

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND
INDEPENDENT AUDITORS' REPORT**

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

February 22, 2015

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

Scope of audit

We have audited the accompanying balance sheet of Al Hammadi Development and Investment Company (a Saudi Joint Stock Company) (the "Company") as of December 31, 2014 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, 2014 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: 
Mohammed A. Al Obaidi
License Number 367

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

	Notes	As at December 31,	
		2014	2013
Assets			
Current assets			
Cash and cash equivalents	4	543,676,902	42,198,584
Accounts receivable - net	5	132,118,528	136,461,270
Due from related parties	18	610,401	350,433
Inventories	6	18,313,751	15,559,826
Prepayments and other assets	7	12,549,138	14,130,240
		<u>707,268,720</u>	<u>208,700,353</u>
Non-current assets			
Property and equipment - net	8	359,279,724	362,568,468
Capital work-in-progress	9	1,030,689,438	665,071,481
		<u>1,389,969,162</u>	<u>1,027,639,949</u>
Total assets		<u>2,097,237,882</u>	<u>1,236,340,302</u>
Liabilities			
Current liabilities			
Accounts payable		33,915,026	32,171,519
Overdraft bank accounts		-	1,873,339
Current portion of long-term loans	10	102,938,607	-
Due to a related party	18	598,110	706,487
Accrued and other liabilities	11	22,929,776	19,553,137
Provision for zakat	19	4,340,229	3,608,603
		<u>164,721,748</u>	<u>57,913,085</u>
Non-current liabilities			
Long-term loans	10	593,761,681	578,029,250
Employees' termination benefits	12	18,953,850	14,805,253
		<u>612,715,531</u>	<u>592,834,503</u>
Total liabilities		<u>777,437,279</u>	<u>650,747,588</u>
Shareholders' equity			
Share capital	13	750,000,000	525,000,000
Statutory reserve	14	392,460,092	12,198,267
Retained earnings		177,340,511	48,394,447
Total shareholders' equity		<u>1,319,800,603</u>	<u>585,592,714</u>
Total liabilities and shareholders' equity		<u>2,097,237,882</u>	<u>1,236,340,302</u>
Contingencies and commitments	24		

The notes on pages 6 to 18 form an integral part of these financial statements.

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

	Notes	For the year ended December 31,	
		2014	2013
Revenues - net	15	481,964,008	434,075,699
Cost of revenues	16	<u>(272,850,674)</u>	<u>(248,913,513)</u>
Gross profit		209,113,334	185,162,186
Operating expenses			
General and administrative expenses	17	<u>(78,168,597)</u>	<u>(73,067,139)</u>
Income from main operations		130,944,737	112,095,047
Other income (expenses)			
Financial charges		(107,763)	(319,889)
Other income - net		<u>3,309,090</u>	<u>3,927,357</u>
Income before zakat		<u>134,146,064</u>	<u>115,702,515</u>
Zakat - net	19	<u>(5,200,000)</u>	<u>(4,200,000)</u>
Net income for the year		<u><u>128,946,064</u></u>	<u><u>111,502,515</u></u>
Earnings per share (Saudi Riyal):	21		
Income from main operations		<u><u>2.02</u></u>	<u><u>2.14</u></u>
Net income for the year		<u><u>1.98</u></u>	<u><u>2.12</u></u>
Average number of shares outstanding		<u><u>64,979,167</u></u>	<u><u>52,500,000</u></u>

The notes on pages 6 to 18 form an integral part of these financial statements.

