

**AL HAMMADI COMPANY FOR
DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND
INDEPENDENT AUDITORS' REPORT**

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Table of contents

	<u>PAGE</u>
Independent auditors' report	1
Balance sheet	2
Statement of income	3
Statement of cash flows	4
Statement of changes in shareholders' equity	5
Notes to the financial statements	6-19



INDEPENDENT AUDITORS' REPORT

February 25, 2016

To the Shareholders of Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying balance sheet of Al Hammadi Company for Development and Investment (a Saudi Joint Stock Company) (the "Company") as of December 31, 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (26) which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all necessary information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Unqualified opinion

In our opinion, such financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and the results of its operations and its cash flows for the year then ended, in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-Laws with respect to the preparation and presentation of financial statements.

PricewaterhouseCoopers

By: _____
Omar M. Al Sagga
License Number 369

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
BALANCE SHEET
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2015	2014
Assets			
Current assets			
Cash and cash equivalents	4	89,343,477	543,676,902
Accounts receivable - net	5,18	249,424,747	132,728,929
Inventories	6	27,222,231	18,313,751
Prepayments and other assets	7	14,135,766	12,549,138
		<u>380,126,221</u>	<u>707,268,720</u>
Non-current assets			
Property and equipment - net	8	1,085,609,442	359,279,724
Capital work-in-progress	9	470,078,575	1,030,689,438
		<u>1,555,688,017</u>	<u>1,389,969,162</u>
Total assets		<u>1,935,814,238</u>	<u>2,097,237,882</u>
Liabilities			
Current liabilities			
Accounts payable	18.2	36,365,075	30,140,136
Long-term loans - current portion	10	150,000,000	102,938,607
Accrued and other liabilities	11	44,956,916	27,302,776
Provision for zakat	19	10,032,579	4,340,229
		<u>241,354,570</u>	<u>164,721,748</u>
Non-current liabilities			
Long-term loans - non-current portion	10	275,739,325	593,761,681
Employees' termination benefits	12	32,591,996	18,953,850
		<u>308,331,321</u>	<u>612,715,531</u>
Total liabilities		<u>549,685,891</u>	<u>777,437,279</u>
Shareholders' equity			
Share capital	13	1,200,000,000	750,000,000
Statutory reserve	14	14,592,866	392,460,092
Retained earnings		171,535,481	177,340,511
Total shareholders' equity		<u>1,386,128,347</u>	<u>1,319,800,603</u>
Total liabilities and shareholders' equity		<u>1,935,814,238</u>	<u>2,097,237,882</u>
Contingencies and commitments	24		

The notes on pages 6 to 19 form an integral part of these financial statements.



AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
STATEMENT OF INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31,	
		2015	2014
Revenues - net	15	561,330,870	481,964,008
Cost of revenues	16	<u>(314,950,584)</u>	<u>(272,850,674)</u>
Gross profit		246,380,286	209,113,334
Operating expenses			
General and administrative expenses, net	17	<u>(93,014,821)</u>	<u>(78,168,597)</u>
Income from operations		153,365,465	130,944,737
Other income (expenses)			
Financial charges	9	(6,195,730)	(107,763)
Other income - net		<u>3,158,009</u>	<u>3,309,090</u>
Income before zakat		150,327,744	134,146,064
Zakat - net	19	<u>(9,000,000)</u>	<u>(5,200,000)</u>
Net income for the year		<u>141,327,744</u>	<u>128,946,064</u>
Earnings per share (Saudi Riyal):	21		
Income from operations		<u>1.28</u>	<u>1.09</u>
Non-operating (loss) / income		<u>(0.025)</u>	<u>0.027</u>
Net income for the year		<u>1.18</u>	<u>1.07</u>
Average number of shares outstanding		<u>120,000,000</u>	<u>120,000,000</u>

The notes on pages 6 to 19 form an integral part of these financial statements.

