

**DALLAH HEALTHCARE HOLDING COMPANY**

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2016  
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2016**

---

<b>CONTENTS</b>	<b>Page</b>
Independent auditors' limited review report	1
Interim consolidated balance sheet	2
Interim consolidated income statement	3
Interim consolidated cash flow statement	4
Interim consolidated statement of changes in shareholders' equity	5
Notes to the interim consolidated financial statements	6 - 16

**INDEPENDENT AUDITORS' LIMITED REVIEW REPORT**

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

**Scope of review**

We have reviewed the accompanying interim consolidated balance sheet of Dallah Healthcare Holding Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2016 and the interim consolidated income statement for the three and six-month periods ended June 30, 2016, and the consolidated statements of cash flows and changes in shareholders' equity for the six-month period then ended, and the related notes from (1) to (9) which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with Saudi Organization for Certified Public Accountants (SOCPA) standards on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Review conclusion**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

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



July 26, 2016 (G)  
Shawwal 21, 1437(H)

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Interim consolidated balance sheet (unaudited)**

(All amounts in Saudi Riyals unless otherwise stated)

<b>Assets</b>	<b>Note</b>	<b>June 30, 2016 (Unaudited)</b>	<b>June 30, 2015 (Unaudited)</b>
<b>Current assets</b>			
Cash and cash equivalents		78,468,164	77,441,111
Accounts receivable, net		271,513,210	242,824,933
Inventories, net		87,744,280	113,496,117
Prepayments and other assets, net		101,436,522	82,695,507
Due from related parties, net		897,613	638,659
		<b>540,059,789</b>	<b>517,096,327</b>
<b>Non-current assets</b>			
Long-term receivables		-	5,547,778
Investments	4	136,293,972	142,627,662
Investment in an associate	5	141,631,552	141,900,000
Property, plant and equipment, net		1,244,672,467	1,060,106,976
Intangible assets	1(i)	25,575,270	27,244,000
		<b>1,548,173,261</b>	<b>1,377,426,416</b>
<b>Total assets</b>		<b>2,088,233,050</b>	<b>1,894,522,743</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term murabaha finance	6	65,841,876	177,266,968
Current maturity of long-term murabaha finance	6	71,500,000	47,833,333
Trade accounts payable		61,784,884	72,108,466
Accrued expenses and other liabilities		51,063,532	45,298,160
Due to related parties		1,056,754	1,383,200
Zakat payable		7,181,352	4,041,568
		<b>258,428,398</b>	<b>347,931,695</b>
<b>Non-current liabilities</b>			
Long-term murabaha finance	6	316,030,501	148,666,667
Employees' termination benefits		98,210,580	81,669,036
		<b>414,241,081</b>	<b>230,335,703</b>
<b>Total liabilities</b>		<b>672,669,479</b>	<b>578,267,398</b>
<b>Shareholders' equity</b>			
Share capital		590,000,000	472,000,000
Proposed increase in share capital	1	-	118,000,000
Statutory reserve		398,251,315	398,251,315
Fair value reserve for available for sale investments		12,837,003	19,170,693
Retained earnings		414,475,253	308,833,337
<b>Total shareholders' equity</b>		<b>1,415,563,571</b>	<b>1,316,255,345</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,088,233,050</b>	<b>1,894,522,743</b>
<b>Contingencies and commitments</b>	8		

The accompanying notes from 1 to 9 form an integral part of these interim consolidated financial statements.

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Interim consolidated income statement (unaudited)**

