Baraka Holding Company</li> <li>- (2003-2004) General Manager of Mouwad Jewellery Company</li> <li>- (2004-2007) General Manager of Energy Projects at Dallah Al Baraka Holding Company</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Science, Systems Engineering, King Fahd University of Petroleum and Minerals (KFUPM).</li> </ul>	<ul style="list-style-type: none"> <li>- (1992-1993) Operations Control Engineer at Smark, which was emerged with Saudi Aramco Co.</li> <li>- (1994) Product Manager at Halwani Bros Co. Ltd.</li> <li>- (1995) Assistant General Manager at Halwani Bros Co. Ltd.</li> <li>- (1997-1999) General Manager at Halwani Bros Co. Ltd.</li> <li>- (1999-2001) General Manager of Corporate Follow-up at Dallah Al Baraka Holding Company</li> <li>- (2001-2002) Assistant Manager of Dallah Al Baraka Holding Company</li> <li>- (2003-2004) General Manager of Mouwad Jewellery Company</li> <li>- (2004-2007) General Manager of Energy Projects at Dallah Al Baraka Holding Company</li> </ul>
	Mr. Hamza Othman Khashim  (Representative of the General Organization for Social Insurance) *	Director of International Investment - Hassana Investment Company	<ul style="list-style-type: none"> <li>- Hedge Funds Portfolio Manager</li> <li>- Endowment of King Abdullah University of Science &amp; Technology (KAUST) - USA.</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Finance from the University of Michigan, East Lansing - USA.</li> <li>MBA (Public Administration), the University of Michigan - Ann Arbor - USA</li> <li>Certified member of the Chartered Financial Analyst (CFA), USA.</li> </ul>	<ul style="list-style-type: none"> <li>Hedge Fund Manager (Investment Management - Treasury - Saudi Aramco - Dhahran).</li> <li>Financial Analyst, Investment Management - Treasury (Saudi Aramco - Dhahran).</li> </ul>
4.	Mr. Othman Mohammad Al Ghamidi  (Representative of GOSI) **	CEO of Financial and Administrative Affairs - Hassana Investment Company	<ul style="list-style-type: none"> <li>Director of Financial and Administrative Affairs - Hassana Investment Company</li> <li>Financial and Operations Director - Hassana Investment Company</li> <li>Investment Department of Investment Portfolios (GOSI)</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor in Computer Sciences from King Saud University</li> <li>Master of Finance from the University of Colorado (USA)</li> </ul>	<ul style="list-style-type: none"> <li>Director of Financial and Administrative Affairs - Hassana Investment Company</li> <li>Financial and Operations Director - Hassana Investment Company</li> <li>Investment Department of Investment Portfolios (General Organization for Social Insurance)</li> </ul>

\* : Membership Expiry: Mr. Hamzah bin Othman Khashim for resigning on 13 November 2018

\*\* Membership Start: Mr. Othman bin Mohammad Al Ghamidi on 13 November 2018

## Investment and Financing Committee

Eng.	Name	Current jobs	Previous jobs	Qualifications	Experiences
1.	Eng. Tariq Othman Al-Qassabai	××××	<ul style="list-style-type: none"> <li>- Project Engineer at Kara Establishment (1976-1977)</li> <li>- Manager for the King Faisal Bridge in Muzdalifah project - Kara Establishment (1978-1981)</li> <li>- Vice President of Kara Establishment (1981-1988)</li> <li>- Deputy General Manager of Makkah Construction and Development (1988-1990)</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Civil Engineering - King Saud University</li> </ul>	<ul style="list-style-type: none"> <li>- Project Engineer at Kara Establishment (1976-1977)</li> <li>- Manager for the King Faisal Bridge in Muzdalifah project - Kara Establishment (1978-1981)</li> <li>- Vice President of Kara Establishment (1981-1988)</li> <li>- Deputy General Manager of Makkah Construction and Development (1988-1990)</li> </ul>
2.	Dr. Mohammed Rashid Al-Faqih	<ul style="list-style-type: none"> <li>- Medical Superintendent</li> <li>- Dallah Healthcare Co.</li> </ul>	<ul style="list-style-type: none"> <li>- Clinical Professor of Surgery at King Saud University</li> <li>- Non-resident professor of Cardiothoracic Sciences (University of Lomaland), California, USA</li> <li>- Visiting Professor of Cardiothoracic Surgery (Harvard University 1995)</li> <li>- Vice-President of the International Society of Cardiothoracic and Vascular Surgery (1997)</li> <li>- Member of the Panel of Examiners, the Royal College of Surgeons (1987-1994)</li> <li>- Member of the Board of Directors of King Faisal Specialist Hospital and Research Center (2008-2011)</li> <li>- Head of the Department of Cardiology and Head of Physicians at the Armed Forces Hospital in Riyadh, and then the Medical Director, the Chief of Physicians and the Head of Cardiac Surgery Department at Prince Sultan Cardiac Center (1979-2005)</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Medicine (University of Baghdad) 1971</li> <li>- Associate degrees from the Royal College of Surgeons of London (Edinburgh) - (Clasico) 1977</li> </ul>	<ul style="list-style-type: none"> <li>- Clinical Professor of Surgery at King Saud University</li> <li>- Non-resident professor of Cardiothoracic Sciences (University of Lomaland), California, USA</li> <li>- Visiting Professor of Cardiothoracic Surgery (Harvard University 1995)</li> <li>- Vice-President of the International Society of Cardiothoracic and Vascular Surgery (1997)</li> <li>- Member of the Panel of Examiners, the Royal College of Surgeons (1987-1994)</li> <li>- Member of the Board of Directors of King Faisal Specialist Hospital and Research Center (2008-2011)</li> <li>- Head of the Department of Cardiology and Head of Physicians at the Armed Forces Hospital in Riyadh, and then the Medical Director, the Chief of Physicians and the Head of Cardiac Surgery Department at Prince Sultan Cardiac Center (1979-2005)</li> </ul>
3.	Mr. Mohiuddin Saleh Kamel	<ul style="list-style-type: none"> <li>- Deputy Chief Executive, Projects Sector, Dallah Al Baraka Holding Group.</li> </ul>	<ul style="list-style-type: none"> <li>- Supervisor of sport channels at Arab Radio and Television Network (ART) from 2003 to 2005, a company working in the media sector and registered at the Cayman Islands.</li> <li>- Deputy Chief Executive of the Arab Media Corporation from 2009 to 2011, a company working in the media sector and registered at the Cayman Islands.</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Economics (Management and Marketing) from the University of San Francisco (USA) in 2002</li> </ul>	<ul style="list-style-type: none"> <li>- Supervisor of sport channels at Arab Radio and Television Network (ART) from 2003 to 2005, a company working in the media sector and registered at the Cayman Islands.</li> <li>- Deputy Chief Executive of the Arab Media Corporation from 2009 to 2011, a company working in the media sector and registered at the Cayman Islands.</li> </ul>
4.	Eng. Fahad Siraj Malaikah	<ul style="list-style-type: none"> <li>Co-Founder and CEO - ELITE PIONEERS FINANCIAL CONSULTING</li> </ul>	<ul style="list-style-type: none"> <li>- (1996-2003) Software Developer at the Banking Technology Group, as well as Project Manager and Head of the Banking Technology at the Saudi Arabian Monetary Agency.</li> <li>- (2003-2005) General Manager of Al-Attar Group</li> <li>- (2005-2007) Vice President of the Banking Products at Al Khabeer Capital, and then Executive Partner and Acting Managing Director of the Investment Banking.</li> <li>- (2007-2009) Director of Capital Markets at Swicorp in Saudi Arabia.</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Computer Engineering - King Saud University</li> <li>- MBA from Oxford University</li> </ul>	<ul style="list-style-type: none"> <li>- (1996-2003) Software Developer at the Banking Technology Group, as well as Project Manager and Head of the Banking Technology at the Saudi Arabian Monetary Agency.</li> <li>- (2003-2005) General Manager of Al-Attar Group</li> <li>- (2005-2007) Vice President of the Banking Products at Al Khabeer Capital, and then Executive Partner and Acting Managing Director of the Investment Banking.</li> <li>- (2007-2009) Director of Capital Markets at Swicorp in Saudi Arabia.</li> </ul>
5.	Mr. Fahad Abdullah Al-Qasim	××××	<ul style="list-style-type: none"> <li>- Chief Executive Officer of Amwal Financial Consultants (2001-2011)</li> <li>- General Manager of Al Othaim Group (2000-2001)</li> <li>- Managing Partner of KPMG - a global firm providing accounting and consulting services (1995-1999)</li> <li>- Executive Director of Dallah Hospital (1991-1995)</li> <li>- Partner of Al-Qasim Certified Public Accountants (1990-1991)</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Administrative Sciences, Accounting, King Saud University</li> <li>- Advanced Management and Leadership Program, Oxford University</li> </ul>	<ul style="list-style-type: none"> <li>- Chief Executive Officer of Amwal Financial Consultants (2001-2011)</li> <li>- General Manager of Al Othaim Group (2000-2001)</li> <li>- Managing Partner of KPMG - a global firm providing accounting and consulting services (1995-1999)</li> <li>- Executive Director of Dallah Hospital (1991-1995)</li> <li>- Partner of Al-Qasim Certified Public Accountants (1990-1991)</li> </ul>

## Executive Committee:

Eng.	Name	Current jobs	Previous jobs	Qualifications	Experiences
1.	Eng. Tariq Othman Al-Qassabai	××××	<ul style="list-style-type: none"> <li>- Project Engineer at Kara Establishment (1976-1977)</li> <li>- Manager for the King Faisal Bridge in Muzdalifah project - Kara Establishment (1978-1981)</li> <li>- Vice President of Kara Establishment (1981-1988)</li> <li>- Deputy General Manager of Makkah Construction and Development (1988-1990)</li> </ul>	Bachelor of Civil Engineering - King Saud University	<ul style="list-style-type: none"> <li>- Project Engineer at Kara Establishment (1976-1977)</li> <li>- Manager for the King Faisal Bridge in Muzdalifah project - Kara Establishment (1978-1981)</li> <li>- Vice President of Kara Establishment (1981-1988)</li> <li>- Deputy General Manager of Makkah Construction and Development (1988-1990)</li> </ul>
2.	Dr. Mohammed Rashid Al-Faqih	- Medical Superintendent - Dallah Healthcare Co.	<ul style="list-style-type: none"> <li>- Clinical Professor of Surgery at King Saud University</li> <li>- Non-resident professor of Cardiothoracic Sciences (University of Lomaland), California, USA</li> <li>- Visiting Professor of Cardiothoracic Surgery (Harvard University 1995)</li> <li>- Vice-President of the International Society of Cardiothoracic and Vascular Surgery (1997)</li> <li>- Member of the Panel of Examiners, the Royal College of Surgeons (1987-1994)</li> <li>- Member of the Board of Directors of King Faisal Specialist Hospital and Research Center (2008-2011)</li> <li>- Head of the Department of Cardiology and Head of Physicians at the Armed Forces Hospital in Riyadh, and then the Medical Director, the Chief of Physicians and the Head of Cardiac Surgery Department at Prince Sultan Cardiac Center (1979-2005)</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Medicine (University of Baghdad) 1971</li> <li>- Associate degrees from the Royal College of Surgeons of London (Edinburgh) - (Clasico) 1977</li> </ul>	<ul style="list-style-type: none"> <li>- Clinical Professor of Surgery at King Saud University</li> <li>- Non-resident professor of Cardiothoracic Sciences (University of Lomaland), California, USA</li> <li>- Visiting Professor of Cardiothoracic Surgery (Harvard University 1995)</li> <li>- Vice-President of the International Society of Cardiothoracic and Vascular Surgery (1997)</li> <li>- Member of the Panel of Examiners, the Royal College of Surgeons (1987-1994)</li> <li>- Member of the Board of Directors of King Faisal Specialist Hospital and Research Center (2008-2011)</li> <li>- Head of the Department of Cardiology and Head of Physicians at the Armed Forces Hospital in Riyadh, and then the Medical Director, the Chief of Physicians and the Head of Cardiac Surgery Department at Prince Sultan Cardiac Center (1979-2005)</li> </ul>
3.	Dr. Ahmed bin Saleh Babaeer	Chief Executive Officer of Dallah Healthcare Co.	<ul style="list-style-type: none"> <li>- (1987-1991) Vice Dean of the Faculty of Agriculture, King Saud University.</li> <li>- (1993-1994) Head of Agricultural Engineering Department, Faculty of Agriculture, King Saud University</li> <li>- (1994-1999) General Manager of Jazan Agricultural Development Company (Jazadco)</li> <li>- (2000-2005) General Manager of Al Jouf Agricultural Development Company ( JADCO )</li> <li>- (2005-2008) Business Development Consultant at Amjad Holding Company in Riyadh.</li> <li>- (2006-2008) Chief Executive Officer of Al Madina Real Estate Company; a subsidiary of Amjad Holding Company in Riyadh.</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Agricultural Sciences from King Saud University in 1977.</li> <li>- Master of Agricultural Machinery Engineering and Agricultural Power from the University of Iowa, USA (1982)</li> <li>- PhD of Agricultural Machinery Engineering and Agricultural Power from the University of Iowa, USA (1984)</li> </ul>	<ul style="list-style-type: none"> <li>- (1987-1991) Vice Dean of the Faculty of Agriculture, King Saud University.</li> <li>- (1993-1994) Head of Agricultural Engineering Department, Faculty of Agriculture, King Saud University</li> <li>- (1994-1999) General Manager of Jazan Agricultural Development Company (Jazadco)</li> <li>- (2000-2005) General Manager of Al Jouf Agricultural Development Company ( JADCO )</li> <li>- (2005-2008) Business Development Consultant at Amjad Holding Company in Riyadh.</li> <li>- (2006-2008) Chief Executive Officer of Al Madina Real Estate Company; a subsidiary of Amjad Holding Company in Riyadh.</li> </ul>

### 3. Executive Management:

Eng.	Name	Current jobs	Previous jobs	Qualifications	Experiences
1.	Dr. Ahmed bin Saleh Babaeer	Chief Executive	<ul style="list-style-type: none"> <li>- (1987-1991) Vice Dean of the Faculty of Agriculture, King Saud University.</li> <li>(1993-1994) Head of Agricultural Engineering Department, Faculty of Agriculture, King Saud University</li> <li>- (1994-1999) General Manager of Jazan Agricultural Development Company (Jazadco)</li> <li>- (2000-2005) General Manager of Al Jouf Agricultural Development Company ( JADCO )</li> <li>(2005-2008) Business Development Consultant at Amjad Holding Company in Riyadh.</li> <li>(2006-2008) Chief Executive Officer of Al Madina Real Estate Company; a subsidiary of Amjad Holding Company in Riyadh.</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Agricultural Sciences from King Saud University in 1977.</li> <li>- Master of Agricultural Machinery Engineering and Agricultural Power from the University of Iowa, USA (1982)</li> <li>- PhD of Agricultural Machinery Engineering and Agricultural Power from the University of Iowa, USA (1984)</li> </ul>	<ul style="list-style-type: none"> <li>- (1987-1991) Vice Dean of the Faculty of Agriculture, King Saud University.</li> <li>(1993-1994) Head of Agricultural Engineering Department, Faculty of Agriculture, King Saud University</li> <li>- (1994-1999) General Manager of Jazan Agricultural Development Company (Jazadco)</li> <li>- (2000-2005) General Manager of Al Jouf Agricultural Development Company ( JADCO )</li> <li>(2005-2008) Business Development Consultant at Amjad Holding Company in Riyadh.</li> <li>(2006-2008) Chief Executive Officer of Al Madina Real Estate Company; a subsidiary of Amjad Holding Company in Riyadh.</li> </ul>
2.	Dr. Mohammed Rashid Al-Faqih	General Medical Supervisor	<ul style="list-style-type: none"> <li>- Clinical Professor of Surgery at King Saud University</li> <li>- Non-resident professor of Cardiothoracic Sciences (University of Lomaland), California, USA</li> <li>- Visiting Professor of Cardiothoracic Surgery (Harvard University 1995)</li> <li>- Vice-President of the International Society of Cardiothoracic and Vascular Surgery (1997)</li> <li>- Member of the Panel of Examiners, the Royal College of Surgeons (1987-1994)</li> <li>- Member of the Board of Directors of King Faisal Specialist Hospital and Research Center (2008-2011)</li> <li>- Head of the Department of Cardiology and Head of Physicians at the Armed Forces Hospital in Riyadh, and then the Medical Director, the Chief of Physicians and the Head of Cardiac Surgery Department at Prince Sultan Cardiac Center (1979-2005)</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor of Medicine (University of Baghdad) 1971</li> <li>- Associate degrees from the Royal College of Surgeons of London (Edinburgh) - (Clasico) 1977</li> </ul>	<ul style="list-style-type: none"> <li>- Clinical Professor of Surgery at King Saud University</li> <li>- Non-resident professor of Cardiothoracic Sciences (University of Lomaland), California, USA</li> <li>- Visiting Professor of Cardiothoracic Surgery (Harvard University 1995)</li> <li>- Vice-President of the International Society of Cardiothoracic and Vascular Surgery (1997)</li> <li>- Member of the Panel of Examiners, the Royal College of Surgeons (1987-1994)</li> <li>- Member of the Board of Directors of King Faisal Specialist Hospital and Research Center (2008-2011)</li> <li>- Head of the Department of Cardiology and Head of Physicians at the Armed Forces Hospital in Riyadh, and then the Medical Director, the Chief of Physicians and the Head of Cardiac Surgery Department at Prince Sultan Cardiac Center (1979-2005)</li> </ul>