Handwritten signature and initials, possibly representing the preparer or auditor of the financial statements.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31,	
		2015	2014
Cash flows from operating activities:			
Net income for the year		141,327,744	128,946,064
Adjustments for non-cash items:			
Depreciation	8	30,795,066	13,979,475
Gain on sale of property and equipment		(12,956)	(30,996)
Provision for doubtful debts	5	19,144,366	19,722,471
Provision for zakat	19.3	9,000,000	5,200,000
Provision for employees' termination benefits	12	16,039,540	4,793,805
Changes in working capital:			
Accounts receivable		(135,840,184)	(15,639,697)
Inventories		(8,908,480)	(2,753,925)
Prepayments and other current assets		(1,586,628)	1,581,102)
Accounts payable		6,224,939	1,635,130
Accrued and other current liabilities		(4,224,431)	(996,361)
Zakat paid	19.3	(3,307,650)	(4,468,374)
Employees' termination benefits paid	12	(2,401,394)	(645,208)
Net cash generated from operating activities		66,249,932	151,323,486
Cash flows from investing activities:			
Proceeds from sale of property and equipment		17,000	31,000
Purchase of property and equipment	8	(8,595,121)	(10,690,735)
Additions on capital work-in-progress, net	9	(166,044,273)	(361,244,957)
Net cash utilized in investing activities		(174,622,394)	(371,904,692)
Cash flows from financing activities:			
Proceeds from loans		-	274,928,922
Repayment of loans		(270,960,963)	(156,257,884)
Net change in bank facilities overdraft		-	(1,873,339)
Increase in share capital	13	-	225,000,000
Share premium, net	14	-	380,261,825
Dividends paid	23	(75,000,000)	-
Net cash (used in)/generated from financing activities		(345,960,963)	722,059,524
Net change in cash and cash equivalents		(454,333,425)	501,478,318
Cash and cash equivalents, at beginning of year		543,676,902	42,198,584
Cash and cash equivalents, at end of year	4	89,343,477	543,676,902
Supplemental non-cash information:			
Transfer from retained earnings to increase share capital	13	58,000,000	-
Transfer from statutory reserve to increase share capital	13,14	392,000,000	-
Transfer from capital work-in-progress to property and equipment	9	748,533,707	-
Write-off provision of doubtful debts	5	6,507,592	30,102,776
Transfer to property and equipment against accrued expenses	11	21,878,571	4,373,000

The notes on pages 6 to 19 form an integral part of these financial statements.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2015		750,000,000	392,460,092	177,340,511	1,319,800,603
Net income for the year		-	-	141,327,744	141,327,744
Transfer to statutory reserve	14	-	14,132,774	(14,132,774)	-
Dividend paid	23	-	-	(75,000,000)	(75,000,000)
Transfer to share capital	13,14	450,000,000	(392,000,000)	(58,000,000)	-
December 31, 2015		1,200,000,000	14,592,866	171,535,481	1,386,128,347
January 1, 2014		525,000,000	12,198,267	48,394,447	585,592,714
Net income for the year		-	-	128,946,064	128,946,064
Increase in share capital by issuing shares	13	225,000,000	-	-	225,000,000
Share premium, net	13,14	-	380,261,825	-	380,261,825
December 31, 2014		750,000,000	392,460,092	177,340,511	1,319,800,603

The notes on pages 6 to 19 form an integral part of these financial statements.



AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
 (All amounts in Saudi Riyals unless otherwise stated)

1. General information

Al Hammadi Company for Development and Investment (the "Company") was established as a limited liability Company under Commercial Registration No. 1010196714 issued on Safar 23, 1425H (corresponding to April 13, 2004) in Riyadh. On Ramadan 16, 1429H (corresponding to September 16, 2008) Ministry of Commerce issued the resolution No.Q/318 to approve the Company's transformation into a closed joint stock Company. On Rajab 20, 1435H (corresponding to May 19, 2014) the Company obtained approval from the Capital Market Authority ("CMA") to issue 22.5 million shares in an initial public offering and the Company's shares listed in Saudi Stock Exchange (Tadawul) on Ramadan 17, 1435H (corresponding to July 15, 2014) (see note 13).

The Company's registered address is Al-Olaya, P.O. Box 55004, Riyadh 11534, Saudi Arabia.

The Company established to engage in the activities of wholesale and retail trading of medical equipment. Establishing, maintaining, managing and operating hospitals and medical centers. Wholesale and retail trading of food and beverages. Purchasing and rentals of lands for constructing buildings and investing them by means of selling or renting in favor of the Company. Initiating or sharing in different industrial projects. Initiating commercial centers, operating, and maintaining them. Construction and building work and maintaining the same in Saudi Arabia.