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2016	2015	2016	2015
Operating revenue, net		<b>288,344,721</b>	245,228,242	<b>573,375,801</b>	485,624,746
Operating costs		<b>(158,282,906)</b>	(144,333,984)	<b>(310,505,359)</b>	(282,604,456)
Gross profit		<b>130,061,815</b>	100,894,258	<b>262,870,442</b>	203,020,290
<b>Operating expenses</b>					
Selling and marketing		<b>(4,938,334)</b>	(4,383,894)	<b>(10,696,289)</b>	(9,260,575)
General and administrative		<b>(65,501,940)</b>	(60,802,507)	<b>(130,371,511)</b>	(108,786,562)
Income from operations		<b>59,621,541</b>	35,707,857	<b>121,802,642</b>	84,973,153
A Share in the (loss) / profits of an associate		<b>(73,576)</b>	-	<b>206,657</b>	-
Impairment of goodwill	1(i)	<b>(3,072,200)</b>	-	<b>(5,091,000)</b>	-
Other income, net		<b>3,420,024</b>	2,941,942	<b>5,049,148</b>	5,083,581
Financial charges		<b>(517,767)</b>	(1,043,194)	<b>(1,241,556)</b>	(2,378,265)
Income before zakat		<b>59,378,022</b>	37,606,605	<b>120,725,891</b>	87,678,469
Zakat		<b>(4,962,574)</b>	(1,750,000)	<b>(7,962,574)</b>	(4,000,000)
<b>Net income for the period</b>		<b>54,415,448</b>	35,856,605	<b>112,763,317</b>	83,678,469
<b>Earnings per share:</b>					
Income from operations for the period		<b>1.01</b>	0.61	<b>2.06</b>	1.44
Net income for the period		<b>0.92</b>	0.61	<b>1.91</b>	1.42
Weighted average number of outstanding shares		<b>59,000,000</b>	59,000,000	<b>59,000,000</b>	59,000,000

The accompanying notes from 1 to 9 form an integral part of these interim consolidated financial statements.

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Interim consolidated cash flow statement (unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended	
		June 30,	
		2016	2015
<b>Cash flows from operating activities</b>			
Net income for the period		112,763,317	83,678,469
<b>Adjustments for non-cash items</b>			
Deferred underwriting expenses write-off	1	-	4,148,353
Impairment losses		5,091,000	-
Depreciation of property, plant and equipment		28,814,441	25,323,013
Provision /(Redeem) for doubtful debts, net	1	12,427,297	2,516,193
Provision for employees' termination benefits		18,917,756	12,347,654
Loss / (gain) on sale of property, plant and equipment		75,014	(667)
A Share in the profits of an associate		(206,657)	-
Zakat provision		7,962,574	4,000,000
<b>Changes in working capital</b>			
Accounts receivable		(24,447,139)	(5,856,923)
Inventories		236,135	(18,902,447)
Prepayments and other assets		2,491,098	3,411,776
Due from related parties		(72,566)	181,017
Trade accounts payable		(2,840,268)	2,787,985
Accrued expenses and other liabilities		997,342	(3,150,809)
Due to related parties		489,097	547,005
Employees' termination benefits paid		(10,056,449)	(5,405,009)
Zakat paid		(10,496,700)	(9,044,930)
<b>Net cash generated from operating activities</b>		<b>142,145,292</b>	<b>96,580,680</b>
<b>Cash flow from investing activities</b>			
Additions to available for sale investments	4	-	(383,128)
Additions to investment in an associate	5	-	(141,900,000)
Additions to property, plant and equipment		(125,519,119)	(71,958,747)
Additions to intangible assets		(3,391,000)	-
Proceeds from sale of property, plant and equipment		255,474	58,600
<b>Net cash Used in investing activities</b>		<b>(128,654,645)</b>	<b>(214,183,275)</b>
<b>Cash flow from financing activities</b>			
Proceeds of short-term murabaha finance		269,000,000	638,308,068
Repayments of short-term murabaha finance		(285,418,990)	(597,608,440)
Proceeds of long-term murabaha finance		514,465,900	196,500,000
Repayments of long-term murabaha finance		(437,972,449)	(60,000,000)
Dividends paid		(88,500,000)	(47,200,000)
<b>Net cash (used in) / generated from financing activities</b>		<b>(28,425,539)</b>	<b>129,999,628</b>
<b>Net change in cash and cash equivalents</b>		<b>(14,934,892)</b>	<b>12,397,033</b>
Cash and cash equivalents at beginning of the period		93,403,056	65,044,078
<b>Cash and cash equivalents at end of the period</b>		<b>78,468,164</b>	<b>77,441,111</b>
<b>Supplementary information for non-cash transactions</b>			
Write-off of accounts receivable bad debts		303,818	145,603
Unrealized (loss) / gain from revaluation of available for sale investments	4	(1,706,454)	5,835,517

The accompanying notes from 1 to 9 form an integral part of these interim consolidated financial statements.