3.	Khalid Mohammed Saudi	Chief Financial Officer	<p>He worked as an accountant at Al-Masila Trading and Contracting Company (1991-1995), Ernst &amp; Young in Saudi Arabia (1995-1997), Senior Financial Advisor to Max International in Canada (1997-1998), and Finance Manager at Al Azizia Investments in Saudi Arabia (1998-2006). He worked as Chief Financial Officer of Tanami Holding Company in Saudi Arabia (2007-2008) and Senior Advisor to Bank of Montreal in Canada (2008-2011).</p>	<p>Bachelor of Administrative Sciences, Specialization of Accounting, King Saud University in 1991; Certified Public Accountant (CPA); Certified Management Accountant (CMA); Certified Financial Manager (CFM) and Certified Business Manager.</p>	<p>He worked as an accountant at Al-Masila Trading and Contracting Company (1991-1995), Ernst &amp; Young in Saudi Arabia (1995-1997), Senior Financial Advisor to Max International in Canada (1997-1998), and Finance Manager at Al Azizia Investments in Saudi Arabia (1998-2006). He worked as Chief Financial Officer of Tanami Holding Company in Saudi Arabia (2007-2008) and Senior Advisor to Bank of Montreal in Canada (2008-2011).</p>
4.	Eng. Assaf Hussein Assaf	CEO Dallah Al Nakhil Hospital	<p>- Civil Engineer in Directorate General of Projects at the Ministry of Interior</p> <p>- Project Manager at the General Directorate of the Ministry of Interior in Riyadh</p> <p>- CEO of the Saudi-Tunisian Investment Company in Tunisia</p> <p>- CEO of the Arab Medical &amp; Hospital Supplies Co. Ltd. (AMESCO)</p> <p>- CEO of International Medical Development Company Ltd.</p> <p>- CEO of Al-Anwa Holding Co. Ltd.</p>	<p>- Masters in Engineering Management from Saint Martins College, Olympia, Washington, USA</p> <p>- Bachelor of Civil Engineering from Saint Martins College, Olympia, Washington, USA.</p>	<p>Engineer Assaf Hussein Al Assaf started his career as a civil engineer in the Directorate General of Projects in the Ministry of Interior in 1986 and from 1998 to 1990, he was appointed as the project manager in the general administration of the Ministry of Interior in Riyadh. Following, he moved to Saudi Arabia to be CEO of the Arab Company for Medical Supplies and Hospital Supplies Limited (AMESCO) from 1995 to 2010, and at the same time Eng. Assaf served as CEO of International Medical Development Company Limited in 2005. Afterwards, Eng. Al Assaf worked as the CEO of Al-Anwa Holding Co. Ltd. From 2010 till September 2013, and then he started to work at Dallah Hospital as the Executive Director of the hospital until present.</p>
5.	Dr. Salah Rashid Al-Faqih	Chief Physician	<p>Dr. Al-Faqih worked at Riyadh Central Hospital in Riyadh from 1974 to 1978. During this period, he worked as a chief physician at the Department of Surgery from 1974 to 1976. Dr. Al-Faqih has worked at several hospitalities in the UK from 1978 to 1981. He served at the Department of Urology at Stokemandeville Hospital, Aylesbury, from 1978 to 1980, and at the Department of Urology at the Royal Liverpool Hospital, Liverpool, in 1980. Dr. Al-Faqih also served at the Department of Urology, London-based Royal Marsden Hospital, from 1980 to 1981. (1981-1983) he worked as Urologist at Riyadh Central Hospital before being appointed as Assistant Professor and Urologist at King Khalid University Hospital (1983 to present).</p>	<p>Bachelor of Medicine and Surgery - Faculty of Medicine - University of Baghdad.</p> <p>Fellowship of the Royal College of Surgeons of England - Royal College of Surgeons - England.</p> <p>Fellowship of the Royal College of Physicians and Surgeons of Glasgow - the Royal College of Physicians and Surgeons of Glasgow - Scotland.</p>	<p>Dr. Al-Faqih worked at Riyadh Central Hospital in Riyadh from 1974 to 1978. During this period, he worked as a chief physician at the Department of Surgery from 1974 to 1976. Dr. Al-Faqih has worked at several hospitalities in the UK from 1978 to 1981. He served at the Department of Urology at Stokemandeville Hospital, Aylesbury, from 1978 to 1980, and at the Department of Urology at the Royal Liverpool Hospital, Liverpool, in 1980. Dr. Al-Faqih also served at the Department of Urology, London-based Royal Marsden Hospital, from 1980 to 1981. (1981-1983) he worked as Urologist at Riyadh Central Hospital before being appointed as Assistant Professor and Urologist at King Khalid University Hospital (1983 to present).</p>

### 33. Names of companies in and outside the Kingdom in which a board member is one of their current or former members or managers:

Member name	Names of companies in which the Board of Directors Member is a member of its current Board of Directors or one of its Directors	Inside/Outside the Kingdom	The legal structure (listed joint stock company/ unlisted joint stock company/ limited liability company ....)	Names of companies in and outside the Kingdom in which a board member is one of their current or former members or managers	Inside/ Outside the Kingdom	The legal structure (listed joint stock company/ unlisted joint stock company/ limited liability company ....)
Eng. Tariq Othman Al-Qassabai	Bank AlJazira	Kingdom of Saudi Arabia	Listed joint stock company	AlJazira Capital	Kingdom of Saudi Arabia	Unlisted joint stock company
	Aseer Trading, Tourism and Manufacturing Co.		Listed joint stock company			
	Ataa Educational Company		Unlisted joint stock company			
	Cerb Real Estate Investment Co.		Unlisted joint stock company			
	Al Balad Al Ameen for Development and Urban Regeneration		Unlisted joint stock company			
	Rzm Investment Corporation		Unlisted joint stock company			
	Dhahiat Al Sumou Co.		Limited liability			
	Adaptive TechSoft Co. (ATS)		Limited liability			
	Kingdom University Company	Kingdom of Bahrain	Unlisted joint stock company			
	<b>RZM Gayrimenkul Anonim Şirketi,</b> RZM Gayrimenkul Anonim Sirketi	Turkey	Unlisted joint stock company			
Dr. Abdul Rahman Abdulziz Al-Swailim	x x x	x x x	x x x	x x x	x x x	x x x
	x x x	x x x	x x x	x x x	x x x	x x x
Dr. Mohammed Rashid Al-Faqih	Company of Dr. Mohammed Rashid Al-Faqih and Partners	Kingdom of Saudi Arabia	Unlisted joint stock company	x x x	x x x	x x x
	Kingdom University Company	Kingdom of Bahrain	Unlisted joint stock company	x x x	x x x	x x x
Mr. Mohiuddin Saleh Kamel	Jabal Omar Development Company	Kingdom of Saudi Arabia	Listed joint stock company	x x x	x x x	x x x
	Saudi Research and Marketing Group		Listed joint stock company	x x x	x x x	x x x
	Al Khozama Management Company		Unlisted joint stock company	x x x	x x x	x x x
Mr. Fahad Abdullah Al-Qassim	Savola Group	Kingdom of Saudi Arabia	Listed joint stock company	x x x	x x x	x x x
	Jarir Marketing Company	Kingdom of Saudi Arabia	Listed joint stock company	x x x	x x x	x x x
	Dur Hospitality	Kingdom of Saudi Arabia	Listed joint stock company	x x x	x x x	x x x
	Bank Albilad	Kingdom of Saudi Arabia	Listed joint stock company	x x x	x x x	x x x
	Fahad Abdullah Al Qassim and Sons for Trading and Investment Co	Kingdom of Saudi Arabia	Unlisted joint stock company	x x x	x x x	x x x
	Saudi Hospitality Heritage Company	Kingdom of Saudi Arabia	Unlisted joint stock company	x x x	x x x	x x x
	Dr. Mohammed Rashed Al Faqih & Associates	Kingdom of Saudi Arabia	Unlisted joint stock company	x x x	x x x	x x x
	Rakeen Najd International Company or Investment and Commercial Development	Kingdom of Saudi Arabia	Unlisted joint stock company	x x x	x x x	x x x
	Naqel Company (Shipping Services)	Kingdom of Saudi Arabia	Unlisted joint stock company	x x x	x x x	x x x
	Amwal Financial Consulting Company	Kingdom of Saudi Arabia	Limited liability	x x x	x x x	x x x
	Areez Commercial Investment Co. Ltd.	Kingdom of Saudi Arabia	Limited liability	x x x	x x x	x x x
	Al Rajhi Union Investment Holding Company	Kingdom of Saudi Arabia	Unlisted joint stock company	x x x	x x x	x x x
	Fincorp Financial Consulting Company	Egypt	Unlisted joint stock company	x x x	x x x	x x x
	Saudi Post	Kingdom of Saudi Arabia	Government entity	x x x	x x x	x x x

Eng. Ammar Hassan Kamel	xxx	xxx	xxx	xxx	xxx	xxx
Eng. Fahad Siraj Malaikah	Tasheel Company for Modern Services	Kingdom of Saudi Arabia	Limited liability	xxx	xxx	xxx
Eng. Fares Ibrahim Al-Rashed Al-Hamid	Ibrahim Al-Rashed Al-Hamid Sons Company	Kingdom of Saudi Arabia	Unlisted joint stock company	xxx	xxx	xxx
	Derayah Financial	Kingdom of Saudi Arabia	Unlisted joint stock company	xxx	xxx	xxx
	Al-Hassan Ghazi Ibrahim Shaker Company	Kingdom of Saudi Arabia	Listed joint stock company	xxx	xxx	xxx
	Abdullah Abdelaziz Al Rajihi Co.	Kingdom of Saudi Arabia	Unlisted joint stock company	xxx	xxx	xxx
	Al Mubhaj Al Shamyia Co.	Kingdom of Saudi Arabia	Limited liability	xxx	xxx	xxx
	Saudi Home Loans	Kingdom of Saudi Arabia	Unlisted joint stock company	xxx	xxx	xxx
	Deraya Healthcare Fund	Kingdom of Saudi Arabia	Private Closed Fund	xxx	xxx	xxx
	Czech Rehabilitation Center	Kingdom of Saudi Arabia	Unlisted joint stock company	xxx	xxx	xxx
	Rawaj Enducation Fund	Kingdom of Saudi Arabia	Private Closed Fund	xxx	xxx	xxx
	Digital Financing Co.	Kingdom of Saudi Arabia	Limited liability	xxx	xxx	xxx
Mr. Hamza Othman Khashim (Representative of the GOSI) *	Ibtikar for Information Technology Co.	Kingdom of Saudi Arabia	Limited liability	xxx	xxx	xxx
	Al Rajhi Bank	Kingdom of Saudi Arabia	Listed joint stock company	xxx	xxx	xxx
Mr. Othman Mohammad Al Ghamidi (Representative of the GOSI) **	xxx	xxx	xxx	xxx	xxx	xxx

\* : Membership Expiry: Mr. Hamzah bin Othman Khashim for resigning on 13 November 2018

\*\* Membership Start: Mr. Othman bin Mohammad Al Ghamidi on 13 November 2018

### 34. Composition of the Board of Directors and classification of members as follows: Executive Board Member/Non-Executive Board Member/Independent Board Member:

Member name	Classification of membership
Eng. Tariq Othman Al-Qassabai	Non-Executive
Dr. Abdul Rahman Abdulziz Al-Swailim	Independent
Dr. Mohammed Rashid Al-Faqih	Executive
Mr. Mohiuddin Saleh Kamel	Non-Executive
Mr. Fahad Abdullah Al-Qassim	Non-Executive
Eng. Ammar Hassan Kamel	Non-Executive
Eng. Fahad Siraj Malaikah	Independent
Eng. Fares Ibrahim Al-Rashed Al-Hamid	Non-Executive
Mr. Hamza Othman Khashim (Representative of the GOSI) *	Independent
Mr. Othman Mohammad Al Ghamidi (Representative of the GOSI) **	Independent

\* : Membership Expiry: Mr. Hamzah bin Othman Khashim for resigning on 13 November 2018

\*\* Membership Start: Mr. Othman bin Mohammad Al Ghamidi on 13 November 2018

### 35. Actions taken by the Board of Directors to inform its members, non-executives in particular, of the shareholders' proposals and notes about the Company and its performance

The Board of Directors adopted a disclosure policy and procedures which included procedures that ensures the right of the shareholders to inquire and request information and answer their inquiries in a manner that does not harm the interests of the company. The Board also confirms that it has not received any suggestions and notes regarding the company and its performance from the shareholders during 2018.

### 36. 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 2018. The following record shows members' attendance of board meetings:

Member name	Meetings Attendance Record, 2018				Number of attendees for meetings
	The first 20/02/2018	The second 10/05/2018	The third 18/09/2018	The fourth 12/12/2018	
Eng. Tariq Othman Al-Qassabi	✓	✓	✓	✓	4/4
Eng. Abdul Rahman Abdul Aziz Al Swailem	✓	✓	✓	✓	4/4
Eng. Mohammed Rashid Al-Faqih	✓	✓	✓	✓	4/4
Mr. Mohiuddin Saleh Kamel	✓	✓	✗	✓	3/4
Mr. Fahad Abdullah Al-Qassim	✓	✓	✓	✓	4/4
Eng. Ammar Hassan Kamel	✓	✗	✓	✓	3/4
Eng. Fahad Siraj Malaikah	✗	✓	✗	✓	2/4
Eng. Fares Ibrahim Al-Rashed Al-Hamid	✓	✓	✓	✓	4/4
Mr. Hamza Bin Othman Khashim (Representative of the GOSI) *	✓	✗	✓		2/4
Mr. Othman Mohammad Al Ghamidi (Representative of the GOSI) **				✓	1/4

\* : Membership Expiry: Mr. Hamzah bin Othman Khashim for resigning on 13 November 2018

\*\* : Membership Start: Mr. Othman bin Mohammad Al Ghamidi on 13 November 2018

37. Brief description of the competencies and roles of the Committees: The Audit Committee as well as the Remuneration and Nomination Committee, with the names of committees, chairmen, members, numbers and dates of meetings as well as the data of attendees.

A. Audit Committee

The Audit Committee was formed to boost 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 7 meetings during the fiscal year 2018.