These financial statements include the accounts of the Company and the accounts of the following branches, which operate under separate commercial registrations:

Branch name	Commercial Registration No.	City	Status
Al Hammadi Hospital, Olaya	1010283026	Riyadh	Active
Al Hammadi Hospital, AlSuwaidi*	1010374269	Riyadh	Active
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh	Under construction
Al Hammadi for Maintenance & Operations	1010374273	Riyadh	No activity

* The Company received the final approval from the Ministry of Health on July 26, 2015 to commence the commercial operation of Al Hammadi Hospital, AlSuwaidi branch whereas, all required medical and construction systems tests were completed, and all required medical and administrative staff have been provided to commence the commercial operation. The Company started accepting patients at Al Hammadi Hospital - AlSuwaidi branch on August 1, 2015. Accordingly, the financial effect of the commercial operation started during the year 2015 (see also Note 9).

The Board of Directors approved the accompanying financial statements for issuance on Jumada Al-Awwal 14, 1437H (corresponding to February 23, 2016).

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with the Accounting Standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting standards 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 reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.

2.3 Segment reporting

(a) Business segment

A business segment is a 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 a 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.

2.4 Foreign currency translation

(a) Reporting currency

The presentation of financial statements is in Saudi Riyals, which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the two years ended December 31, 2015 and 2014, respectively, are recognized in the statement of income.

2.5 Cash and cash equivalents

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

2.6 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the statement of income and reported under "General and administrative expenses". When accounts receivable are uncollectible, they are 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 statement of income.

2.7 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.8 Property and equipment

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

	<u>Years</u>
Buildings	33
Equipment and tools	10-20
Furniture, fixtures and office equipment	4-10
Vehicles	4

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

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

2.9 Capital work-in-progress

Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use and are being transferred to property and equipment.

2.10 Impairment of non-current assets

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 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 the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than goodwill, if any, that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss recognized as income immediately in the statement of income. Impairment losses recognized on goodwill, if any, are not reversible, if any.

2.11 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the statement of income.

2.12 Accounts payable and accruals

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

2.13 Provisions

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

2.14 Zakat

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat is estimated, accrued and charged to the statement of income. Any differences in the estimate is recorded when the final assessment is approved at which time the provision is adjusted.

2.15 Employees' termination benefits

Employees' termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of income. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the 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.

2.16 Revenues

Revenues are recognized when the services are rendered to the patients, goods are delivered and accepted by customers, and recorded net of discounts. Discounts are granted principally to insurance companies, major corporates, cash paying customers, and represent the difference between the established standard rates for various services less negotiated amount for payment. Other revenues are recorded when realized.

2.17 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of revenues, when required, is made on a consistent basis.

2.18 Dividends

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

2.19 Operating leases

Rental expenses under operating leases are charged to the statement of income over the period of the respective lease. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

3. Financial instruments and risk management

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

Financial assets and liabilities are offset and net amounts reported in the financial statements, when the Company 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.

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

Risk management is carried out by senior management. The most important types of risk are summarized below.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

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's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to the US Dollar, the Company does not have significant exposure to currency risk. The Company has also some transactions in EURO, which were not significant in 2015 and 2014.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company monitors the commission rate fluctuations on a continuous basis and acts accordingly. The Company's commission rates principally relate to its borrowings and are subject to change on periodic basis.

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 Company is currently not exposed to price risk as it has no investments in marketable 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. Cash is placed with banks with sound credit ratings. Accounts receivable and due from related parties are carried net of provision for doubtful debts (see also Note 5).

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 can be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company'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 Company's financial assets and liabilities are not significantly different from their carrying values.

4. Cash and cash equivalents

	2015	2014
Cash in hand	1,613,522	743,989
Cash at banks	<u>87,729,955</u>	<u>542,932,933</u>
	<u>89,343,477</u>	<u>543,676,902</u>

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

5. Accounts receivable - net	Note	2015	2014
Trade		248,655,937	132,937,640
Receivables not yet billed		<u>22,141,905</u>	<u>8,464,104</u>
		270,797,842	141,401,744
Less: Provision for doubtful debts		<u>(21,919,990)</u>	<u>(9,283,216)</u>
		248,877,852	132,118,528
Due from related parties	18.2	<u>546,895</u>	<u>610,401</u>
		<u>249,424,747</u>	<u>132,728,929</u>

As of December 31, 2015, approximately 92% of accounts receivable balance was due from various governmental entities and insurance companies (December 31, 2014: 87% approximately).