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

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

	Note			Statutory reserve		Fair value reserve for available for sale investments	Retained earnings	Total shareholders' equity
		Share capital	Proposed increase in share capital	Share premium	Transfers from net income			
<b>January 1, 2016 (Audited)</b>	1	<b>590,000,000</b>	-	<b>371,142,305</b>	<b>27,109,010</b>	<b>14,543,457</b>	<b>390,211,936</b>	<b>1,393,006,708</b>
Net income for the period							112,763,317	112,763,317
Proposed increase in share capital	1	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	(88,500,000)	(88,500,000)
Change in unrealized gain from available for sale investments	4	-	-	-	-	(1,706,454)	-	(1,706,454)
<b>June 30, 2016 (Unaudited)</b>		<b>590,000,000</b>	-	<b>371,142,305</b>	<b>27,109,010</b>	<b>12,837,003</b>	<b>414,475,253</b>	<b>1,415,563,571</b>
<b>January 1, 2015 (Audited)</b>	1	<b>472,000,000</b>	-	<b>371,142,305</b>	<b>27,109,010</b>	<b>13,335,176</b>	<b>390,354,868</b>	<b>1,273,941,359</b>
Net income for the period		-	-	-	-	-	83,678,469	83,678,469
Proposed increase in share capital	1	-	118,000,000	-	-	-	(118,000,000)	-
Dividends		-	-	-	-	-	(47,200,000)	(47,200,000)
Change in unrealized gain from available for sale investments	4	-	-	-	-	5,835,517	-	5,835,517
<b>June 30, 2015 (Unaudited)</b>		<b>472,000,000</b>	<b>118,000,000</b>	<b>371,142,305</b>	<b>27,109,010</b>	<b>19,170,693</b>	<b>308,833,337</b>	<b>1,316,255,345</b>

The accompanying notes from 1 to 9 form an integral part of these interim consolidated financial statements.

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

**1 GENERAL INFORMATION**

Dallah Healthcare Holding Company (the "Company") was established in the Kingdom of Saudi Arabia as a Limited Liability Company under commercial registration No.1010128530 dated 13 Rabi II 1415H (corresponding to September 18, 1994) in Riyadh. The Company's Board of Directors declared the Company as a Saudi Closed Joint Stock Company on 14 Jumada I 1429H (corresponding to May 20, 2008). On 28 Dhu Al-Qadah 1433H (corresponding to October 14, 2012), the Company obtained regulatory approvals to be converted into a public Joint Stock Company by issuing 14.2 million shares in an initial public offering with a nominal value of SR 142 million, as a result of the offering, a share premium of SR 371 million was included in the Company's statutory reserve. The Company became a listed company in the Saudi Capital Market on 4 Safar 1434H (corresponding to December 17, 2012).

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

**Construction in progress** - The Company has completed the design of Dallah Hospital project - South of Riyadh (Namar), and the estimated total cost for the project amounted to SR 920 million. It is planned that the project will be completed in stages, ultimately operating with a maximum capacity of 400 beds and 200 clinics. As part of this project, the Company has signed a contract for the first stage to complete 150 beds and 100 clinics, the value of the contract is SR 472 million and it is expected to be completed by the third quarter of 2017.

**Dr. Erfan and Bagedo General Hospital ("The acquired company")** - The Company in 2014 signed an agreement to acquire Dr. Erfan and Bagedo General Hospital. The acquired company was valued at SR 750 million. In exchange for acquiring the shares of the two partners in the target company, the Company will issue 7,471,980 new shares for the two partners in addition to SR 150 million in cash. On 11 Jumad Al-Akhr 1436H (corresponding to March 31, 2015), the acquisition agreement was expired and the two parties of the target company decided not to renew the said agreement. Accordingly, the Company has written-off the deferred underwriting expenses related to such procedures amounted to SR 4.1 million during the first quarter of 2015 which were recorded under current assets.

**Share capital** - The share capital of the Company as of June 30, 2016 amounting to SR 590,000,000 (2015: SR 472,000,000) comprises of 59 million shares (2015: 47.2 million shares) stated at SR 10 per share.