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

	For the year ended December 31,	
	2014	2013
Cash flows from operating activities:		
Net income for the year	128,946,064	111,502,515
<u>Adjustments for non-cash items:</u>		
Depreciation	13,979,475	13,614,163
Gain on sale of property and equipment	(30,996)	-
Provision for doubtful debts	19,722,471	22,963,729
Provision for zakat	5,200,000	4,200,000
Provision for employees' termination benefits	4,793,805	5,444,577
<u>Changes in working capital:</u>		
Accounts receivable	(15,379,729)	(52,469,187)
Due from/to related parties	(368,345)	(570,019)
Inventories	(2,753,925)	(183,546)
Prepayments and other current assets	1,581,102	(6,517,484)
Accounts payable	1,743,507	(568,059)
Accrued and other current liabilities	3,376,639	4,312,745
Zakat paid	(4,468,374)	(4,054,545)
Employees' termination benefits paid	(645,208)	(299,505)
Net cash generated from operating activities	<u>155,696,486</u>	<u>97,375,384</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	31,000	-
Purchase of property and equipment	(10,690,735)	(5,836,644)
Additions on capital work-in-progress	(365,617,957)	(385,542,727)
Net cash utilized in investing activities	<u>(376,277,692)</u>	<u>(391,379,371)</u>
Cash flows from financing activities:		
Proceeds from loans	118,671,038	365,391,635
Net change in bank facilities overdraft	(1,873,339)	1,873,339
Increase in share capital	225,000,000	-
Proceeds from share premium, net	380,261,825	-
Dividends paid	-	(94,500,000)
Net cash generated from financing activities	<u>722,059,524</u>	<u>272,764,974</u>
Net change in cash and cash equivalents	501,478,318	(21,239,013)
Cash and cash equivalents, at beginning of year	<u>42,198,584</u>	<u>63,437,597</u>
Cash and cash equivalents, at end of year	<u>543,676,902</u>	<u>42,198,584</u>
Supplemental non-cash information:		
Transfer from retained earnings to increase share capital	-	72,000,000
Transfer from statutory reserve to increase share capital	-	33,000,000

The notes on pages 6 to 18 form an integral part of these financial statements.

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

	Notes	Share capital	Statutory reserve	Retained earnings	Total
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	-	380,261,825	-	380,261,825
December 31, 2014		750,000,000	392,460,092	177,340,511	1,319,800,603
January 1, 2013		420,000,000	34,048,015	114,542,184	568,590,199
Net income for the year		-	-	111,502,515	111,502,515
Transfer to statutory reserve		-	11,150,252	(11,150,252)	-
Dividends paid	23	-	-	(94,500,000)	(94,500,000)
Transfer to increase share capital		105,000,000	(33,000,000)	(72,000,000)	-
December 31, 2013		525,000,000	12,198,267	48,394,447	585,592,714

The notes on pages 6 to 18 form an integral part of these financial statements.

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Al Hammadi Development and Investment Company (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/316 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 14, 2014) (see note 13).

The Company was established to engage in the activities of establishing, maintaining, managing and operating hospitals and medical centers, in addition to wholesale and retail trading of medical equipment and medicines in the Kingdom of 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	1010263026	Riyadh	Active
Al Hammadi Hospital, AlSuwaidi*	1010374269	Riyadh	Experimental operations
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh	Under construction
Al Hammadi for Maintenance & Operations	1010374273	Riyadh	No activity

* The experimental operations commenced for Al Hammadi Hospital, AlSuwaidi Project on September 28, 2014 after successfully launching the power supply by Saudi Electricity Company on September 25, 2014 through the operation and calibration of hospital facilities, medical and electromechanical devices. The experimental operations will continue until obtaining the final license from the Ministry of Health for the project.

The board of directors approved the accompanying financial statements for issuance on 2 Jumadah I, 1436H (corresponding to February 21, 2015).

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

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2.3 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.

2.4 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, 2014 and 2013, 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, net

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 an 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 statement of income.

2.7 Inventories

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

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2.8 Property and equipment

Property and equipment are carried at cost, less accumulated depreciation except projects in progress. Lands are not depreciated. 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
Medical equipment and tools	10
Furniture, fixtures and office equipment	6-10
Vehicles	4

Gains and losses on disposals are determined by comparing proceeds with 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.

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 intangible assets 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 intangible assets are not reversible.

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 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 amount 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

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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 leaves 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, 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.

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 consistent basis.

2.18 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by 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

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.

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, due from related parties, accounts payable, due to a related party, accrued and other current liabilities and short-term loan. 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.

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. Management believes that Company's exposure to currency risk is not significant.

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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 continuous basis and acts accordingly. The Company's commission rates principally relates 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 are carried net of provision for doubtful debts.

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 materially different from their carrying values.