Movement in provision for doubtful debts is as follows:

	2015	2014
Balance at January 1	9,283,216	19,663,521
Additions	19,144,366	19,722,471
Write-offs	<u>(6,507,592)</u>	<u>(30,102,776)</u>
Balance at December 31	<u>21,919,990</u>	<u>9,283,216</u>

6. Inventories	2015	2014
Medicines	12,951,325	11,593,592
Medical tools and supplies	12,171,774	5,280,483
Non-medical tools and supplies	1,901,474	1,260,432
Spare parts and supplies not held for sale	<u>197,658</u>	<u>179,244</u>
	<u>27,222,231</u>	<u>18,313,751</u>

7. Prepayments and other current assets	2015	2014
Prepayments to suppliers	9,932,897	7,954,589
Rent, medical insurance and visas	2,477,069	2,973,604
Advances to employees	1,196,181	1,291,262
Margin deposit on letters of credit and guarantee	144,662	36,000
Other	<u>384,957</u>	<u>293,683</u>
	<u>14,135,766</u>	<u>12,549,138</u>

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

8. Property and equipment - net

	January 1, 2015	Additions	Disposals	Transfers *	December 31, 2015
Cost:					
Lands	262,396,467	-	-	-	262,396,467
Buildings	196,983,088	-	-	492,890,362	689,873,450
Equipment and tools	123,635,280	1,940,869	-	223,864,274	349,440,423
Furniture, fixtures and office equipment	47,213,306	6,592,452	-	30,323,736	84,129,494
Vehicles	3,888,998	61,800	(98,000)	1,455,335	5,309,133
Total	634,117,139	8,595,121	(98,000)	748,533,707	1,391,147,967
Accumulated depreciation:					
Buildings	135,555,569	12,111,599	-	-	147,667,168
Equipment and tools	96,442,831	13,508,981	-	-	111,951,812
Furniture, fixtures and office equipment	36,181,564	4,393,246	-	-	42,574,810
Vehicles	2,657,451	781,240	(93,956)	-	3,344,735
Total	274,837,415	30,795,066	(93,956)	-	305,538,525
	359,279,724				1,085,609,442

* See also Note 9.

	January 1, 2014	Additions	Disposals	December 31, 2014
Cost:				
Lands	262,396,467	-	-	262,396,467
Buildings	196,983,088	-	-	196,983,088
Equipment and tools	115,258,424	8,376,856	-	123,635,280
Furniture, fixtures and office equipment	45,240,227	1,973,079	-	47,213,306
Vehicles	3,711,868	340,800	(163,670)	3,888,998
Total	623,590,074	10,690,735	(163,670)	634,117,139
Accumulated depreciation:				
Buildings	129,646,076	5,909,493	-	135,555,569
Equipment and tools	93,593,058	4,849,773	-	98,442,831
Furniture, fixtures and office equipment	35,709,710	2,471,854	-	38,181,564
Vehicles	2,072,762	748,355	(163,666)	2,657,451
Total	261,021,606	13,979,475	(163,666)	274,837,415
	362,568,468			359,279,724

The above lands include a parcel of land amounting to Saudi Riyals 87 million pledged as a loan collateral for the Ministry of Finance, in addition to a parcel of land amounting to Saudi Riyals 67 million pledged to a local bank as a loan guarantee (see also note 10).

9. Capital work-in-progress

The capital work-in-progress as at December 31, 2015 comprises mainly the costs incurred for the construction of Al Hammadi Hospital, Al-Nuzha branch project and the medical and administrative staff accommodation buildings.