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:

Eng.	Name	Membership Type	Number of meetings (7)						
			29/1	15/2	24/2	23/4	31/5	26/7	22/10
1	Eng. Fares Ibrahim Al-Rashed Al-Hamid	Committee Chairman	✓	✓	✓	✓	✓	✓	✓
2	Mr. Fahad Abdullah Al-Qassim	Member	✓	✓	✓	✓	✓	✓	✓
3	Mr. Abdulrahman Saleh Al Khulaifi	Member	✓	✓	x	✓	✓	✓	✓
4	Mr. Mohammed Hamad Al-Fares	Member	✓	✓	✓	✓	✓	✓	✓

B. Remuneration and Nomination Committee

The Remuneration and Nomination Committee was formed to enhance the role of the Board of Directors in presenting recommendations regarding the introduction of policies for remunerations and incentives of board members and senior executives. The Committee also ensures the independence of independent members annually, reviews annually the skills required for Board membership, identifies weaknesses and strengths of the Board, and reviews the Board structure, making recommendations for possible changes and Board membership nominations. The Committee held (3) meetings in 2018. The Committee consists of the following four members:

Eng.	Name	Membership Type	Number of meetings (3)		
			25/01	01/03	15/04
1	Dr. Abdul Rahman Abdulziz Al-Swailim	Committee Chairman	✓	✓	✓
2	Eng. Tariq Othman Al-Qassabai	Member	✓	✓	✓
3	Eng. Ammar Hassan Kamel	Member	✓	✓	✓
4	Mr. Hamza Othman Khashim (Representative of the GOSI) *	Member	✓	✓	✓
5	Mr. Othman Mohammad Al Ghamidi (Representative of the GOSI) **	Member			

### C. Investment and Financing Committee

The Investment and Financing Committee was formed under a decision from the Board of Directors. It was **delegated to carry out some of the Board of Directors' tasks, most important of which are: studying investment opportunities and their consistency 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 (3) meetings during the fiscal year 2018. The Committee consists of five members as follows:

Eng.	Name	Membership Type	Number of meetings (3)		
			10/05	18/09	12/12
1	Eng. Tariq Othman Al-Qassabai	Committee Chairman	✓	✓	✓
2	Dr. Mohammed Rashid Al-Faqih	Member	✓	✓	✓
3	Mr. Mohiuddin Saleh Kamel	Member	✓	✗	✓
4	Eng. Fahad Siraj Malaikah	Member	✓	✗	✓
5	Mr. Fahad Abdullah Al-Qassim	Member	✓	✓	✓

### D. Executive Committee

The Executive Committee, formed by a decision of the Board of Directors, was assigned some tasks of the Board of Directors, including: periodic follow up on implementing the strategic plan and estimated budget approved by the Board; assuming the tasks related to its authority in line with the approved deligation of authorities; amortization of debts in line with the approved chain of authorities and the recommendations of the Board to amortize above that limit; reviewing and modifying credit terms for new clients of the Company **and its subsidiaries; reviewing the Company's credit limits** and risks of clients of the Company and its **subsidiaries; monitoring and reviewing the Company's executive management compliance with the credit controls set by the committee. The Board periodically reviews the committee's minutes of their meetings.** The Committee implements its tasks according to the authorities set by the Board of Directors, as well as any other tasks assigned by the Board of Directors. The Committee held (3) meetings in 2018. The Committee consists of three members as follows:

Eng.	Name	Membership Type	Number of meetings (3)		
			11/01	25/04	07/10
1	Eng. Tariq Othman Al-Qassabai	Committee Chairman	✓	✓	✓
2	Dr. Mohammed Rashid Al-Faqih	Member	✓	✓	✓
3	Dr. Ahmed bin Saleh Babaeer	Member	✓	✓	✓

### 38. Disclosure of remuneration to the Board Members and Executive Management as per Article 93 of

#### *38-1 Disclosure of the remuneration policy and the process of determining remuneration to board members and executive management*

The Company adopted the remuneration policy of the Board of Directors, the Executive Committees and the Senior Executives by the Eleventh General Assembly, which stipulates the rules and principles governing the remuneration as described in the annex.

#### *38-2 Clarification of the relationship between the awarded remuneration and the applicable remuneration policy, as well as clarification of any material deviation from this policy*

The Board of Directors, based on the recommendation of the Remunerations and Nominations Committee, determines the remuneration of the members of the Board of Directors, the members of the committees and the senior executives, in accordance with the regulatory regulations and in accordance with the remuneration policy of the Board of Directors, its executive committees and senior executives approved by the General Assembly. Therefore, there is no significant deviation during 2018.



### 38-3 Board of Directors Remunerations (including the total of the remunerations in the committees)

	Salaries and Remunerations						Variable Remunerations						End of service remuneration	Total	Expense Allowance
	Specific amount	Attendance allowances	Total attendance allowances of committees	In-kind Benefits	Statement of the amounts received by board members for their work as employees or administrators, and the amounts received for their technical, administrative or consulting services	Remuneration of Chairman, Managing Director or Secretary (if he is a member)	Total	Percentage from Profits	Periodic Remunerations	Short term Incentive Plans	Long-term Incentive Plans	Shares Given (Value Added)			
First: Independent Members															
Dr. Abdul Rahman Abdul Aziz Al Swailem	300,000	12,000	9,000				321,000							321,000	
Eng. Fahad Siraj Malaikah	300,000	6,000	6,000				312,000							312,000	3,830
Mr. Hamza Othman Khashim (representative of GOSI)*	300,000	6,000	9,000				315,000							315,000	
Mr. Othman Mohammad Al Ghamidi (representative of GOSI)	0	3,000					3,000							3,000	
Total	900,000	27,000	24,000				951,000							951,000	3,830
Second: Non-executive Members															
Eng. Tariq Othman Al-Qassabi	200,000	12,000	18,000		697,165	200,000	1,127,165							1,127,165	
Mr. Mohiuddin Saleh Kamel	266,667	9,000	6,000				281,667							281,667	5,745
Mr. Fahad Abdullah Al-Qassim	450,000	12,000	30,000				492,000							492,000	
Eng. Fares Ibrahim Al-Rashed Al-Hamid	350,000	12,000	21,000				383,000							383,000	
Eng. Ammar Hassan Kamel	300,000	9,000	9,000				318,000							318,000	5,745
Total	1,566,667	54,000	84,000		697,165	200,000	2,601,832							2,601,832	11,490
Third: Executive Members															
Dr. Mohammed Rashid Al-Faqih	300,000	12,000	9,000		1,200,000		1,521,000							1,058,067	
Total	300,000	12,000	9,000		1,200,000		1,521,000							1,058,067	1,521,000

#### 38-4 Senior Executives' remunerations

The statement (In 1.000 Saudi Riyals)	Five of the Senior Executives, including the CEO and CFO
Salaries and remuneration	5196
Allowance	1045
Annual allowance	2093
End of service remuneration	3210
<b>Executives' remuneration for their board membership</b>	<b>200</b>

#### 38-5 Remunerations of Committee members

	Salaries and Remunerations (Except for attendance allowance)	attendance allowance	Total
Audit Committee Members			
Eng. Fares Ibrahim Al-Rashed Al-Hamid	150.000	21.000	171.000
Mr. Fahad Abdullah Al-Qassim	150.000	21.000	171.000
Mr. Abdulrahman Saleh Al Khulaifi	150.000	18.000	168.000
Mr. Mohammed Hamad Al-Fares	150.000	21.000	171.000
Total	600.000	81.000	681.000
Remuneration and Nomination Committee Members:			
Dr. Abdul Rahman Abdul Aziz Al Swailem	100.000	9.000	109.000
Eng. Tariq Othman Al-Qassabai	100.000	9.000	109.000
Eng. Ammar Hassan Kamel	100.000	9.000	109.000
<b>Mr. Hamza Othman Khashim (representative of GOSI)*</b>	100.000	9.000	109.000
<b>Mr. Hamza Othman Khashim (representative of GOSI)**</b>	-	-	-
Total	400.000	36.000	436.000
Investment & Financing Committee Members:			
Eng. Tariq Othman Al-Qassabai	100.000	9.000	109.000
Dr. Mohammed Rashid Al-Faqih	100.000	9.000	109.000
Mr. Mohiuddin Saleh Kamel	66.667	6.000	72.667
Eng. Fahad Siraj Malaikah	100.000	6.000	106.000
Mr. Fahad Abdullah Al-Qassim	100.000	9.000	109.000
Total	466.667	39.000	505.667
Executive Committee Members			
Eng. Tariq Othman Al-Qassabai	-	-	-
Dr. Mohammed Rashid Al-Faqih	-	-	-
Dr. Ahmed bin Saleh Babaeer	-	-	-
Total	-	-	-

39. Any retribution, penalty, precautionary measure or provisional attachment imposed on the Company by the CMA or any supervisory, regulatory or judicial entity, with a statement of the reasons of the violation, the signatory and ways to treat and prevent their occurrence in the future

There were no sanctions, penalties or reserve restrictions imposed on Dallah Health Services Company during 2018.

40. The results of the annual audit of the effectiveness of the **Company's internal control procedures, and the opinion of the Audit Committee on the adequacy of the internal control system in the company:**

In view of the Committee's work in 2018, the Audit Committee believes that there is no significant deficiency or any substantial change in the internal control systems and it is working effectively to prevent and detect mistakes. It also believes that there is no material breach or violation of the internal control systems in 2018.

41. The Audit Committee recommendation in regard the necessity of hiring an internal auditor if

An internal auditor is present in company.

42. Audit Committee recommendations that are in contradiction with Board decisions or those not adopted by the Board with regard to the company auditor, termination of contract, fees, appraisal, the appointment of the internal auditor, the justifications for the recommendations and the reasons for not adopting the said recommendations.

No contradictions have occurred between the Audit Committee and the Board during 2018, therefore no recommendations ensued.

43. Declarations of the Board of Directors:

The Company's Board of Directors acknowledges that:

- The accounting records were properly prepared.
- 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.**

44. The provisions of the Corporate Governance Regulations, unless and for what reason.

The Company seeks to comply with the governance standards through continuous review of its policies. The Company enacts policies and procedures which would promote transparency and integrity. In an attempt to raise the Company to the highest levels of commitment to the regulation of governance, the Company developed a regulation of its

own, guided by Regulation Governance issued by the Capital Market Authority, and complied with its terms and objectives. The Company affirms its commitment to implement all provisions of the Compulsory Corporate Governance Regulations and some of the guidance provisions, except the following:

Article Number / Paragraph	Article Text / Paragraph	Reasons for not implementing
Thirty-three (B)	The Board of Directors conducts a minimum of four regular meetings, with at least one meeting every three months.	The article is for guidance. Applied to high extent where four BOD meetings were formed during 2018, but not every three months, when meetings conformed to the BOD members schedules and work conditions.
Forty-one	The Board of Directors and as recommended by the Nomination Committee puts forward the required <b>mechanisms for appraising the Board's performance, its members, committees and that of the Executive Management</b> on an annual basis. This is done through appropriate measurement indicators evaluating the extent by which the company has archived its strategic objectives, the sufficiency of the internal control system and other matters yet also indicating strengths and weaknesses suggesting appropriate remedies in compliance with the company interests.	The article is for guidance. Work is undergoing on choosing independent party to set evaluation mechanism for the BOD, its members, the committees and the executive management.
Fifty-Fourth Article: Composition of the Audit Committee (paragraph b)	The head of the Audit Committee should be an independent member.	Benchmark Article, The Board of Directors believes the presence of two independent members from outside of the Board is sufficient towards insuring the independence that enhances the overall work of the committee.
Seventy	Formation of the Risk Management Committee	Benchmark Article, The Board of Directors concludes that there shall be no need for an independent Risk Management Committee. A competent person shall be assigned for managing risks before the end of 2019.
Seventy-one	Terms of reference of the Risk Management Committee	Not relevant as no committee was formed
Seventy-two	Risk Management Committee Meetings The Risk Management Committee shall regularly meet at least once every (six month) on minimum or whenever needed.	Not relevant as no committee was formed

Eighty-five	<p>Workers incentives</p> <p>The Company provides programs for developing and encouraging participation and performance by employees that shall notably include the following:</p> <p>1 - The formation of committees or the holding of specialized workshops to accommodate the views of the company employees to discuss issues and decisions of importance.</p> <p>2 - Programs for granting company shares to employees of the company or a share of the realized profits, retirement plans and the establishment of an independent fund for the financing of such projects.</p> <p>3 - Establishment of social institutions for company employees.</p>	Benchmark Article, Furthermore, the company has incentive programs previously mentioned in the report.
Eighty-seven	<p>Social Responsibility:</p> <p>The General Assembly shall, upon the recommendation of the board of directors, place a policy to ensure the balance between its objectives and the objectives the society aspires to achieve, for the purpose of developing social and economic conditions of society.</p>	Work is ongoing on establishing a policy concerning social responsibility and which shall be presented to the General Assembly during 2019.
Eighty-eight	<p>Initiatives for Social Work</p> <p>The Board of Directors shall set and specify the required means by which company initiatives are initiated in the field of social work and shall include the following:</p> <p>1 - Implementing benchmark indicators that links the <b>company's performance with social work initiatives</b> it undertakes and comparing those to other companies of similar activity.</p> <p>2- Inform and raise the awareness of relevant staff on the objectives of the adopted social responsibility.</p> <p>3- Report plans for achieving social responsibility in the relevant periodical reports.</p> <p>4- Implement awareness programs regarding the <b>company's</b> social responsibility.</p>	Referral article, the Company carries a number of initiatives and programs, and reports this in the relevant reports. The company has not developed indicators that link the performance of the company to its social work initiatives, and compare it to other companies with similar activities.
Ninety-five	<p>Forming a Corporate Governance Committee in the event of forming a Corporate Governance Committee, the Board of Directors shall delegate to it the terms of reference established under Article 99 of this Regulation. The Committee shall follow up on any matters related to the application of governance and provide the Board of Directors at least annually with reports and recommendations to her.</p>	A referral article, and the board does not see a requirement to form an independent committee, as such activities are already delegated to other committees and administrations.

#### 45. Description of any transaction between the Company and a related party

Name of the related party	Nature of Transaction	Transaction Amount	Transaction Term	Transaction Conditions
Tariq Bin Othman Al-Qasabi	<b>Two agreements with ATS Company to provide technical support and maintenance services in</b>	5.653.243 Saudi Riyal	One year starting 1/1/2018 through 31/12/2018	Prevalent market conditions. This dealing began several years ago, and is still ongoing.