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

The accompanying consolidated interim financial statements include the Company accounts and the following subsidiaries (collectively referred to as the "Group") that operate on separate commercial registrations:

<u>Subsidiaries</u>	<u>Commercial Registration</u>	<u>Country of incorporation</u>	<u>Ownership percentage as of June 30,</u>	
			<u>2016</u>	<u>2015</u>
Dallah Pharma Company (i)	1010410613	Kingdom of Saudi Arabia	98%	98%
Afyaa Al-Nakheel for Supporting Services Company Limited (ii)	1010404576	Kingdom of Saudi Arabia	99%	99%

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

**(i) Dallah Pharma Company-** Dallah Pharma Company was established on 13 Jumad II 1435 H (corresponding to April 13, 2014) as a limited liability company with a share capital of SR 4 million. The activities of the company are the wholesale and retail trade in herbal and cosmetic products, food, milk and baby supplies, detergents, medical and surgical supplies and their maintenance and spare parts, chemicals, importing, exporting, marketing on behalf of others and operating factories and warehouses. The Company decided to transfer the operations of its branch (Dallah Pharma) and its assets and liabilities to Dallah Pharma Company effective January 1, 2015. During the six months period ended June 30, 2016 the Company has fully



**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

**1 GENERAL INFORMATION (continued)**

**Subsidiaries (continued)**

**(i) Dallah Pharma Company (continued)**

amortized the goodwill it booked on acquisition of Dallah Pharma Plant amounted to SR 5,091,000, which was recorded as intangible assets in the interim consolidated balance sheet.

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

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

<b><u>Branch</u></b>	<b><u>Commercial Registration</u></b>	<b><u>City</u></b>
Head Office	2057004306	Al Khafji
Dallah Hospital	1010132622	Riyadh
Medicine Warehouse (Dallah Pharma)	2050071905	Dammam
Medicine Warehouse (Dallah Pharma)	1010128997	Riyadh
Medicine Warehouse (Dallah Pharma)	4030140769	Jeddah
Medicine Warehouse (Dallah Pharma)	5855053632	Khamis Mushait
Medicine Warehouse (Dallah Pharma)	4030265250	Jeddah
Medicine Warehouse (Dallah Pharma)	1010381470	Riyadh
Dallah Pharma Factory	4030249929	Jeddah
Dallah Healthcare Company clinics complex	1010428613	Riyadh
Dallah Pharma Factory for medicines	4030279471	Jeddah

These interim consolidated financial statements include all the required adjustments so that the interim consolidated financial statements present fairly the interim consolidated financial position and interim consolidated results of operations for the Group. The results presented in these interim consolidated financial statements may not represent an accurate indicator of the Group's annual results. Interim consolidated financial statements do not include all information and disclosures required for the annual consolidated audited financial statements, therefore, these interim consolidated financial statements should be read in conjunction with annual audited consolidated financial statements and its related notes for the year ended December 31, 2015.

The accompanying interim consolidated financial statements were approved by the Company's management on Shawwal 21, 1437 ( corresponding : July 26, 2016).

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**2.1 Basis of preparation**

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

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

---

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Basis of consolidation**

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

**2.3 Critical accounting estimates and judgments**

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

(a) Provision for doubtful debts

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

(b) Provision for inventories obsolescence

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

(c) Estimated impairment of intangible assets

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

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

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

**2.4 Investments**

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

---

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Investments (continued)**

(a) Subsidiaries (continued)

acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "intangible assets" in the accompanying interim consolidated balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any.

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

(b) Associates

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

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

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

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

(c) Available-for-sale investments

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

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

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

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

(d) Held to maturity investments

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

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

---

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 Impairment of financial assets value and uncollectability**

Financial assets are reviewed for impairment at date of each interim consolidated balance sheet whenever there is objective evidence that a certain financial asset suffered impairment. When such evidence exists, impairment loss is recognized in the interim consolidated income statement. Impairment of value is determined as follows:

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

**2.6 Segment reporting**

- (a) Business segment

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

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

- (b) Geographical segment

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

**2.7 Foreign currency translations**

- (a) Reporting currency

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

- (b) Transactions and balances

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

**2.8 Cash and cash equivalents**

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

**2.9 Accounts receivable**

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

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

---

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.10 Inventories**

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

**2.11 Property, plant and equipment**

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

	<b>Number of years</b>
• Buildings	16 - 33
• Leasehold improvements	Shorter of estimated useful life (5) or lease period
• Machinery and equipment	3 - 10
• Medical equipment	6 - 8
• Furniture and fixtures	5 - 10
• Motor vehicles	4