	2015	2014
Balance as of January 1	1,030,689,438	665,071,481
Additions during the year	187,922,844	365,617,957
Transfer to property and equipment * (note 8)	(748,533,707)	-
Balance as of December 31	470,078,575	1,030,689,438

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
 (All amounts in Saudi Riyals unless otherwise stated)

* The balance of capital work-in-progress related to Al Hammadi Hospital, AlSuwaidi branch project and the attached medical and administrative staff accommodation buildings amounting to Saudi Riyals 748.5 million, which includes capitalized financing cost amounting to Saudi Riyals 35.3 million, has been transferred to property and equipment on August 1, 2015 (date of commencing the commercial operation). During the period from commencing the commercial operation to December 31, 2015, the financing cost relating to Al Hammadi Hospital, AlSuwaidi branch project amounting to Saudi Riyals 5.5 million was included in financial charges in the statement of income.

The capital work-in-progress is financed through the Initial Public Offering "IPO" proceeds, loan from Ministry of Finance and loans from local commercial banks (see notes 10, 13 and 24). The total financing cost which is capitalized on these capital work-in-progress is Saudi Riyals 10.2 million as at December 31, 2015 (December 31, 2014: Saudi Riyals 38 million).

10. Long-term loans

	2015	2014
Loan from the Ministry of Finance	88,239,325	88,239,325
Loans from commercial banks	<u>337,500,000</u>	<u>608,460,963</u>
	425,739,325	696,700,288
Current portion	<u>(150,000,000)</u>	<u>(102,938,607)</u>
Non-current portion	<u>275,739,325</u>	<u>593,761,681</u>

10.1 Loans from the Ministry of Finance

The loans agreements with the Saudi Ministry of Finance is to obtain a loan of Saudi Riyals 149.1 million for the purpose of constructing Al Hammadi Hospital, AlSuwaidi branch project and purchasing its medical and non-medical equipment. The Company has received and utilized part of the loan amounting to Saudi Riyals 88.2 million as at December 31, 2015. The annual installment is determined in light of how much is actually spent from the value of the loan at the end of the implementation period of this specific contract after dividing the total disbursements to twenty equal annual installments. The maturity of the first installment will be after five years from the date of the agreement, which is September 18, 2013. This loan collateralized by a mortgage of the property and equipment of Al Hammadi Hospital, AlSuwaidi branch. This loan is in Saudi Riyals and does not carry any financing commissions.

On January 19, 2015, the Company also signed a financing agreement with the Saudi Ministry of Finance to obtain a long-term loan amounting to Saudi Riyals 27.5 million to finance the construction of the housing compound related to AlSuwaidi Hospital project. The Company has not received this financing as of December 31, 2015. The facility approved by a means of collateralizing a piece of land on which Al Hammadi Hospital, AlSuwaidi branch was established, to the benefit of the Saudi Ministry of Finance. The loan is to be repaid over 20 equal annual instalments after a grace period of 5 years. This loan is in Saudi Riyals and does not carry any financing commissions.

On July 9, 2015, the Company also signed a financing agreement with the Saudi Ministry of Finance to obtain a long-term loan amounting to Saudi Riyals 197.6 million to finance part of the construction and furnishing cost of the Al Hammadi Hospital, Al-Nuzha branch project. The Company has not received this financing as of December 31, 2015. The facility was approved by a means of collateralizing a piece of land on which Al Hammadi Hospital, Al-Nuzha branch was established, to the benefit of the Saudi Ministry of Finance. The loan will be repaid over 20 equal annual instalments after a grace period of 5 years. This loan is in Saudi Riyals and does not carry any financing commissions.

10.2 Loans from commercial banks

The Company holds many different facilities and loans agreements with local banks for financing the Company's projects. Those loans carry finance commissions based on the rates prevailing in the market. These agreements include bank facilities in the form of long-term loans from local banks amounting to Saudi Riyals 448 million as at December 31, 2015 utilized as follows:

- 1) Saudi Riyals 150 million as a long-term loan to be repaid over a three year period on a quarterly basis with a grace period of two years. The outstanding loan balance amounted to Saudi Riyals 100 million as at December 31, 2015.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

- 2) Saudi Riyals 147.6 million as a long-term loan in the form of LCs to be repaid over a three year period on a quarterly basis with a grace period of three years. The outstanding loan balance amounted to Saudi Riyals 112.5 million as at December 31, 2015.
- 3) Saudi Riyals 150 million as a long-term loan to be repaid over a three year period on a semi-annual basis. The outstanding loan balance amounted to Saudi Riyals 125 million as at December 31, 2015.