<b>Board Chairman and Partner in Adaptive Techsoft (ATS)</b>	<b>addition to a procurement agreement related to the company's database.</b>				
<p>Board of Directors:</p> <p>1 - Mr. Mohiuddin Saleh Kamel</p> <p>2- Eng. Ammar Hassan Kamel</p> <p>In their capacity as senior executives in Dallah Al Barakah Holding Company; one of the major shareholders of the Company.</p>	<p>Business dealing with Dallah Trading Company for spare parts and maintenance of air-conditioning equipment. It is fully owned by Dallah Al-Barakah Holding Company.</p>	<p>298.480 Saudi Riyal</p>	<p>One year starting 1/1/2018 through 31/12/2018</p>	<p>Prevalent market conditions. This dealing began several years ago, and is still ongoing.</p>	
<p>Board of Directors:</p> <p>1 - Mr. Mohiuddin Saleh Kamel</p> <p>2- Eng. Ammar Hassan Kamel</p> <p>In their capacity as senior executives in Dallah Al Barakah Holding Company; one of the major shareholders of the Company.</p>	<p>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.</p>	<p>6.672.051 Saudi Riyal</p>	<p>One year starting 1/1/2018 through 31/12/2018</p>	<p>Prevalent market conditions. This dealing began several years ago, and is still ongoing.</p>	
<p>Tariq Bin Othman Al-Qasabi</p> <p>(Chairman of the board, his son Abdullah is the <b>chairman of "Al-Mashfa Medical Company"</b> - Closed joint stock compnay)</p>	<p>Therapeutic services for referred patients</p>	<p>933.993 Saudi Riyal</p>	<p>One year starting 1/1/2018 through 31/12/2018</p>	<p>Prevalent market conditions. This dealing began several years ago, and is still ongoing.</p>	
<p>Eng. Tariq Bin Othman Al-Qasabi</p>	<p>Management Consultant</p>	<p>697.165 Saudi Riyal</p>	<p>From 23/5/2018 through 31/12/2018</p>	<p>Prevailing market conditions.</p>	
<p>Mr. Hamzah Othman Khushaim (Joint member of the board with AlRajhi Bank)</p> <p>(Representative of the General Organization for Social Insurance) *</p>	<p>Murabaha financing from AlRajhi Bnak for building medical facilities</p>	<p>120,197,580 Saudi Riyal</p>	<p>From 08/01/2018 through 31/21/2018</p>	<p>Prevailing prices and market conditions.</p>	

#### 46. Participation of a board member in competitive activities:

- 1) The Company discloses that Dr. Mohammed Bin Rashid Al-Faqih, a board member of Dallah Healthcare Company, is a partner owning 13.88% (direct ownership) and 7.03% (indirect ownership). 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 Healthcare Company has an investment share of 31.21 % in the capital of SR 430 million of Dr. Mohammed Bin Rashid Al-Faqih Company, and that it has 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 10th meeting held on 22 May 2018 to take part in this business activity.
- 2) The Company discloses that Dr. Mohammed Bin Rashid Al-Faqih, a board member of Dallah Healthcare Company, is Chairman of the Board of Dr. Mohammed Bin Rashid Al-Faqih and Company. It is a closed joint stock company providing medical care and treatment through a general hospital east of Riyadh. The Company also clarify that Dallah Healthcare Company has an investment share of 31.21 % in the capital of SR 430 million in Dr. Mohammed Bin Rashid Al-Faqih and Company and that it has 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 10th meeting held on 22 May 2018 to take part in this business activity.
- 3) The Company discloses that Mr. Ahad bin Abdullah AlQasem, a board member of Dallah Healthcare Company, is a partner owning 1.88% (indirect ownership) in the company. 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 Healthcare Company has an investment share of 31.21 % in the capital of SR 430 million of Dr. Mohammed Bin Rashid Al-Faqih Company, and that it has 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 10th meeting held on 22 May 2018 to take part in this business activity.
- 4) The Company discloses that Mr. Fahd Bin Abdullah Al Qasim, Member of the Board of Directors of Dallah Health Services Company, is undertaking the post of board member of Dr. Mohammed Rashed Al Faqih & Co., a closed joint stock company that provides medical care and treatment through a hospital in East Riyadh. The company also notes that Dallah Health Care company invests 31.21% in the capital of Dr. Mohammed Rashid Al Faqih and Partners Company, amounting to 430 million Saudi Riyals, and the agreement with the target company for Dallah Health Care to manage the hospital to be established in the east of Riyadh, noting that the approval of the General Assembly was obtained during its tenth meeting on 22/05/2018 to undertake this activity.
- 5) The company hereby explains that Engineer Fares bin Ibrahim Al-Rashid Al-Humaid is the Chairman of the Board of Directors of the Czech Center for Physiotherapy and Rehabilitation, noting that he obtained the approval of the General Assembly during its tenth meeting on 22/05/2018 to be a part of this activity.

- 6) The company hereby explains that Engineer Fares bin Ibrahim Al-Rashid Al-Humaid has worked at "Deraya Health Care Company", noting that he obtained the approval of the General Assembly during its tenth meeting on 22/05/2018 to be apart of this activity.

#### 47. Due Statutory payments:

The statement	Due as at the end of 2018	Notes
General Authority for Zakat and Income	10,415,247	
General Organization for Social Insurance	1,170,721	
<b>Total</b>	<b>11,585,968</b>	

#### 48. Interests of Board of Directors Members and Senior Executives in the Shares of the Company and its Subsidiaries:

The table below shows interests of Board members in the shares of the Company during the fiscal year 2018. There is no ownership or interest for their spouses or minor children in the shares of the Company or its subsidiaries. In addition, 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	Change %
The Board of Directors	Number of Shares	Debt Instruments	Number of Shares	Debt Instruments		
Eng. Tariq Othman Al-Qassabi	2,845,000	0	2,845,000	0	0	0
Dr. Abdul Rahman Abdul Aziz Al Swailem	2.202	0	4.202	0	2,000	90.8%
Dr. Mohammed Rashid Al-Faqih	3,095,000	0	3,095,000	0	0	0
Mr. Mohiuddin Saleh Kamel	0	0	1,000	0	1,000	100%
Mr. Fahad Abdullah Al-Qassim	1250	0	1.250	0	0	0
Eng. Ammar Hassan Kamel	1,250	0	1,250	0	0	0

Eng. Fahad Siraj Malaikah	1,250	0	1,250	0	0	0
Eng. Fares Ibrahim Al- Rashed Al-Hamid	1,250	0	1,250	0	0	0
Mr. Hamza Othman Khashim  (Representative of the GOSI) *	0	0	0	0	0	0
Mr. Othman Mohammad Al Ghamidi  (Representative of the GOSI) **	0	0	0	0	0	0
Senior Executives						
Dr. Ahmed bin Saleh Babaeer  (Chief Executive)	1,250	0	1,250	0	0	0
Dr. Mohammed bin Rashid Al- Faqih  (General Medical Supervisor)	3,095,000	0	3,095,000	0	0	0
Khalid Mohammed Saudi  (Chief Financial Officer)	0	0	0	0	0	0
Dr. Salah Rashid Al-Faqih  (Chief Physician)	0	0	0	0	0	0
Eng. Assaf Hussein AlAssaf  (CEO - Dallah Al Nakhil Hospital)	1.300	0	2300	0	1000 Shares	76.9%

\* : Membership Expiry: Mr. Hamzah bin Othman Khashim for resigning on 13 November 2018

\*\* Membership Start: Mr. Othman bin Mohammad Al Ghamidi on 13 November 2018

## 49. Interest in stocks with voting rights

In the year 2018, the Company was not informed of any voting rights class in shares or any change in such interest attributable to persons other than the members of the Board of Directors, senior executives and their relatives under Article 45 of the Registration and Listing Rules relating to ownership of large shares of the Company.

A description of any interest in the class of voting shares belonging to persons (other than directors, senior executives and their relatives) shall inform the Company of those rights under Article 45 of the Registration and Listing Rules and any change in those rights during the last fiscal year, 11) of Article 43 of the Rules for Registration and Listing.

Name of Member			At the beginning of 2018		At the end of 2018	
			Number of Shares	Ownership Ratio%	Number of Shares	Change %
Dallah	Al-Barakah	Holding	32,225,000	54.6%	32,225,000	0%
Compay						
Dr. Mohammed Rashid Al-Faqih			3,095,000	5.2%	3,095,000	0%

## 50. A statement of the dates of the general assembly meetings held during the last fiscal year and the names of the board members who attended these meetings.

Eng.	Name	Attendance Record	
		6th Ordinary General Assembly Meeting	
		22/05/2018	
1	Eng. Tariq Othman Al-Qassabai	✓	
2	Dr. Abdul Rahman Abdulziz Al-Swailim	✓	
3	Dr. Mohammed Rashid Al-Faqih	✓	
4	Mr. Mohiuddin Saleh Kamel	✗	
5	Mr. Fahad Abdullah Al-Qassim	✓	
6	Eng. Ammar Hassan Kamel	✗	
7	Eng. Fahad Siraj Malaikah	✗	
8	Eng. Fares Ibrahim Al-Rashed Al-Hamid	✓	
9	Mr. Hamza Othman Khashim (Representative of GOSI) *	✗	
10	Mr. Othman Mohammad Al Ghamidi (Representative of GOSI) **		

\* : Membership Expiry: Mr. Hamzah bin Othman Khashim for resigning on 13 November 2018

\*\* : Membership Start: Mr. Othman bin Mohammad Al Ghamidi on 13 November 2018

51. The number **of the Company's applications for** shareholder record as well as the dates and reasons of such applications.

Series	Report date	Reason
1	01/04/2018	companies procedures
2	22/05/2018	6th Extraordinary General Assembly
3	24/05/2018	Fiscal Year 2017 dividend file
4	24/05/2018	companies procedures
5	03/06/2018	companies procedures
6	28/06/2018	companies procedures
7	02/09/2018	companies procedures
8	01/10/2018	companies procedures
9	24/10/2018	companies procedures
10	24/12/2018	First half of the Fiscal Year 2018 dividend file





**Dallah Healthcare Company**  
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018 AND  
INDEPENDENT AUDITOR'S REPORT**

## Independent auditor's report

To the shareholders of  
Dallah Healthcare Company (a Saudi Joint Stock Company)

Riyadh - the Kingdom of Saudi Arabia

### Opinion

We have audited the consolidated financial statements of Dallah Healthcare Company (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia, and other standards and versions as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Application of IFRS No. (15) "Revenue from Contracts with Customers"	
Key audit matter	How the key audit matter was addressed in our audit
<p>The Group adopted the IFRS (15) "Revenue from contracts with customers" with effect from 1 January 2018 and this new standard replaces requirements of IAS 18 "Revenue".</p> <p>Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments, and consequential changes to processes and controls required particularly in connection with separation of different performance obligations that may be within a given contract, in addition to deductions related to prices and medical rejections.</p> <p>Management assessed the additional disclosures required to be made by the new standard in the consolidated financial statements.</p> <p>We considered this a key audit matter as revenue is a key financial statement item and performance metric and the application of IFRS (15) can require judgment by management and the use of significant assumptions, particularly those related to the assessment of medical rejection expected from customers on submitted medical claims.</p>	<p>Our performed procedures are as follows:</p> <ul style="list-style-type: none"> <li>• Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Group.</li> <li>• Gained an understanding of management's approach to the implementation of any changes to the accounting policy.</li> <li>• Obtained an understanding of the nature of the revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS (15).</li> <li>• Tested relevant processes and controls established by management to ensure appropriate recognition of revenue, related discounts, and consider the past practice with each individual customer.</li> <li>• Reviewed the adequacy of the Group's disclosures included in note no. (21) and note no. (29) to the accompanying consolidated financial statements.</li> </ul>
For more details refer to note (4.1 – 21 - 29)	

<b>Application of IFRS (9) "Financial Instruments"</b>	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in our audit</b>
<p>The Group adopted IFRS (9) "Financial Instruments" with effect from 1 January 2018 and this new standard supersedes the requirements of IAS (39) "Financial Instruments: Recognition and Measurement".</p> <p>IFRS (9) addresses the classification, measurement, and de-recognition of financial assets and financial liabilities and introduces new accounting rules for hedge accounting and impairment models for financial assets. Management determined that the most significant impact of the new standard on the Group's financial statements relates to the calculation of the allowance for the impairment of trade receivables.</p> <p>As at 31 December 2018 the carrying value of trade receivable amounted to SR 356.2 Million (2017: SR 281.5 Million) and the provision for impairment of trade receivable amounted to SR 28.3 Million (2017: SR 27 Million).</p> <p>The Group assessed at each reporting period whether the financial assets carried at amortized cost are credit-impaired. The Group's management has applied the simplified expected credit loss model ("expected credit loss") to determine the allowance for impairment of trade receivables. The expected credit loss model involves the use of various assumptions, macroeconomic factors, and the study of historical trends relating to the Group's trade receivables collection experience.</p> <p>We considered this a key audit matter due to the judgments and estimates involved in the application of the expected credit loss model.</p>	<p>Our performed procedures are as follows:</p> <ul style="list-style-type: none"> <li>• Reviewed management's assessment of the impact of IFRS (9) in terms of the classification and measurement of its financial assets and financial liabilities, and understood the approach taken towards implementation. We specifically considered the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of similar entities.</li> <li>• Compared the expected loss model developed by management to that required by IFRS (9) and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested arithmetical accuracy of the model.</li> <li>• Tested key assumptions, such as those used to calculate the likelihood of default and subsequent loss on default, by comparing to historical data. We also considered the incorporation for forward looking factors (predominantly economic) to reflect the impact of future events on expected credit losses.</li> <li>• Involved our accounting subject matter specialists to review the methodology used in the expected credit loss model, and compare this against accepted best practices.</li> <li>• Reviewed the adequacy of the Group's disclosures included in note No (11) and No (29) to the accompanying consolidated financial statements.</li> </ul>
For more details refer to notes (4.1 – 11 - 29)	

Impairment of construction work-in-progress and intangible assets with indefinite useful lives	
Key audit matter	How the key audit matter was addressed in our audit
<p>The Group assesses annually whether there is any indication of impairment in the value of the construction work in progress and, in case of any indication exists, the recoverable amount is estimated.</p> <p>The Group also examines the impairment, regardless of whether there are any indications of impairment, for intangible assets that are not determined by the useful life and the recoverable amount that is the higher of fair value less costs to sell or value in use.</p> <p>As of 31 December 2018, the carrying amount of the construction work in progress amounted to SR 213.6 million (2017 million: SR 822 million). Also the intangible assets with an indefinite life amounted to SR 16.2 million (2017: SR 16.2 million).</p> <p>We consider this to be a key audit matter because of the judgments and estimates used by the management in determining the recoverable amount. Assumptions regarding the expected economic conditions, especially growth in the markets in which the Group operates are mainly assumptions about the Group's major competitors on the assumptions of expected income, and gross profit margin, and the discount rate used in the value in use model.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the methodology used by the management to determine the recoverable amount on the basis of the value in use and to compare it with that required by IAS (36). We also tested the mathematical accuracy of the model used.</li> <li>• Test the accuracy and relevance of input data by reference to supporting evidence, such as approved budgets, and considered the reasonableness of these budgets by comparison to the Group's historical results and performance.</li> <li>• Engaged our valuation experts to assist in the review of the methodology of the value-in-use calculation and use of certain assumptions including discount rates and long-term growth rates.</li> <li>• Performed sensitivity analyses over key assumptions, principally sales growth rate, and terminal value multiple, and discount rates, in order to assess the potential impact of a range of possible outcomes.</li> <li>• Reviewed the adequacy of the Group's disclosures listed in Note (6) and (7) to the accompanying consolidated financial statements.</li> </ul>
For more details refer to notes (4,9-6-7)	

#### **Other information**

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of management and Those Charged with Governance for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee for the Group is responsible for overseeing the Group's financial reporting process.

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the management and with charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide with charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.