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

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

**2.12 Intangible assets**

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

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

**2.13 Impairment of non-current assets**

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

**2.14 Accounts payable and accruals**

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

**2.15 Provisions**

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

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

---

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.16 Zakat**

The Company and its subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Provision for zakat is calculated based on the interim consolidated financial statements of Dallah Healthcare Holding Company and its subsidiaries which are wholly owned directly or indirectly by the Group, then the zakat provision is being allocated between the Company and its subsidiaries. Any differences between the provision and the final assessment are recorded at the approval of the final assessment, when the provision is closed.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

**2.16 Employees' termination benefits**

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

**2.17 Revenue**

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

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

**2.18 Selling, marketing and general and administrative expenses**

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of operating as required under generally accepted accounting standards. Allocations between selling and marketing expenses, general and administrative expenses and cost of operating, when required, are made on a consistent basis.

**2.19 Murabaha finance**

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

**2.20 Earnings per share**

Earnings per share represent the share of profit in available income for ordinary shares. Earnings per share are computed for income from operations and net income based on the weighted average number of outstanding shares for the period ended June 30, 2016 and 2015.

**2.21 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transferred 10% of its annual net income to a statutory reserve until such reserve equaled 50% of the share capital. This reserve is not currently available for distribution to the shareholders. Share premium is being transferred to statutory reserve according to Article No. 98 of the Saudi Regulations for Companies.

**2.22 Operating leases**

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

**2.23 Dividends**

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

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

---

**3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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

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

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

**3.1 Currency risk**

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

**3.2 Fair value and cash flow interest rate risks**

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

**3.3 Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group is exposed to price risk with respect to ownership shares in respect of investments held by the Group and classified as available for sale in the interim consolidated financial statements. The Group has diversified its portfolio to manage the price risk arising from investments in equity securities.

**3.4 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is placed with local banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts. A percentage of approximately 22% of accounts receivable are due from governmental bodies as of June 30, 2016 (June 30, 2015: approximately 22.6%).

**3.5 Liquidity risk**

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

**3.6 Fair value**

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

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

**4 INVESTMENTS**

<b>Available for sale investments</b>	<b>Country of incorporation</b>	<b>Ownership percentage</b>	<b>2016</b>	<b>2015</b>
<b>Quoted investments:</b>				
Asser Trading, Tourism, Manufacturing, Agricultural, Real Estate and Contracting Company	Saudi Arabia	0.3%	<b>7,403,589</b>	11,343,885
Jordanian Pharmaceutical Manufacturing Company	Jordan	0.4%	<b>317,462</b>	418,034
Total quoted investments			<b>7,721,051</b>	11,761,919
<b>Unquoted investments*:</b>				
Makkah Medical Center Company	Saudi Arabia	7.5%	<b>3,448,120</b>	3,448,120
Al Ahsa Medical Services Company	Saudi Arabia	1.1%	<b>1,798,145</b>	1,798,145
Total unquoted investments			<b>5,246,265</b>	5,246,265
Other available for sale investments (4-1)			<b>95,201,656</b>	97,494,478
<b>Total available for sale investments</b>			<b>108,168,972</b>	114,502,662
Held to maturity investments (4-2)			<b>28,125,000</b>	28,125,000
			<b>136,293,972</b>	142,627,662

\* The unquoted equity investments are stated at cost.

**4-1 Other available for sale investments**

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

**4-2 Held to maturity investments**

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

**4-3** The movement of investments is listed below:

	<b>2016</b>	<b>2015</b>
January 1	<b>138,000,426</b>	136,409,017
Additions to available for sale investments	-	383,128
Proceeds from matured investment	-	-
Change in unrealized (losses) / gains	<b>(1,706,454)</b>	5,835,517
June 30	<b>136,293,972</b>	142,627,662

**5 INVESTMENT IN AN ASSOCIATE**

This represents an investment in an associate company for an amount of SR 129 million, which represents 30% of the share capital in Dr. Mohammed Rashed Al-Faqeeh Company, a limited liability company with an objective to construct general hospital east of Riyadh city. The Company paid additional SR 12.9 million, which represents the excess of the purchase price over the share in share capital that has been recorded as goodwill. The Company's share of profit from this investment is SR 206,657 for the six months period ended June 30, 2016 (SR nil : 2015).