As at 31 December 2015, The Company has an unutilized facility limit with one of the local banks amounting to Saudi Riyals 150 million in the form of LCs facility for financing Al Hammadi Hospital, Al Nuzha branch project.

The facilities agreements referred to above include additional facilities for the issuance of letters of guarantee and letters of credit in addition to overdraft accounts amounting to Saudi Riyals 51 million. The Company has used Saudi Riyals 6.8 million of the total value of these facilities in form of LCs and LGs as at December 31, 2015 (December 31, 2014: Saudi Riyals 2.8 million) (see Note 24).

The long-term loans carry a special commission equal to the prevailing rates between the local commercial banks "SIBOR", plus a certain profit margin to be paid on quarterly or semi-annual basis, with a grace period of two to three years and are amortized over the term of the loan based on the effective interest rate method. Based on the terms of the agreements, the Company has to comply with some financial and non-financial commitments that require certain financial ratios and conditions to be maintained. These loans are in Saudi Riyals.

10.3 Long term loans maturities

The maturities of long-term loans are as follow:

	2015	2014
2015	-	102,938,607
2016	150,000,000	206,007,452
2017	150,000,000	206,007,452
2018	37,500,000	93,507,452
After that	<u>88,239,325</u>	<u>88,239,325</u>
	<u>425,739,325</u>	<u>696,700,288</u>

11. Accrued and other current liabilities

	2015	2014
Amounts due to property and equipment suppliers	21,878,571	4,373,000
Employees' benefits	9,147,052	7,420,329
Patients' deposits	7,580,874	6,815,513
Accrued interest	626,267	812,933
Amounts due for external medical services	700,000	1,247,285
Social insurance	800,000	478,126
Medical education fund	-	2,667,453
Other	<u>4,224,152</u>	<u>3,488,137</u>
	<u>44,956,916</u>	<u>27,302,776</u>

12. Employees' termination benefits

	2015	2014
Balance as at January 1	18,953,850	14,805,253
Provision	16,039,540	4,793,805
Payments	<u>(2,401,394)</u>	<u>(645,208)</u>
Balance as at December 31	<u>32,591,996</u>	<u>18,953,850</u>

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

(All amounts in Saudi Riyals unless otherwise stated)

13. Share capital

The Company's share capital of Saudi Riyals 1,200 million at December 31, 2015 consist of 120,000,000 shares (December 31, 2014: 75,000,000 shares) fully paid shares of Saudi Riyals 10 par value each.

On Jumada Al-Awwal 8, 1435H (corresponding to March 9, 2014) the General Assembly resolved to increase the share capital from Saudi Riyals 525 million to Saudi Riyals 750 million by increasing the number of shares from 52.5 million shares to 75 million shares at Saudi Riyals 10 par value per share. On May 19, 2014, the Company obtained the approval from the Capital Market Authority to issue 22.5 million shares in an Initial Public Offering "IPO" during the period from June 11, 2014 to June 17, 2014. The IPO generated a share premium amounting to Saudi Riyals 18 per share with a net amount of Saudi Riyals 380.2 million after deducting underwriting expenses amounting to Saudi Riyals 24.7 million. The net share premium was transferred to the statutory reserve according to Article No. 98 of Saudi Regulations for Companies. The net IPO proceeds are Saudi Riyals 618.3 million which includes issued par value amounting to Saudi Riyals 225 million in addition to share premium amounting to Saudi Riyals 405 million after discounting the underwriter fees amounted to Saudi Riyals 11.7 million.

Furthermore, in its meeting held on April 15, 2015, the Company's extraordinary general assembly approved the Board of Directors' recommendation in its meeting held on January 19, 2015 to increase the Company's share capital from Saudi Riyals 750 million to Saudi Riyals 1,200 million by offering 3 bonus shares for every 5 shares owned, increasing the Company's number of shares from 75 million shares to 120 million shares by transferring Saudi Riyals 392 million from statutory reserve and Saudi Riyals 58 million from the retained earnings to the share capital.