M. A. Al-Amri

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



Riyadh, on 20 Jumada II 1440(H)  
Corresponding to 25 February 2019(G)

		As at 31 December 2018 <u>SR</u>	As at 31 December 2017 <u>SR</u>
	<u>Note</u>		
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	6	1,953,199,081	1,771,525,773
Intangible assets	7	18,890,812	19,047,672
Investment in associate	8	145,160,732	140,978,759
Equity instruments at fair value through other comprehensive income	9	5,443,934	-
Available-for-sale investments	9	-	5,417,832
		<u>2,122,694,559</u>	<u>1,936,970,036</u>
Current assets			
Cash and cash equivalents	10	46,359,135	90,440,266
Trade receivables	11	356,180,416	281,505,898
Contract assets with customers	21	2,442,924	-
Due from related parties	12	5,110,810	713,078
Prepayments and other debit balances	13	76,130,795	110,348,219
Available-for-sale investment - current	9	-	28,125,000
Inventories	14	88,772,605	79,931,847
		<u>574,996,685</u>	<u>591,064,308</u>
<b>TOTAL ASSETS</b>		<u><b>2,697,691,244</b></u>	<u><b>2,528,034,344</b></u>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Equity attributable to owners of the Company:			
Share capital	1	590,000,000	590,000,000
Statutory reserve - share premium	15	371,142,305	371,142,305
Statutory reserve – transferred from net income	15	27,109,010	27,109,010
Retained earnings		613,209,624	703,980,924
The cumulative effect of valuation of equity instruments at fair value through other comprehensive income		(255,893)	(281,995)
<b>Total Equity</b>		<u><b>1,601,205,046</b></u>	<u><b>1,691,950,244</b></u>
Liabilities			
Non-current liabilities			
Long term Murabaha finance	16	562,639,841	458,280,007
Employee benefits liability	17	117,454,595	106,595,301
		<u>680,094,436</u>	<u>564,875,308</u>
Current liabilities			
Trade payables	18	101,510,822	89,835,217
Accrued expenses and other credit balances	19	67,280,775	60,865,810
Contract liabilities	21	5,229,801	-
Short term Murabaha finance	16	139,837,580	70,056,876
Current portion of long term Murabaha finance	16	5,916,666	35,500,000
Due to related parties	12	1,106,613	984,854
Dividend payable	25	88,240,400	-
Zakat	20	7,269,105	13,966,035
		<u>416,391,762</u>	<u>271,208,792</u>
<b>Total liabilities</b>		<u><b>1,096,486,198</b></u>	<u><b>836,084,100</b></u>
<b>Total equity and liabilities</b>		<u><b>2,697,691,244</b></u>	<u><b>2,528,034,344</b></u>

The accompanying notes from (1) to (33) form an integral part of these consolidated financial statements.

	Note	For the year ended 31 December	
		2018	2017
		SR	SR
Revenue	21	1,180,942,051	1,212,076,315
Cost of revenue		<u>(744,606,552)</u>	<u>(654,116,307)</u>
Gross profit		436,335,499	557,960,008
Selling and marketing expenses	22	(25,298,372)	(11,559,117)
General and administrative expenses	23	<u>(264,881,921)</u>	<u>(238,419,616)</u>
Operating income		146,155,206	307,981,275
Other income and losses	24	12,474,788	878,201
Finance charges	16	(11,532,343)	(1,873,398)
Share of loss from investment in associate	8	<u>(1,798,027)</u>	<u>(1,835,327)</u>
Net profit before Zakat		145,299,624	305,150,751
Zakat	20	<u>(3,541,169)</u>	<u>(10,174,539)</u>
Net profit		<u>141,758,455</u>	<u>294,976,212</u>
<b>Net profit attributable to the Company's shareholders</b>		<u>141,758,455</u>	<u>294,976,212</u>
Other comprehensive income:			
<u>Items will not be reclassified subsequently to profit or loss</u>			
Change in equity instruments at fair value through other comprehensive income		26,102	4,360,463
Actuarial valuation of employee benefits liability	17	<u>6,274,894</u>	<u>(5,542,405)</u>
Other comprehensive income		<u>6,300,996</u>	<u>(1,181,942)</u>
Total comprehensive income		<u>148,059,451</u>	<u>293,794,270</u>
Comprehensive income attributable to the Company's shareholders		<u>148,059,451</u>	<u>293,794,270</u>
Basic and diluted earnings per share from net income	26	1.89	3.93

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Dallah Healthcare Company  
(A Saudi Joint Stock Company)  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2018

		Share capital SR	Reserve "Share premium" SR	Statutory reserve "Transfer from net income" SR	Retained earnings SR	The cumulative effect of valuation of equity instruments at fair value through other comprehensive income SR	Total equity SR
For the year ended 31 December 2018	<u>Note</u>						
Balance as at 1 January 2018 after adjustment	29	590,000,000	371,142,305	27,109,010	701,176,275	(281,995)	1,689,145,595
Net profit for the year		-	-	-	141,758,455	-	141,758,455
Other comprehensive income		-	-	-	6,274,894	26,102	6,300,996
comprehensive income for the year		-	-	-	148,033,349	26,102	148,059,451
Dividends	25	-	-	-	(236,000,000)	-	(236,000,000)
Balance as at 31 December 2018		590,000,000	371,142,305	27,109,010	613,209,624	(255,893)	1,601,205,046
For the year ended 31 December 2017							
Balance as at 1 January 2017		590,000,000	371,142,305	27,109,010	532,547,117	(4,642,458)	1,516,155,974
Net Profit for the year		-	-	-	294,976,212	-	294,976,212
Other comprehensive income		-	-	-	(5,542,405)	4,360,463	(1,181,942)
comprehensive income for the year		-	-	-	289,433,807	4,360,463	293,794,270
Dividends	25	-	-	-	(118,000,000)	-	(118,000,000)
Balance as at 31 December 2017		590,000,000	371,142,305	27,109,010	703,980,924	(281,995)	1,691,950,244

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Dallah Healthcare Company  
(A Saudi Joint Stock Company)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended 31 December 2018

		2018	2017
	<u>Note</u>	<u>SR</u>	<u>SR</u>
<b><u>OPERATING ACTIVITIES</u></b>			
Net profit before zakat		145,299,624	305,150,751
<i>Adjustments</i>			
Depreciation of property, plant and equipment	6	74,346,413	59,571,378
Amortization of intangible assets	7	156,860	171,113
<b>Employees' benefits provision</b>	17	26,428,579	19,979,809
Provision for expected credit loss (2017: Provision for	11	(563,281)	(2,544,747)
Provision for prepayments and other debit balances	13	22,268	246,834
Provision for inventory	14	2,632,875	1,567,973
(Gain) / loss on sale of property, plant and equipment		38,160	(251,651)
Share of loss from an associate	8	1,798,027	1,835,327
Loss on sale of available for sale investment	9	373,123	11,688,328
Finance cost	16	11,532,343	1,873,398
<i>Changes in</i>			
Accounts receivable		(76,384,420)	8,637,793
Contract assets		(2,442,924)	-
Related parties		(4,807,439)	808,759
prepayments and other debit balances		34,195,156	(30,686,341)
Inventory		(11,473,633)	(12,350,171)
Accounts payable		11,675,605	19,839,981
Contract liabilities		5,229,801	-
Accrued expenses and other credit balances		6,155,365	(8,027,604)
Cash flows from operations		224,212,502	377,510,930
Zakat paid	20	(10,238,099)	(9,438,088)
<b>Employees' benefits paid</b>	17	(9,294,391)	(15,002,717)
Net cash generated from operating		204,680,012	353,070,125
<b><u>INVESTING ACTIVITIES</u></b>			
Additions to property, plant and equipment	6	(256,082,59	(431,420,913)
Paid for investment of associates	8	(5,980,000)	-
Proceeds from sale of property and equipment		24,713	647,524
Proceeds from disposal of available for sale investments	9	27,751,877	18,993,910
Net cash used in investing activities		(234,286,00	(411,779,479)
<b><u>FINANCING ACTIVITIES</u></b>			
Proceeds of short-term Murabaha finance		316,837,580	563,000,000
Repayments of short-term Murabaha finance		(247,056,87	(586,000,000)
Proceeds of long-term Murabaha finance		2,141,721,3	1,530,953,123
Repayments of long-term loans		(2,066,944,8	(1,425,486,74
Dividends paid	25	(147,500,00	(118,000,000)
Finance cost paid		(11,532,343	(1,873,398)
Net cash used in financing activities		(14,475,139	(37,407,021)
Net changes in cash and cash equivalents		(44,081,131	(96,116,375)
Cash and cash equivalents at beginning of the year	10	90,440,266	186,556,641
Cash and cash equivalents at year-end	10	46,359,135	90,440,266
<b>Supplementary information for non-cash</b>			
Write-off of accounts receivable bad debts		935,794	16,417,082
Write-off of inventories obsolescence		2,398,941	14,131,113
Write-off bad debts of prepayments and other current		9,532	528,156
Change in equity instruments at fair value through other		26,102	4,360,463
comprehensive income			
Actuarial valuation of employee benefits liability		6,274,894	(5,542,405)
Dividends payable		88,500,000	-

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

## 1. Overview

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

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

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

The share capital of the Company as of 31 December 2018 amounted to SR 590 million (2017: SR 590 million) comprises of 59 million shares (2017: 59 million shares) stated at SR 10 per share.

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

Name of subsidiary	Share in equity%		Country of operation and commercial register	Principal activity
	As of 31 December	As of 31 December		
	2018	2017		
Dallah Pharma Company <sup>(1)</sup>	100%	100%	Kingdom of Saudi Arabia commercial registration No.1010410613	Pharmaceutical, herbal & cosmetic distribution & manufactory.
Afyaa Al-Nakheel for Supporting Services Co. Limited <sup>(2)</sup>	100%	99%	Kingdom of Saudi Arabia commercial registration No.1010404576	Provide manpower & Support services to hospitals and medical centres.
Dallah Namar Hospital Health Co. <sup>(3)</sup>	100%	100%	Kingdom of Saudi Arabia commercial registration No.1010495218	Operating, managing, equipping and developing hospitals and healthcare facilities, medical polyclinics, and compounds, owning lands.

(1) On 5 Rabi II 1438H (corresponding to January 2, 2017), the Company acquired the remaining equity interest of 2% in Dallah Pharma Company which was owned by, so accordingly the Company's shareholding changed from 98% to 100% which was: 98% in 2016.

(2) On 2 Safar 1440H (corresponding November 1, 2018) the Company acquired the remaining% 1 equity interest of Afyaa Al-Nakheel for Supporting Services Co. and therefore, the Company's shareholding changed from 99% to 100%. as the remaining 1% equity interest therein was owned by other parties on behalf of the Company

(3) 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).

## Branches

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

Descriptions	Commercial Registration No.	City
Head Office (Branch of Dallah Healthcare Co.)	2057004206	Al Khafji
Dallah Hospital Al-Nakheel	1010132622	Riyadh
Dallah Pharma Factory (Dallah Pharma Branch)	4030278471	Jeddah
Medicine Warehouse (Dallah Pharma Branch)	2050071905	Dammam
Medicine Warehouse (Dallah Pharma Branch)	1010128997	Riyadh
Medicine Warehouse (Dallah Pharma Branch)	4030140769	Jeddah
Medicine Warehouse (Dallah Pharma Branch)	4030265250	Jeddah

## 2. Issued standards, Amendments, improvements, interpretations but not yet effective

At the date of adoption of these consolidated financial statements, the Group has not adopted the below new IFRSs and the amendments issued but not yet effective:

### **IFRS (16) "Leases"**

Effective for the accounting period beginning on or after 1 January 2019

IFRS (16) "Current Leases", including IAS (17) "Leases" and IFRIC(4) "Determining whether an arrangement involves a lease", Interpretations of Standards Interpretations Committee (15) "Operating Leases - Incentives", and Interpretation of Standards Interpretations Committee (27) "Valuation of the substance of transactions taking the legal form of a lease".

The IFRS (16) provides tenants with a single model for accounting for leases. The lessee recognizes the asset relating to the right to use which represents its right to use the relevant asset in addition to the lease obligation that represents its obligation to pay the lease payments. There are optional exemptions for short-term leases and leases for assets of low value. The accounting method adopted by the lessor remains similar to the current standard, i.e., the lessors continue to classify the leases into finance or operating leases.

The Group will recognize the new assets and liabilities of operating leases for various types of contracts, including leased land, where the nature of the expenses for these contracts will change. The Group will recognize depreciation expense on the use of these assets and the proceeds of lease commitments. Previously, the Group has recognized a straight-line lease expense over the term of the contract and recognizes only assets and liabilities to the extent that there are timing differences between the recognition of the lease expense and the actual lease payments.

The Group's activities as lessor or lessee are not material to the Group. The Group does not expect any significant impact on the consolidated financial statements.

## Others

Management believes that the adoption of these standards will not have a material impact on the consolidated financial statements of the Group in future periods.

- Amendments to IFRS (9) "Financial Instruments" related to Prepayment Features with Negative Compensation (Effective date 1 January 2019).
- Amendments to IAS (28) "Investments in Associates and Joint Ventures" related to Long-term Investments in Associates and Joint Ventures (Effective date 1 January 2019).
- Amendments to IAS (19) "Employee Benefits" related to Plan Amendment, Curtailment or Settlement (Effective date 1 January 2019).
- Improvement to IFRS (3) "Business Combinations" related to previously held Interests in a joint operation. (Effective date 1 January 2019).

- **Improvement to IFRS (11) "Joint Arrangements" related to Previously Held Interests in a joint operation.** 1  
(Effective date 1 January 2019).
- **Improvement to IAS (12) "Income Taxes" related to Income Tax Consequences of Payments on Financial Instruments Classified as Equity** (Effective date 1 January 2019).
- **Improvement to IAS (23) "Borrowing Costs" related to Borrowing Costs Eligible for Capitalization** (Effective date 1 January 2019).
- **IFRS (17) "Insurance Contracts"** (Effective date 1 January 2021)
- **IFRIC (23) "Uncertainty over Income Tax Treatments"** (Effective date 1 January 2019).

3. Basis of accounting

These companying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and wherever appeared in these notes, that refers to the (IFRSs) adopted in Saudi Arabia and other standards and issuances and adopted by SOCPA.

The consolidated financial statements have been prepared at historical cost, except for the employee benefit obligation measured in accordance with an actuarial valuation.

4. Summary of significant accounting policies

4.1 Standards, amendments and interpretations issued effective from 1 January 2018

- **IFRS (15)" Revenues from Contracts with Customers".**
- **IFRS (9) "Financial Instruments".**

**IFRS (15)" Revenues from Contracts with Customers"**

IFRS (15) provides a comprehensive concept framework for determining the amount and timing of revenue recognition. This Standard supersedes IAS (18) "Revenue" and IAS (11) "Construction Contracts" and related interpretations.

The Group recognizes revenue from medicines sold or medical services when the customer obtains control of the goods or services in the time period when the goods or services are transferred to the customer and recognizes their receipt and use - as detailed further below - in line with the requirements of the IFRS (15). Accordingly, there is no significant impact from the application of IFRS (15)"Revenue from Contracts with Customers" to the Group's income statement.

Under IFRS (15) Financial Statement Preparation, the term "contract assets with customers" and "contract liabilities with customers" are used to describe what was recognized as accrued income and discount volume.

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

Step 1: Identify the contract, when:

- When the contract has been approved and the parties are committed;
- **When each party's rights are identified;**
- When the payment terms are defined;
- When the contract has a commercial.
- When the collection is Collectible

Step 2: Identify performance obligations, by identifying promised goods or services agreed in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if:

- the customer can benefit from the goods or services separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: Determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: Allocate the transaction price to performance obligations is allocated to each separate performance obligation based on the relative standalone selling price of the goods or services being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer.

## 2.2 **IFRS (9) "Financial Instruments"**

IFRS (9) largely retains the current requirements of IAS (39) for the classification and measurement of financial liabilities. It excludes the categories previously reported in IAS (39) relating to held-to-maturity financial assets and loans and receivables available for sale.

The Group has been granted an exemption allowing it not to modify comparative information for prior periods with respect to classification and measurement requirements (including impairment). The differences in the carrying amounts of financial assets and financial liabilities arising from the application of IFRS (9) in retained earnings as of 1 January 2018 have been recognized. Accordingly, the information presented for the year 2017 does not generally reflect the requirements of IFRS (9) but rather presents the information of IAS (39).

The Group recognizes financial assets or financial liabilities in the statement of financial position when it becomes a party to the contractual provisions for performance. On initial recognition, the Group recognizes financial instruments at fair value with the increase or decrease in cost (in the case of financial instruments that are not at fair value through profit or loss) that are directly attributable to the acquisition or issue of the financial instrument.

### Financial assets

IFRS (9) requires the classification and subsequent measurement of all financial assets at amortized cost or fair value. Classification is based on the business model for managing financial assets and contractual cash flow characteristics of financial assets as described below, which are determined at the time of initial recognition.

All financial assets that are not classified as measured at amortized cost or at fair value through other comprehensive income, as described below, are measured at fair value through profit or loss. Net gains and losses, including any dividend or dividend income, are recognized in profit or loss.