**6 MURABAHA FINANCING**

The Company has murabaha finance contracts with local banks for the purpose of financing the expansion operations of the Company. These murabaha contracts are in Saudi Riyals and generally bear financial charges based on prevailing finance cost in the market. These murabaha contracts are guaranteed by promissory notes from the Company.

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



**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**

**For the three-month and six-month periods ended June 30, 2016**

(All amounts in Saudi Riyals unless otherwise stated)

---

**6 MURABAHA FINANCING (CONTINUED)**

During the three-month and six-month periods ended June 30, 2016, the Company capitalized financial charges amounted to SR 2,516,280 and SR 4,292,720, respectively (June 30, 2015: SR 1,501,151 and SR 2,940,664, respectively).

The volume of murabaha financing obtained by the Group is approximately SR 1,885 million, of which SR 1,431 million represents the unused portion as at June 30, 2016 (June 30 2015: SR 1,425 million and SR 1,050 million, respectively).

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

**7 DIVIDENDS**

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

**8 CONTINGENCIES AND COMMITMENTS**

- a) As at June 30, 2016, the Company has capital commitments that mainly relate to the construction contracts of the expansion of Dallah Hospital and the construction of a hospital in West of Riyadh amounting to SR 410.5 million (June 30, 2015: SR 51.3 million).
- b) As at June 30, 2016, the Group has a contingent liability in the form of bank guarantees amounting to SR 6.2 million which have been issued on behalf of the Group in the normal course of business (June 30, 2015: SR 6.4 million).
- c) There are some legal cases filed against the Company, in the normal course of business, and is currently pleading them, but the final outcome of such cases is not certain yet. Management does not expect the outcome of these cases to be material to the interim consolidated financial statements of the Group.

**9 SEGMENTAL INFORMATION**

The Group consists of the following major business segments:

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

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

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

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

The analysis on the next page is a summary of selected financial information as at June 30, 2016 and 2015 and for the six-month periods then ended, to the above-mentioned business segments:

**DALLAH HEALTHCARE HOLDING COMPANY**  
**(A Saudi Joint Stock Company)**

**Notes to the interim consolidated financial statements (unaudited)**  
**For the three-month and six-month periods ended June 30, 2016**  
(All amounts in Saudi Riyals unless otherwise stated)

**9 SEGMENTAL INFORMATION (continued)**

June 30, 2016						
Details	Hospitals	Medicines	Operations	Headquarters	Eliminations between segments	Total
Operating revenues, net	556,500,072	19,809,769	10,007,267	-	(12,941,307)	573,375,801
Operating costs	(298,946,470)	(17,450,778)	(7,049,418)	-	12,941,307	(310,505,359)
Gross profit	257,553,602	2,358,991	2,957,849	-	-	262,870,442
Net income (loss) for the period	156,054,164	(21,367,171)	1,579,936	(44,687,781)	21,184,169	112,763,317
Total assets	989,448,093	179,062,158	31,488,776	919,073,439	(30,839,416)	2,088,233,050
Total liabilities	200,606,467	77,645,503	9,968,558	452,508,431	(68,059,480)	672,669,479
Capital expenditures	16,680,731	529,107	2,050	108,307,231	-	125,519,119
Depreciation	26,407,146	1,805,896	381,115	220,284	-	28,814,441

  

June 30, 2015						
Details	Hospitals	Medicines	Operations	Headquarters	Eliminations between segments	Total
Operating revenues, net	448,123,197	33,229,870	10,583,663	-	(6,311,984)	485,624,746
Operating costs	(259,292,190)	(22,249,405)	(7,374,845)	-	6,311,984	(282,604,456)
Gross profit	188,831,007	10,980,465	3,208,818	-	-	203,020,290
Net income (loss) for the period	110,560,115	(4,921,722)	1,923,817	(28,580,327)	4,696,586	83,678,469
Total assets	945,829,206	194,927,788	37,676,901	754,295,058	(38,206,210)	1,894,522,743
Total liabilities	167,607,335	67,443,555	6,876,491	373,168,174	(36,828,157)	578,267,398
Capital expenditures	49,521,049	970,232	1,750	21,465,716	-	71,958,747
Depreciation	23,277,917	1,228,941	667,505	148,650	-	25,323,013