14. Statutory reserve

In accordance with Saudi Regulations for Companies and the Company's By-Laws, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 50% of the capital. This statutory reserve is not available for distribution to shareholders currently. During the year ended December 31, 2014 an amount of Saudi Riyals 380.3 million was transferred to the statutory reserve in accordance with Article No. 98 of Saudi Regulations for Companies. Furthermore, an amount of Saudi Riyals 392 million was transferred during the year ended December 31, 2015 from statutory reserve to share capital (see Note 13).

15. Revenues - net

	2015	2014
Doctors' fees and other medical treatments	333,369,288	224,414,305
Pharmacy	109,708,188	121,607,558
Laboratory	111,598,142	99,530,681
Room charges	79,536,451	61,906,147
X-Rays	66,914,096	57,616,670
Physical therapy	<u>8,505,148</u>	<u>3,719,639</u>
Gross revenues	709,631,313	588,795,000
Less: Discounts	<u>(148,300,443)</u>	<u>(86,830,992)</u>
	<u><u>561,330,870</u></u>	<u><u>481,964,008</u></u>

16. Cost of revenues

	Note	2015	2014
Salaries and related benefits		182,750,277	145,632,265
Medical costs		98,403,073	108,437,524
Depreciation	8	24,636,053	11,183,580
Repairs and maintenance		4,147,257	3,552,999
Utilities		<u>5,013,924</u>	<u>4,044,306</u>
		<u><u>314,950,584</u></u>	<u><u>272,850,674</u></u>

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

17. General and administrative expenses

	Note	2015	2014
Salaries and related benefits		52,703,862	30,996,336
Provision for doubtful debts	5	19,144,366	19,722,471
Collection of written-off receivables *		(9,824,994)	-
Depreciation	8	6,159,013	2,795,895
Non-medical materials consumed		4,394,403	5,557,711
Rentals		3,816,829	5,587,602
Repairs and maintenance		1,671,151	1,651,442
Insurance		1,591,712	649,165
Donations and contributions		1,500,300	277,800
Utilities		1,253,481	1,011,076
Advertisement and public relations		1,078,843	687,683
Consulting and professional services		514,000	475,000
Stationery		147,643	87,496
Other		8,864,212	8,668,920
		<u>93,014,821</u>	<u>78,168,597</u>

* Represents written-off receivables in previous years and collected during the year ended December 31, 2015.

18. Related party matters

18.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	2015	2014
Completed works for capital work in progress from a construction company owned by a shareholder	187,201,816	385,595,009
Salaries and other benefits paid to senior executives	5,007,990	4,391,662
Purchases from a company owned by a shareholder	3,810,282	3,842,452
Rental expense paid to relatives of shareholders	300,000	300,000
Medical services provided to some shareholders	511,960	272,901

Also, see note 24.

18.2 Related party balances

Significant year-end balances from transactions with related parties are as follows:

	2015	2014
Due from related parties	<u>546,895</u>	<u>610,401</u>
	2015	2014
Due to a related party	<u>559,630</u>	<u>598,110</u>

Amounts due from related parties were included in Accounts receivable (see note 5). Whereas amounts due to a related party were included in Accounts payable.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

19. Zakat matters

19.1 Components of zakat base

The significant components of the Company's zakat base, which are subject to certain adjustments under zakat and income tax regulations, are as follows:

	2015	2014
Calculation of zakat base:		
Shareholders' equity at beginning of year	1,319,800,603	585,592,714
Adjusted net income for the year	180,694,646	132,306,018
Provisions at beginning of year	29,269,654	34,468,774
Long term loans - Current portion	150,000,000	102,938,607
Long-term loans - Non-current portion	275,739,325	593,761,681
Amounts due to property and equipment suppliers	21,878,571	4,373,000
Less:		
Property and equipment - net	(1,085,609,442)	(359,279,724)
Capital work-in-progress	(470,078,575)	(1,030,689,438)
Spare parts and supplies not held for sale	(197,658)	(179,244)
Dividends paid	<u>(75,000,000)</u>	<u>-</u>
Estimated zakat base for the Company	<u><u>346,497,124</u></u>	<u><u>63,292,388</u></u>

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

19.2 Calculation of adjusted net income

	2015	2014
Income before zakat	150,327,744	134,146,064
Add:		
Salaries and other benefits paid to senior executives	5,007,990	4,391,662
Change in provision for employees' termination benefits	16,039,540	4,148,597
Change in provision for doubtful debts	<u>9,319,372</u>	<u>(10,380,305)</u>
Adjusted net income for the year	<u><u>180,694,646</u></u>	<u><u>132,306,018</u></u>