#### ▪ Financial assets at amortized cost

A financial asset is measured at amortized cost using the effective interest method if both of the following conditions are met:

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

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

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

Revenue from foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss arising from derecognition is recognized in profit or loss.

Financial assets such as trade receivables under IAS (39), measured at amortized cost to financial assets, have been measured at amortized cost under IFRS (9) Financial Instruments as they are retained in the business model to collect contractual cash flows. Cash flows from principal repayments only amount and return.

▪ Equity instruments at fair value through other comprehensive income (FVOCI)

Investments in debt instruments that meet the following conditions are measured at fair value through other comprehensive income:

- Financial assets are held in a business model to achieve the objective of collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give the right to specific cash flow dates for payments of the principal amount and the return on the principal outstanding amount.

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

The Group does not have investments in debt instruments at fair value through other comprehensive income.

▪ Equity instruments at fair value through other comprehensive income (FVOCI) with items that will not be reclassified to profit or loss

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

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

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

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

Dividends on these investments are recognized in the statement **of income when the Group's right to receive the dividends** is established in accordance with **IFRS (15) "Revenue from contracts with the customer"**. Unless dividends clearly represent a recovery of part of the investment cost.

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

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

Impairment in value of financial assets

IFRS (9) replaces the "loss incurred" model in IAS (39) with the "expected credit loss" model. The new model is applied to financial assets measured at amortized cost and to debt instruments measured at fair value through other comprehensive income and not to investments in equity instruments. In accordance with IFRS (9), credit losses are recognized earlier than IAS (39).

The Group applies the simplified approach to the calculation of impairment. The estimated credit losses on financial assets are estimated using the historical credit loss experience of the Group, adjusted to general economic conditions and the assessment of both the current trend as well as expectations of the circumstances at the reporting date, including the time value of the money where applicable. Appropriate.

The measurement of the expected credit loss is evidence of default or default loss (means, loss if there is a default). The assessment of the probability of default depends on historical data that is adjusted by information that predicts the future as described above.

The Group recognizes impairment gains or losses separately in the statement of profit or loss and the provisions for losses on financial assets measured at amortized cost are deducted from the carrying amount of the financial assets.

#### Derecognition of financial assets

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

#### Financial liabilities

Financial liabilities are classified either at amortized cost or at fair value through profit or loss. All financial liabilities of the Group have been classified and measured at amortized cost using the effective yield method. The Group does not have financial liabilities at fair value through profit or loss. The adoption of IFRS (9) did not have a material impact on the Group's accounting policies relating to financial liabilities.

#### Cancellation of recognition of financial liabilities

The Group derecognizes financial liabilities only when these obligations are discharged, canceled or discharged.

#### 4.2 Basis of consolidation

The consolidated financial statements include the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, as well as the notes to the consolidated financial statements of the Group, including the assets, liabilities and results of the operations of the Company and its subsidiaries as set out in note (1).

Subsidiaries are companies controlled by the Group. Control of the company is achieved by an investor company only when the following three elements of the company are realized:

- An authority over the invested company means existing rights granted by the ability to direct activities of particular interest to the invested company
- Gain of variable returns or take right
- The ability of the company to use its authority over the investee company and influence its revenues

In general, there is a presumption that it results from the majority of voting rights having control. In support of this assumption, when the Company has less than a majority of voting rights or similar rights in the investee, the Company takes into account all facts and circumstances to assess whether it has authority over the investee, including:

- Contractual arrangements with other voting rights holders in the investee company
- Rights arising from other contractual arrangements
- Special voting rights and any potential voting rights

The Company re-assesses whether it has control over the invested if the facts and circumstances indicate a change in one or more of the three prior control elements.

A subsidiary is consolidated when the exercise of control begins and is discontinued when the control of the subsidiary ceases. The assets, liabilities, income, and expenses of the subsidiary acquired during the period are included in the consolidated financial statements from the date control ceases until such control ceases.

The gain or loss and each other comprehensive income are attributable to the equity holders of the parent and to non-controlling interests even if the non-controlling interest balance is negative, meaning that losses are recognized on non-controlling interests even if the resulting restriction Non-controlling interest deficit.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as a transaction of equity.

In case the company loses control of the subsidiary, the company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss

Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### 4.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

For each business combination, the company elects whether to measure the non-controlling interests in the acquiree at **fair value or at the proportionate share of the acquiree's identifiable net assets**. Acquisition-related costs are expensed as incurred and included in statement of profit or loss.

When the company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill acquired through business combinations and licenses with indefinite lives are allocated to Cash Generating Units which are also operating and reportable segments, for impairment testing as carrying the amount of goodwill and licenses allocated to each of the Cash Generating Unit.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into **line with the Group's accounting policies**.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### 4.4 Property, plant and equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant, and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred. The present value of the expected costs asset disposal is recognized included in the asset cost

An item of property, plant, and equipment is derecognized when it is derecognized or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of assets is calculated on the basis of the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss and other comprehensive income when the asset is derecognized.

Capital work in progress is carried at cost less impairment losses, if any, and is not amortized until the assets in the business operation start.

The residual value, useful lives and depreciation methods of property, plant, and equipment are reviewed at the end of each financial year and adjusted to future periods, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>2018</u> <u>Number of years</u>	<u>2017</u> <u>Number of years</u>
Buildings	55	16-33
Leasehold improvements	Shorter of estimated useful life (5) or lease year	Shorter of estimated useful life (5) or lease year
Machinery and equipment	3-10	3-10
Medical equipment	6-8	6-8
Furniture and fixtures	5-10	5-10
Vehicles	4	4

2.3

#### 4.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income when it is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

##### Intangible assets with finite useful lives

The period and method of amortization of intangible assets with finite lives are reviewed at the end of each financial period. Changes in the expected useful life or expected manner of amortization of the future economic benefits inherent in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization expense for intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income is included in the expense category that is consistent with the intangible asset's function.

##### Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized but are tested to ensure that there is no impairment in value annually, either individually or at the level of the cash-generating unit. The indefinite age assessment is reviewed annually to determine whether indefinite ages are still possible. If not, the useful life is changed from indefinite to specific on a future basis.

Gains or losses arising from the reversal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized.

Leasehold rights are amortized over the life of the lease using the straight-line method.

#### 4.6 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

**The Group's** investments in its associate and are accounted for using the equity method. Under the equity method, the investment in an associate or is initially recognized at cost. The carrying amount of the investment is adjusted to recognize **changes in the Group's** share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in investment cost.

The consolidated statement of profit or loss and **other comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when** there has been a change recognized directly in the equity of the associate the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate eliminated to the extent of the interest in the associate.

**The aggregate of the Group's share of profit or loss of** an associate shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as impairment loss of an associate in the consolidated statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

#### 4.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits **as defined above, net of outstanding bank overdrafts are included as a part of Group's cash management.**

#### 4.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis, with the exception of medication applying the first-in-first-out. The net realizable value represents the estimated selling price for inventories less estimated costs to complete sale operation.

#### 4.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that any of non-financial asset may be impaired. **If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.** The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market estimates of the time value of funds and any specific risks to the asset. When determining the fair value less costs of disposal, current transactions in the market are taken into consideration. When these transactions are not available, an appropriate valuation model is used. These calculations are supported by the use of valuation exercises and quoted share prices for listed companies or other available factors for fair value.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for **each of the Group's Cash Generating Unit to which the individual assets are allocated. These budgets and forecast calculations** generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses for continuing operations are recognized in the consolidated statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each Cash Generating Unit (or group of Cash Generating Units) to which the goodwill relates.

When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

#### 4.10 Revenues

##### Rendering of clinical services

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

**Under IFRS (15) "Revenue from Contracts with Customers", the Group concluded that revenue from Inpatients would be recognized over time.**

##### Sale of goods – Distribution

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

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

##### Volume discounts

Often, income is recognized on the basis of the discounted complex. These revenues are recognized on the basis of the contract price, net of the estimated amount. The accumulated experience of estimating discounts is used using the expected value method, and revenue is recognized only to the extent that it is probable that a significant reversal will not occur.

##### Medical claims rejections

Medical rejections are evaluated by customers based, on the company's past experience and be recorded against the revenues generated during the year. In the case of an actual settlement with customers, the balance recoded is used.

#### 4.11 Equity and reserves

##### Share Capital

Share capital represents the nominal value of shares that have been issued.

#### Dividends

An obligation is recognized against the cash or non-cash distributions to the equity holders when the distribution is approved by the General Assembly of shareholders for annual distributions. The distributions are approved after approval by the Board of Directors.

Non-cash distributions are measured at the fair value of the assets that will be distributed with the re-measurement at fair value recognized directly in equity.

#### Statutory reserve

In accordance with the Articles of Association, the Company shall transfer 10% of the annual net profit to the statutory reserve until such reserve reaches 30% of the capital.

#### Treasury Shares

Treasury Shares consists of the Company's issued shares and subsequently repurchased. Treasury shares are accounted for using the cost method. According to the cost method, the cost of the shares repurchased is included as a reverse account in equity

#### 4.12 Employee Benefits

##### End of service indemnities

End of service benefits is measured using the expected unit cost method with an actuarial valuation performed at the end of each annual financial period.

The costs of the identified benefits are classified as follows:

- Current and previous service cost
- Cost of returns
- Re-Measurement Actuary

The Group recognizes the first two cost-benefit items identified in profit or loss under "general and administrative expenses" and "cost of sales" and the third item is included in other comprehensive income.

##### Short-term employee benefits

The liability is recognized for benefits payable to employees in respect of wages and salaries, annual leave and sick leave in the period in which the related service is rendered against the undiscounted amount of the benefits expected to be paid to the service.

#### 4.13 Lease contracts

The lease is classified at the inception date of the contract as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards of ownership to the Group is classified as a finance lease. The Group does not have finance leases as at the reporting date.

##### Operating Lease

###### Group as lessor

Rental income from the operating lease is recognized on a straight-line basis over the term of the lease. The initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

###### Group as a lessee

Leases payable under operating leases are recognized in profit or loss on a straight-line basis over the lease term. Revenue received and receivable as an incentive to enter into an operating lease is allocated on a straight-line basis over the lease term.

#### 4.14 Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values when the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### 4.15 Murabaha financing costs

Murabaha financing costs directly attributable to the acquisition, construction or production of a qualifying asset that requires the establishment or production of a qualifying asset are capitalized to be ready for the purpose for which it was created or sold, as part of the cost of that asset. All other Murabaha financing costs are charged to expenses in the period in which they are incurred. Murabaha financing costs include commission and other costs incurred by the Group with respect to borrowing funds.

#### 4.16 Zakat

The Group and its Subsidiaries are subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). **Provision of zakat is calculated as per the zakat base prepared on the basis of the consolidated financial statements of Dallah Healthcare Company and its Subsidiaries directly or indirectly.** The calculated zakat provision is then distributed between the Company and its Subsidiaries. Any differences between the provision and the final assessment are recorded at the approval of the final assessment.

#### 4.17 Segmental Reporting

A segment is a component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

### 5. Use of significant judgements and estimates

The preparation of these consolidated financial statements, in conformity with IFRSs as endorsed in the Kingdom of Saudi Arabia, requires the use of judgments, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the consolidated statement of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on **management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

#### 5.1 Estimated useful life of property, plant, and equipment

The Group reviews the appropriate useful lives used in the calculation of depreciation with a review of maintenance, repair, and technical obsolescence, and, where possible, an estimate of the recoverable amount on an annual basis.

The Group restudied the productive ages of a number of buildings by re-estimating the useful life of the buildings. The group used an independent expert for this purpose. The estimated useful life of these buildings was fifty-five years rather than thirty-three years. The revaluation of the useful life of the buildings resulted in a reduction of the depreciation expense charged to profit or loss during the year ended 31 December 2018 amounting to SR 7.65 million. The Group's management estimates that the annual impact will be the annual depreciation of SR 15.9 million

#### 5.2 Provisions for slow-moving and obsolete inventories:

Inventories are stated at the lower of cost or net realizable value. Adjustments are made to reduce the cost of inventory to net recoverable amount.

Factors responsible such adjustments include changes in inventory demand, technological changes, deterioration of quality and quality matters. Accordingly, the Group considers these factors and takes them into considering to calculate the provision of impaired and slow-moving inventories. Any adjustments that may result from the difference in these factors are periodically reviewed.

### 5.3 Provision for expected credit losses

Provision for expected credit losses is determined by reference to a combination of factors to ensure that financial assets are not overdue due to the probability of un-collectability, including its quality, lifetime, the ongoing credit rating and collateral. It is also taken into account the macroeconomic data and ratios.

### 5.4 Expected medical rejections

The Group is based on the evaluation of medical objections on its previous experience with each individual customer. To anticipate these objections, the Group measures the extent to which customers accept the services and medical goods provided and uses assumptions based on the earliest medical objections and direct negotiations with clients as well as relying on data available in the market and in similar companies.

### 5.5 Impairment of non-financial assets

An impairment loss is recognized for the amount by which the carrying amount of the asset or cash-generating unit exceeds its recoverable amount. To determine the recoverable amount, management estimates the expected future cash flows from each cash-generating unit and determines the appropriate rate of return to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. Actual results may differ and may result in material adjustments to the Group's assets during the following financial years.

In most cases, the determination of the applicable discount rate includes the estimation of appropriate market risk adjustments and appropriate adjustments to the asset risk factors.

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All amounts are presented in Saudi riyals unless otherwise indicated

6. Property, plant and equipment

	Land	Buildings	Leasehold Improvements	Machinery and Equipment	Medical Equipment	Furniture and Fixtures	Vehicles	Constructi on Work In Progress	Total
Cost:	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
As at 1 January 2017	530,002,198	480,143,788	70,670,797	70,820,971	331,884,478	21,232,087	8,381,617	426,717,514	1,939,853,45
Additions	-	-	1,845,623	5,711,152	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	(5,346,896)
As at 31 December 2017	530,002,19	480,143,78	72,516,420	76,532,12	353,876,34	22,270,948	8,192,813	822,392,83	2,365,927,4
Additions	-	55,315,317	268,164	9,547,809	82,686,784	13,850,165	1,450,000	92,964,355	256,082,59
Disposals	-	-	(23,000)	(16,363)	(3,139,415)	(137,261)	-	-	(3,316,039)
Transfer	-	613,910.41	-	72,603,63	13,449,130	1,832,532	-	(701,795,7	-
As at 31 December 2018	530,002,19	1,149,369,	72,761,584	158,667,2	446,872,83	37,816,384	9,642,813	213,561,47	2,2618,694,
Accumulated Depreciation:									
As at 1 January 2017		201,472,618	45,574,575	55,021,615	217,936,563	13,149,421	6,626,547		539,781,339
Charge for the year				1,822,368				-	59,571,378
Elimination on disposals		-	-	-	(3,200,564)	(41,669)	(1,708,790)	-	(4,951,023)
As at 31 December 2017									
Charge for the year		20,162,162	6,299,944	6,125,795	37,350,200	3,293,926	1,114,386	-	74,346,413
Elimination on disposals		-	(3,834)	(11,815)	(3,112,834)	(124,683)	-	-	(3,253,166)
As at 31 December 2018		236,149,28	58,532,988	62,957,96	282,823,46	17,877,483	7,153,755	-	665,494,94
Net book value:									
As at 31 December 2018	530,002,19	913,220,23	14,228,596	95,709,24	164,049,37	19,938,901	2,489,058	213,561,47	1,953,199,0
As at 31 December 2017	530,002,198		20,279,542	19,688,140					1,771,525,77

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The allocation of depreciation expense is as follows:

	2018	2017
Cost of Revenue	72,958,861	57,602,664
General and administrative expenses (note 23)	1,387,552	1,968,714
	<u>74,346,413</u>	<u>59,571,378</u>

Construction in progress

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

The Group has started of construction work for the western expansion of Dallah Hospital in Al-Nakheel district on 25 September 2017, with a capacity of 150 beds and 30 clinics. The work is scheduled to be completed in the third quarter of 2019 at an estimated cost of SR 430 million.