19.3 Provision for zakat

	2015	2014
Balance as at January 1	4,340,229	3,608,603
Provision for the year	9,000,000	5,200,000
Payments	<u>(3,307,650)</u>	<u>(4,468,374)</u>
Balance as at December 31	<u><u>10,032,579</u></u>	<u><u>4,340,229</u></u>

19.4 Status of final assessments

The Company has ended its Zakat status and received the final zakat assessments for the financial years up to the year ended December 31, 2007. The company also obtained the final assessment for the period ended September 30, 2008, the date when the legal entity of the company changed from a limited liability company to a closed joint stock company. Based on these assessments, there were no additional amounts owed by the Company for the years and the period mentioned above.

The Company has filed its zakat returns with the DZIT for the period ended December 31, 2009 and the financial years ended December 31, 2010 until December 31, 2014, and has obtained the restricted certificates. The Company has not received any zakat assessments for those periods / years until December 31, 2015, and there are no estimates of any additional amounts expected to be claimed by the DZIT. Accordingly, no additional provision is established in the accompanying financial statements.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

20. Operating leases

The company has operating leases related to the accommodation of the staff. The rental expense is Saudi Riyals 3.4 million approximately for the year ended December 31, 2015 (2014: Saudi Riyals 5.6 million approximately).

The future rent commitments related to these operating leases are summarized as follows:

	2015	2014
2015	-	2,322,728
2016	3,864,844	215,993
2017	1,336,628	-
2018	250,000	-
2019	<u>125,000</u>	<u>-</u>
	<u>5,576,472</u>	<u>2,538,721</u>

21. Earnings per share

Basic earnings per share from operating income, non-operating (loss) / income and net income for the year have been calculated by dividing the income from operations, non-operating (loss) / income and net income for the year over the weighted average number of shares outstanding during the year amounting to 120 million shares as of December 31, 2015 and 2014. The weighted average number of share outstanding for the year ended December 31, 2014 has been recalculated retrospectively based on the new number of shares to show the effect of the share capital increase by the transfer from statutory reserve and retained earnings by an amount of Saudi Riyals 450 million.

22. Segment information

The Company's operations are principally comprised of one operating segment, which is the health-care providing services as of the date of the accompanying financial statements. Accordingly, segment information is not applicable. Furthermore, all of the Company's operations are conducted in Saudi Arabia.

23. Dividends

In its meeting held on April 15, 2015, the Company's ordinary general assembly meeting approved the Board of Directors' recommendation in its meeting held on January 19, 2015 to distribute cash dividends amounting to Saudi Riyals 75 million for the year 2014 at Saudi Riyals 1 per share on the number of shares of 75 million issued prior to the increase in shares to 120 million (December 31, 2014: Nil).

24. Contingencies and commitments

The Company had outstanding letters of credit and guarantee from a local bank amounting to Saudi Riyals 6.8 million as at December 31, 2015 (December 31, 2014: Saudi Riyals 2.8 million) issued in the ordinary course of business.

As at December 31, 2015, the Company has capital commitments amounting to Saudi Riyals 154 million (2014: Saudi Riyals 245.6 million) related to capital work in progress with a construction company owned by a shareholder (note 18.1).

25. Reclassification

Certain comparative figures were reclassified to conform to the overall presentation of the current year's figures.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

26. Subsequent events

Subsequent to the date of the financial statements the following events occurred:

1. On February 7, 2016, the Company announced the incidence of an electrical contact resulted in losses in the electricity circuit breakers room at the basement of Al Hammadi Hospital, Olaya branch building. The Company's management believes that the losses are fully covered under an insurance policy covering the Company's property and equipment with an insurance company in Saudi Arabia. Nonetheless, the Company's management believes that these losses are insignificant. The Company's management is in the process of estimating them which was not finalized as of the date of issuing the accompanying financial statements.
2. The Company's Board of Directors recommended in its meeting held on February 23, 2016 to distribute cash dividends to the Company's shareholders for the year 2015 amounting to Saudi Riyals 90 million at Saudi Riyals 0.75 per share.