7. Intangible assets

	Manufacturing product licenses	Product licenses	Goodwill	Leasehold Rights	Total
Cost:					
As at 31 December 2017	10,648,000	11,505,000	5,091,000	3,422,270	30,666,270
As at 31 December 2018	10,648,000	11,505,000	5,091,000	3,422,270	30,666,270
Amortization:					
As at 1 January 2017	3,000,000	3,000,000	5,091,000	356,485	11,447,485
Amortization 2017	-	-	-	171,113	171,113
As at 31 December 2017	3,000,000	3,000,000	5,091,000	527,598	11,618,598
Amortization 2018	-	-	-	156,860	156,860
As at 31 December 2018	3,000,000	3,000,000	5,091,000	684,458	11,775,458
Net book value					
As at 31 December 2018	7,648,000	8,505,000	-	2,737,812	18,890,812
As at 31 December 2017	7,648,000	8,505,000	-	2,894,672	19,047,672

The leasehold rights represented the amount paid to a lessor for acquiring land lease contract in Jeddah that is amortized over the remaining contract years ends on 10 Safar 1456H (corresponding to April 28, 2034).

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8. Investment in associate

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

	Ownership interest (%)		Country of operation and incorporation	Principal activity
	As of 31 December	As of 31 December		
	<u>2018</u>	<u>2017</u>		
Dr. Mohammed Rashed Al-Faqeeh Company	31.21%	30%	Kingdom of Saudi Arabia	Owning, operating and maintaining the hospital and health centers

During the period ended 31 March 2018, the Company increased its share in the associated company to be 31.21% as of 31 December 2018 (31 December 2017: 30%).

The movement of the investment can be summarized as follows:

	As at 31 December 2018	As at 31 December 2017
Opening balance	140,978,759	142,814,086
Additions	5,980,000	-
Adjustment	138,707	(881,805)
Share of loss from associate	(1,936,734)	(953,522)
Closing balance	145,160,732	140,978,759

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

	As at 31 December 2018	As of 31 December 2017
Assets	630,131,022	440,141,040
Liabilities	208,827,978	13,094,858
Revenues	153,026	2,618,810
Loss for year	(6,205,492)	(3,178,405)
Equity	421,303,044	427,046,182

In the opinion of management, there has been no impairment in the carrying value of the Group's investment in associate as at the reporting period.

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9. Equity instrument at fair value through other comprehensive income (2017: investment available for sale)

	Country	Ownership %	As at 31 December 2018	As at 31 December 2017
Quoted Quoted:				
Jordanian Pharmaceutical Manufacturing Company	Jordan	0.4%	247,669	221,567
Unquoted investments				
Makkah Medical Canter Company	Saudi Arabia	7.5%	3,448,120	3,448,120
Al Ehsa Medical Services Company	Saudi Arabia	1.1%	1,748,145	1,748,145
			<u>5,443,934</u>	<u>5,417,832</u>
Available for sale investment – current			<u>-</u>	<u>28,125,000</u>

Unquoted equity investments

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

Available-for-sale financial investments

On the date of application of IFRS (9) "Financial Instruments" 1 January 2018, the Group reclassified available for sale investments that were held in Sukuk as financial assets at fair value through profit or loss and were sold On 4 January 2018 for SR 27,751,877, and result a loss of SR 373,123 recognized in profit or loss.

During 2017 the Group sold an investment in Aseer Trading, Tourism, Manufacturing, Agriculture, Real Estate and Contracting Company. These investments were included in available-for-sale financial investments. This resulted in a loss on disposal of SR 5.4 million.

During 2017 the Group sold part of its holding in a local real estate mutual fund which was included in available for sale investments. This resulted in a loss on disposal of SR 6.3 million.

10. Cash and cash equivalent

	As of 31 December 2018	As of 31 December 2017
Cash in hand	1,180,699	1,058,202
Cash at banks	45,178,436	89,382,064
	<u>46,359,135</u>	<u>90,440,266</u>

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11. Trade receivables

	As of 31 December 2018	As of 31 December 2017
Trade receivables		
Less:		
Provision for expected credit losses (2017: Provision for doubtful debts)		

The summary of movement for Provision for expected credit losses (2017: Provision for doubtful debts) is as follows:

	31 December 2018	31 December 2017
Balance as at 1 January before adjustments	27,043,527	46,005,356
Adjustment due to application of IFRS (9) ( note29)	2,804,649	-
Opening balance at 1 January after adjustments	29,848,176	46,005,356
Charge for the year	4,628,160	3,283,874
Reversal during the year	(5,191,441)	(5,828,621)
Written off bad debts during the year	(935,794)	(16,417,082)
Closing balance	28,349,101	27,043,527

All of the Group's Accounts receivable have been reviewed for indicators of impairment. In the opinion of management, there has been no impairment in the carrying value of trade receivable other than the recorded provision of expected credit losses (2017: Provision for doubtful debts).

12. Related party

The Group in the normal course of business carries on business with other enterprises that fall within the definition of a related party contained in IFRS. These transactions are carried out in the normal course of the business and are measured at exchange amounts, being the amounts agreed by both parties.

The sales to and purchases from related parties are made **at terms equivalent to those that prevail in arm's length transactions.**

The Group's related parties include its key management personnel, Subsidiaries, associates company, and others as described below.

Key Management remuneration

	For the year ended 31 December	
	2018	2017
	<u>SR</u>	<u>SR</u>
Salaries and bonuses for Group's executive directors	1,512,000	1,451,333
Board of directors remuneration	2,966,667	3,100,000

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Due from related parties

	Relation	Nature of transaction	Transactions during the year ended 31 December		Balance as of 31 December	
			2018	2017	2018	2017
Adaptive TechSoft	Owned partially by shareholder	Technical Support	5,653,243	3,662,900	4,077,206	-
Dallah Al Baraka Holding Group	Shareholder	Medical service	367,508	386,041	273,291	167,411
Dallah Transport	Owned by shareholder	Medical service	-	14,201	-	14,201
Al-Mashfa Medical	First-class relatives for board member	Medical services	933,993	1,165,663	760,313	531,466
					5,110,810	713,078

Due to related parties

				Transactions during the year ended 31 December		Balance as of 31 December	
		Relation	Nature of transaction	2018	2017	2017	2017
Dareem Agency	Travel	Owned partially by shareholder	Travel tickets	6,672,051	6,502,662	354,036	293,323
Adaptive TechSoft		Owned partially by shareholder	Technical Support	5,653,243	3,662,900	-	629,191
Eng. Tarek Alkasabi		Chairman	Consulting management	697,165	-	697,165	
Dallah Trading		Owned by shareholder	Maintenance	298,480	1,553,987	-	-
Others		Others	Medical service	-	-	55,412	62,340
						1,106,613	984,854

13. prepayment and other debit balances

	As of 31 December 2018	As of 31 December 2017
Advances to suppliers	47,480,190	69,970,892
Prepayments	17,138,677	17,049,739
Human Resources Fund	3,249,427	1,716,643
Employees' advances	5,401,088	5,602,362
Uncollected on sale of investments	-	13,807,210
Others	9,108,490	8,435,714
Less: provision prepayment and other debts balances	(6,247,077)	(6,234,341)
	76,130,795	110,348,219

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The summary for the movement of provision:

	For the year ended 31 December	
	2018	2017
1 January	6,234,341	6,515,663
Additions	22,268	246,834
Write-off bad debts	(9,532)	(528,156)
31 December	6,247,077	6,234,341

14. Inventories

	As of 31 December 2018	As of 31 December 2017
Medicines	72,645,034	66,027,999
Medical supplies	6,148,553	4,105,402
Medical consumables and cosmetics	5,821,644	5,085,744
Raw materials	3,043,789	3,596,748
Others	2,728,922	2,497,357
	90,387,942	81,313,250
Less: Provision for slow moving items	(1,615,337)	(1,381,403)
	88,772,605	79,931,847

The summary of the movement of provision for slow-moving items is as follows

	As of 31 December 2018	As of 31 December 2017
1 January	1,381,403	13,944,543
Charge for the year	2,632,875	1,567,973
Write-off inventories obsolescence	(2,398,941)	(14,131,113)
31 December	1,615,337	1,381,403

15. Statutory reserve

In accordance with the Regulations of Companies' law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits for the year to a statutory reserve until such reserve equals 30% of its share capital. No transfer was made to statutory reserve for the year ended 31 December 2018 as the reserve has exceeded 30% of the Company's share capital an. This reserve is not available for distribution to shareholders.

16. Murabaha financing

	As of 31 December 2018	As of 31 December 2017
Non-current		
Long -term Murabaha Finance	562,639,841	458,280,007
Current		
Short-term Murabaha Finance	139,837,580	70,056,876
Current portion of long-term Murabaha	5,916,666	35,500,000
Total current Murabaha	145,754,246	105,556,876
Total Murabaha	708,394,087	563,836,883

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The Group has Murabaha finance contracts with local banks for the purpose of financing the expansion operations of the Group. This murabaha generally bear financial charges based on prevailing finance cost in the market. Murabaha contracts are secured by order bonds.

As of 31 December 2018, Murabaha financing being granted to the Group amounted to SR 2,631 million (31 December 2017: SR 1,662 million). SR 708.3 has been used as at 31 December 2018 (31 December 2017: SR 564 million). Secured by bonds for a total order of SR 2,851 million.

During the year ended 31 December 2018, the Group capitalized financial charges amounted to SR 12.5 million (2017: SR 12.5 million).

The Group recorded finance charges for the year ended 31 December 2018 amounting to SR 11.5 million (2017: SR 1.9 million) in the statement of profit or loss and other comprehensive income.

Murabaha facility contracts include certain financial indicators and the Group has complied with these indicators.

#### 17. Employee benefits

The following table shows movement on the liability of employees benefits.

	As of 31 December 2018	As of 31 December 2017
Balance at 1 January	106,595,301	96,075,804
Included in profit or loss		
Current service cost	22,164,767	16,136,777
Finance cost	4,263,812	3,843,032
Included in OCI		
Actuarial valuation	(6,274,894)	5,542,405
Paid	(9,294,391)	(15,002,717)
Balance at the end of the year	117,454,595	106,595,301

The following were the principal actuarial assumptions at the reporting date.

	As of 31 December 2018	As of 31 December 2017
Discount rate	4.15%	4%
Future salary growth	2%	2%
Future benefits growth	2%	2%

The following table shows the effect of the change in actuarial assumptions at the reporting date:

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	<u>As of 31 December 2018</u>		<u>As of 31 December 2017</u>	
	<u>Liability amount</u> <u>Thousands</u>	<u>Change Rate</u>	<u>Liability amount</u> <u>Thousands</u>	<u>Change Rate</u>
Discount factor				
+0.5%	111,925	(% 4.7)	101,814	(%4.5)
-0.5%	123,505	% 5.15	111,838	%4.9
Future salary growth				
+0.5%	121,192	% 3.18	112,018	%5.1
-0.5%	113,986	(% 2.95)	101,611	(%4.7)
18. <u>Trade payables</u>				
			As of 31 December 2018	As of 31 December 2017
Medicine suppliers			57,640,317	47,506,821
Medical material suppliers			24,952,496	33,161,706
General and administrative suppliers			10,069,784	5,606,043
Spare parts suppliers			7,217,906	2,085,047
Catering suppliers			1,306,726	1,262,259
Others			323,593	213,341
			<u>101,510,822</u>	<u>89,835,217</u>
19. <u>Accrued expenses and other credit balances</u>				
			As of 31 December 2018	As of 31 December 2017
<b>Employees' related accruals</b>			27,807,249	26,686,745
Accrued expenses			25,018,513	20,152,187
Others			14,455,013	14,026,878
			<u>67,280,775</u>	<u>60,865,810</u>
20. <u>Zakat</u>				
			As of 31 December 2018	As of 31 December 2017
Zakat base				
Shareholders' equity			1,541,927,590	1,402,798,432
Provisions			135,150,092	120,145,530
Loans used in financing non-current assets			568,556,505	493,780,007
Adjusted net income			169,878,507	327,509,612
			<u>2,415,512,694</u>	<u>2,344,233,581</u>
Less: Property, plant and equipment, net			(1,953,199,081)	(1,771,525,773)
Investments			(152,658,586)	(146,678,586)
Intangible assets			(18,890,812)	(19,047,672)
Zakat base			<u>290,764,215</u>	<u>406,981,550</u>
Zakat			<u>7,269,105</u>	<u>10,174,539</u>
Adjusted net income			As of	As of

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	31 December 2018	31 December 2017
Net profit before tax	145,299,624	305,150,751
Adjustments	24,578,883	22,358,861
Adjusted net income	169,878,507	327,509,612

Zakat Movement

	For the year ended 31 December	
	2018	2017
1 January	13,966,035	13,230,311
Provided during the year	3,541,169	10,174,539
Adjustment	-	(727)
Payments made during the year	(10,238,099)	(9,438,088)
31 December	7,269,105	13,966,035

21. Contracts with customers

	For the year ended 31 December	
	2018	2017
<u>Revenues classification</u>		
Revenue from services	889,657,826	945,775,972
Revenue from sale of medicine	291,284,225	266,300,343
	1,180,942,051	1,212,076,315
<u>Timing of Revenue recognition</u>		
Over time	421,842,155	452,652,573
At point in time	759,099,896	759,423,742
	1,180,942,051	1,212,076,315

Contracts Balances

	For year ended 31 December 2018	
	Contract assets	Contract liabilities
Balance as at 1 January	4,650,357	13,866,195
Contract assets generated during the year	25,784,977	-
Transferred from contract assets to trade receivables	(27,992,410)	-
Contract liabilities generated during the year	-	19,809,801
Contract liabilities transferred to revenues during the year	-	(19,819,089)
Used from contract liabilities	-	(8,627,106)
Balance as at 31 December	2,442,924	5,229,801

22. Selling and marketing expenses

	For the year ended 31 December	
	2018	2017
Advertising and promotions	16,433,077	4,944,309
Salaries, wages and benefits	5,280,600	4,602,192
Marketing incentives	943,872	425,613
Others	2,640,823	1,587,003
	25,298,372	11,559,117

23. General and administrative expenses

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	For the year ended 31 December	
	2018	2017
Salaries, wages and benefits	191,280,963	171,062,447
Material	23,855,153	26,279,752
Utilities	6,606,969	3,509,247
Professional fees	5,573,907	5,610,121
Maintenance and services	3,930,412	4,017,068
Insurance	3,858,183	2,882,289
Rentals	3,272,881	5,056,034
Board of Directors and related committees remunerations	3,266,667	3,100,000
Provision for inventories	2,632,875	1,567,973
Stationery	2,598,840	2,818,071
Permissions and licenses	2,565,759	1,141,732
Training and development	1,413,827	2,714,868
Depreciation	1,387,552	1,968,714
Provision of Expected credit losses (2017: Provision for doubtful debt)	(563,281)	(2,544,747)
Other	13,201,214	9,236,047
	<b>264,881,921</b>	<b>238,419,616</b>

24. Other income and losses

	For the year ended 31 December	
	2018	2017
Scientific support	2,983,139	2,970,000
Rentals	3,351,354	3,616,894
Food	2,487,213	2,102,992
<b>Infants' milk Subsidy</b>	1,045,678	165,638
Return on investments	-	1,353,789
Dividends received	-	400,844
Gain on sale of property and equipment	(18,959)	251,651
Loss on sale of investments	(373,123)	(11,688,328)
Other	2,999,486	1,704,721
	<b>12,474,788</b>	<b>878,201</b>

25. Board, general assembly meetings, and major decisions

On 06 Ramadan 1439H (corresponding to 22 May 2018), the shareholders of the Company approved a cash dividend for the financial year 2017 amounting SR 147.5 million (SR 2.5 per share) which was distributed during the second quarter of 2018.

On 06 Ramadan 1439H (corresponding to 22 May 2018), the shareholders of the Company approved to delegate the Board of Directors to approve the interim and Semi-annual dividends for 2018 and determine the due dates in accordance with the regulatory regulations and according to the Company's financial position and its cash flows.

On 05 Rabia II 1440 H (corresponding to 12 December 2018), The Board of Directors has decided to distribute a cash dividend of SR 88,500,000 for the first half of 2018 amounted to SAR 1.5 per share. They are recorded as an accrual after deduction of withholding tax.

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On 05 Rabia II 1440 H (corresponding to 12 December 2018), The Board of Directors recommended increasing the Company's capital through the granting of bonus shares amounting to SR 160 million, this increase will refund form reserves. The proposed increase constricted by approvals from official authorities as well as from extraordinary general assembly meeting.

On 30 Rajab 1438H (corresponding to 26 April 2017), the general assembly of the Company approved a distribution of cash dividends for the financial year ended 31 December 2016 amounting to SR 118 million at SR 2 per share and distributed during the second quarter of 2017.

On 02 Safar 1439H (corresponding to November 14, 2017), The company signed an agreement with AWJ Investment Company to establish a closed joint stock company to establish and operate an integrated hospital in Al-Manar district in Jeddah with an initial capital of SR 500,000, and on 06 Rabia I 1440H (corresponding to November 14, 2018 This agreement was extended for a period of seven months ending on 13 June 2019 in order to obtain some necessary licenses and approvals.

#### 26. Basic and diluted earnings per share from profits

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

	As of 31 December 2018	As of 31 December 2017
Net income	141,758,455	294,976,212
Weighted average of outstanding shares	75,000,000	75,000,000
Basic and diluted earnings per share	1.89	3.93

The number of outstanding shares is 59 million. For the purpose of calculating earnings per share, the weighted average number of shares was adjusted retrospectively to reflect the effect of bonus shares to be issued by the Company.

The net loss of Dallah Namar Hospital Company amounted to SR 111.9 million for the year ended 31 December 2018 (31 December 2017: SR 10.3 million).

#### 27. Contingencies and commitments

##### Capital commitments

As at 31 December 2018, the Group had capital commitments that mainly relate to the construction contracts of the expansion of Dallah Hospital Al-Nakheel and the construction of Dallah Namar amounting to SR 204.9 million (31 December 2017: SR 172.6 million).

##### Contingent liabilities

As at 31 December 2018, the Group has a contingent liability in the form of bank guarantees amounting to SR 24.5 million which have been issued on behalf of the Group in the normal course of business (31 December 2017: SR 4.6 million).

During the year 2018, the Group issued a third party bank guarantee on behalf of Dr. Mohammed Al faqeeh hospital, an associate company, amounting to SR 17.45 million. The guarantee ends on 30 October 2019.

There are also documentary credits amounting to SR 36.5 million as at 31 December 2018 (31 December 2017: SR 10 million)

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

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28. Classification of financial instruments, fair value measurement, and risk management

28.1 Classification of financial liabilities

	As at 31 December 2018	As at 31 December 2017
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	46,359,135	90,440,266
Trade receivables	356,180,41	281,505,898
Due from related parties	5,110,810	713,078
Financial assets at fair value through other comprehensive income		
Equity instruments at fair value through other comprehensive income	5,443,934	-
Available for sale investments		
Available for sale investment –current	-	28,125,000
Available for sale investment - non current	-	5,417,832
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Trade payables	101,510,822	89,835,217
Murabaha Financing	708,394,087	563,836,883
Due to related parties	1,106,613	984,854

28.2 Fair value measurement

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable
- The following table shows the analysis of items carried at fair value according to the level of the fair value hierarchy:

	2018
	Level 1
Financial assets at fair value through Other comprehensive income	247,669
	2017
	Level 1
Available for sale investments	221,567
Available for sale investments -current	28,125,000

### 28.3 Risk Management

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

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

#### Foreign currency risk

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

#### Credit risk

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

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

#### Trade receivables, contracts assets and due from related parties

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

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The trade receivables, contracts assets and due from related aging are as follows:

	As at 31 December 2018	As at 31 December 2017
Trade receivables		
Not more than six months	230,155,321	161,579,706
Over six months but less than one year	104,932,119	76,920,024
More than one year	21,092,976	43,006,168
	356,180,416	281,505,898
Contract assets		
Not more than six months	2,442,924	-
Due from related parties		
Not more than six months	3,077,461	713,078
Over six months but less than one year	1,865,938	-
More than one year	167,411	-
	5,110,810	713,078

The amount of the provision of expected credit losses as at 31 December 2018 was SR 28.3 million (2017: provision for doubtful debts amounted SR 27 million).

Cash and cash equivalents

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

Liquidity risk,

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

Maturity Table for financial liabilities

As of 31 December 2018	Less than one year	From 1 to 5 years	More than 5 years	Total
Murabaha "includes interest "	147,687,905	619,457,730	11,123,401	778,269,036
Trade payables	101,510,822	-	-	101,510,822
Due to related parties	1,106,613	-	-	1,106,613
	<u>250,305,340</u>	<u>619,457,730</u>	<u>11,123,401</u>	<u>880,886,471</u>

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<u>As of 31 December 2017</u>	<u>Less than one year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Murabaha "includes interest "	106,459,924	486,627,926	7,799,259	600,887,109
Trade payables	89,835,217	-	-	89,835,217
Due to related parties	984,854	-	-	984,854
	<u>197,279,995</u>	<u>486,627,926</u>	<u>7,799,259</u>	<u>691,707,180</u>

Interest risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables **held constant, of the Group's profit through the impact on floating rate borrowings**, no effects on comprehensive income:

	<u>Increase (decrease) in Interest rate</u>	<u>Total Murabaha liability</u>	<u>Expected impact on comprehensive income</u>
As at 31 December 2018	<b>±1%</b>	778,269,036	16,222,020
As at 31 December 2017	<b>±1%</b>	600,887,109	12,293,742

29. Impact of application of new International Financial Reporting Standards

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

Impact on the statement of financial position as at 1 January 2018

	<u>Without the application of new standards</u>	<u>Impact for IFRS (9)</u>	<u>Impact for IFRS( 15)</u>	<u>With application of new standards</u>
Retained Earnings (a)	703,980,924	(2,804,649)	-	701,176,275

Impact on the statement of financial position as at 31 December 2018

	<u>Without the application of new standards</u>	<u>Impact for IFRS (9)</u>	<u>Impact for IFRS( 15)</u>	<u>With application of new standards</u>
Equity instruments at fair value through other comprehensive income (b)	-	5,443,934	-	5,443,934
Available for sale investments (b)	5,443,934	-	(5,443,934)	-
Trade receivables (a) (c)	355,433,976	(4,483,361)	5,229,801	356,180,416
Prepayments and other assets (d)	78,573,719	-	(2,442,924)	76,130,795
Contract assets with customers (d)	-	-	2,442,924	2,442,924
Contract liabilities with customers (c)	-	-	5,229,801	5,229,801
Retained earnings (a)	617,692,985	(4,483,361)	-	613,209,624

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Impact on the statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	Without application of new standards	Impact for IFRS( 9)	Impact for IFRS( 15)	With application of new standards
General and administrative expenses (a)	260,398,560	4,483,361	-	264,881,921

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

(A) In accordance with the requirements of IFRS (9) "Financial Instruments", the Group has re-measured the provision for doubtful debts in accordance with the expected credit loss method, resulting in a reduction in retained earnings on initial application. The application of the expected credit loss method resulted in the reduction of trade and other receivables and increased administrative expenses in the period ended 31 December 2018.

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

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

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

30. Segmental information

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

31. Subsequent events

On 30 Rabi Al-Thani 1440H corresponding 6 January 2019, the group completed a dividend distribution of 88,240,400 SAR after deducting the withholding tax on the dividends distributed outside the Kingdom (please refer to 25 for more information on dividends).

On 7 Jumada Al-Awal 1440H corresponding to 13 January 2019, the Capital Market Authority approved the request of Dallah Health Services Company to increase its capital from SR 590 million to SR 750 million, bringing the total number of shares from 59 million to 75 million shares, Free of charge against 3.69 existing shares, and the relevant regulatory procedures and requirements are being completed.

On 28 Jumada Al-Awal 1439H (corresponding to February 3, 2019), the Company announced its intention to buy its shares and retain them as a treasury stock of 5% of the ordinary shares of the Company, equivalent to 2.95 million shares or 3.75 million shares (in the event of approval of the next Extraordinary General Assembly) The Company's Board of Directors is of the opinion that the share price of the Company's shares in the market is lower than its fair value and voting on the purchase of shares in the next Extraordinary General Assembly Council, if approved by the Board. Purchases are made through the company's own resources.

Dallah Healthcare Company (A Saudi Joint Stock Company)  
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NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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32. Comparative figures

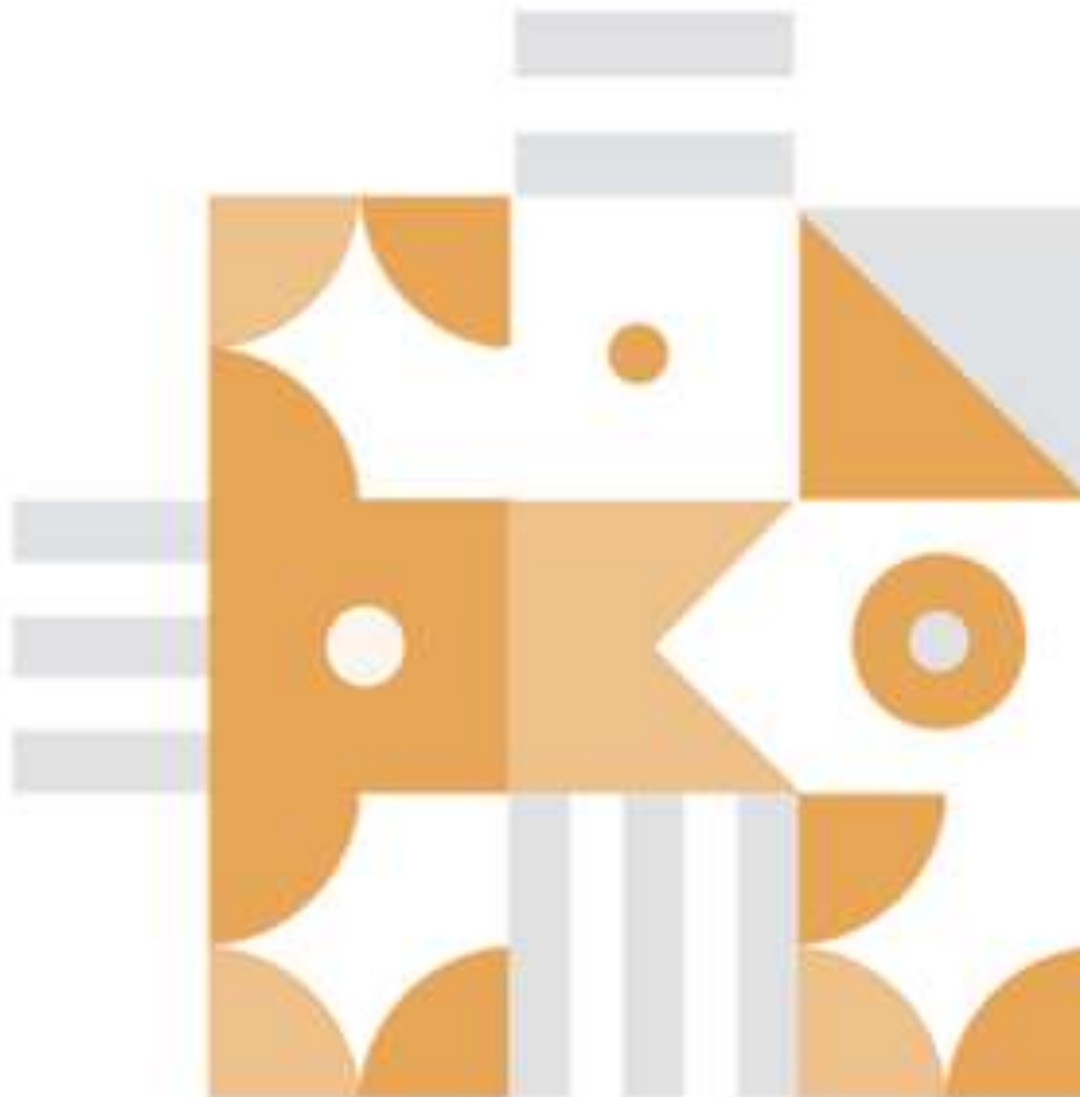
Certain comparative figures for the previous year have been reclassified to conform to the current year classification.

33. Approval of the consolidated financial statements

The consolidated financial statements have been approved by the board of directors on 25 February 2019G corresponding 20 Jumada Al-Thani 1440H.

## Annexes

### 1- Remuneration Policy for Board Members, Sub-Committees and Senior Executives



In the name of Allah the Merciful



**Remuneration Policy for Board Members, Sub-Committees and Senior Executives**

Dallah Healthcare Company

Endorsed by the General Assembly on: 12/04/1439 AH corresponding to 30/12/2017 Gregorian

### **Goal:**

The Remuneration Policy for board members, sub-committees and senior executives aims to organize and specify remunerations for board members, sub-committees and senior executives in the company so as to attract competent members of the board, sub-committees and senior executives who possess high degree of scientific, technical and managerial skills, as well as sufficient expertise required to perform their relevant tasks with the required proficiency. The company further seeks to provide a successful and attractive working environment to achieve the company goals.

### **Principals and Rules Governing Remunerations:**

#### **First: The Board of Directors and Sub-Committees:**

Upon the recommendation of the Remunerations Committee, the Board of Directors will set the remuneration for the board and its subcommittees in accordance with the following principles:

- To be consistent with the nature, activities size and required skills.
- Remunerations needs to be attractive for competent members of the board whom are highly qualified enabling the company to achieve its goals.
- A Member of the Board shall be eligible for an annual remuneration of a maximum of (200,000) Saudi Riyals, in return for the tasks and functions entrusted in his capacity as a board member, unless recommended otherwise by the Remuneration and Nomination Committee.
- Members of the Board that are members of sub-committees and subcommittees of the General Assembly shall be eligible an annual remuneration of a maximum of (500,000) Saudi Riyals whether the board member is a member of a single committee or several committees, unless recommended otherwise by the Remuneration and Nomination committee provided that it complies with companies law and regulations, as well as the relevant directives and procedures.
- The company has the right to seek compensation for damages affecting its reputation and recover amounts paid as remunerations, compensations or any other costs incurred by the company, when:
  - Termination resolution by the General Assembly when a member is absent for three consecutive meetings during one calendar year without justification that is acceptable by the board.
  - When a member fails to carry out his responsibilities, tasks and duties causing damages to the company's interests.
  - When a member commits a dishonest, dishonorable, or act of forgery.

## **Second: Senior Executives**

The Board of Directors shall specify the remunerations of senior executives upon the recommendation of the Remuneration and Nomination Committee in the company according to the following principals:

Remuneration and compensations shall be in line with the strategic goals of the company and work as an incentive to senior executives towards meeting those goals and enhancing the company's ability to grow, develop and sustain its operations.

To be consistent with the nature, activities size and required skills for performing the required tasks.

To enable the company to attract high caliber senior executives

## **General Provisions:**

- Upon endorsement by the General Assembly, this policy shall become effective on the endorsement date. The Board of Directors has the right to review this policy from time to time when ever such a review is deemed within the interests of the company and when conditions and situations compel such a review.

The provisions of this policy shall compliment those prescribed in its articles of association and shall not replace them. In case of conflict between the contents of this policy and those prescribed in the statute, those prescribed in the articles of association shall prevail. ▪



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