4. Cash and cash equivalents

	2014	2013
Cash in hand	743,969	2,436,726
Cash at banks	<u>542,932,933</u>	<u>39,761,858</u>
	<u>543,676,902</u>	<u>42,198,584</u>

5. Accounts receivable - net

	2014	2013
Trade	132,937,640	147,596,560
Receivables not yet billed	<u>8,464,104</u>	<u>8,528,231</u>
	141,401,744	156,124,791
Less: Provision for doubtful debts	<u>(9,283,216)</u>	<u>(19,663,521)</u>
	<u>132,118,528</u>	<u>136,461,270</u>

Movement in provision for doubtful debts is as follows:

	2014	2013
Balance at January 1	19,663,521	15,157,748
Additions	19,722,471	22,963,729
Write-offs	<u>(30,102,776)</u>	<u>(18,457,956)</u>
Balance at December 31	<u>9,283,216</u>	<u>19,663,521</u>

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6. Inventories

	2014	2013
Medicines	11,593,592	9,764,894
Medical tools and supplies	5,280,483	4,536,692
Non-medical tools and supplies	1,260,432	1,130,751
Spare parts and supplies not held for sale	179,244	127,489
	<u>18,313,751</u>	<u>15,559,826</u>

7. Prepayments and other current Assets

	2014	2013
Prepayments to suppliers	7,954,589	4,616,313
Rent, medical insurance and visas	2,973,604	3,528,487
Advances to employees	1,291,262	1,079,980
Margin Deposit on letters of credit and guarantee	36,000	36,000
IPO expenses	-	4,613,010
Other	293,683	256,450
	<u>12,549,138</u>	<u>14,130,240</u>

8. Property and equipment - net

	January 1, 2014	Additions	Disposals	December 31, 2014
Cost:				
Lands	262,396,467	-	-	262,396,467
Buildings	196,983,088	-	-	196,983,088
Medical 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	<u>623,590,074</u>	<u>10,690,735</u>	<u>(163,670)</u>	<u>634,117,139</u>
Accumulated depreciation:				
Buildings	129,646,076	5,909,493	-	135,555,569
Medical 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	<u>261,021,606</u>	<u>13,979,475</u>	<u>(163,666)</u>	<u>274,837,415</u>
	<u>362,568,468</u>			<u>359,279,724</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

(All amounts in Saudi Riyals unless otherwise stated)

	January 1, 2013	Additions	Disposals	December 31, 2013
Cost:				
Lands	262,396,467	-	-	262,396,467
Buildings	196,983,088	-	-	196,983,088
Medical equipment and tools	112,548,237	2,710,187	-	115,258,424
Furniture, fixtures and office equipment	43,102,770	2,137,457	-	45,240,227
Vehicles	2,932,118	989,000	(209,250)	3,711,868
Total	<u>617,962,680</u>	<u>5,836,644</u>	<u>(209,250)</u>	<u>623,590,074</u>
Accumulated depreciation:				
Buildings	123,736,583	5,909,493	-	129,646,076
Medical equipment and tools	88,968,100	4,624,958	-	93,593,058
Furniture, fixtures and office equipment	33,232,475	2,477,235	-	35,709,710
Vehicles	1,679,535	602,473	(209,246)	2,072,762
Total	<u>247,616,693</u>	<u>13,614,159</u>	<u>(209,246)</u>	<u>261,021,606</u>
	<u>370,345,987</u>			<u>362,568,468</u>

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

9. Capital work-in-progress

The capital work-in-progress comprises mainly the costs incurred for the construction of Al-Suwaidi branch, Al-Nozhah branch and the staff accommodation.

	2014	2013
Balance as of January 1	665,071,481	279,528,754
Additions during the year	365,617,957	385,542,727
Transfer to property and equipment	-	-
Balance as of December 31	<u>1,030,689,438</u>	<u>665,071,481</u>

These constructions are financed through loans from a local commercial bank (see note 10) and also (see note 24). The total cost of loans which is capitalized on these constructions is Saudi Riyals 38 million as of December 31, 2014 (2013: Saudi Riyals 18.4 million).

10. Loans

	2014	2013
Loan from the Ministry of Finance	88,239,325	75,907,200
Loans from commercial banks	<u>608,460,963</u>	<u>502,122,050</u>
	696,700,288	578,029,250
Current portion - included in current liabilities	<u>(102,938,607)</u>	-
Long term loans	<u>593,761,681</u>	<u>578,029,250</u>

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10.1 Loan from the Ministry of Finance

The loan agreement with the Saudi Ministry of Finance is to obtain a loan of Saudi Riyals 149.1 million in purpose of establishing the hospital building (Al Swaidi branch) and purchasing of medical equipment and furniture. The Company has used part of the loan in the amount of Saudi Riyals 88.2 million as of December 31, 2014. 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 annual installments. The maturity of the first installment will be after five year from the date of the agreement which is September 18, 2013. This loan is secured by a mortgage of the property, plant and equipment for Al Swaidi branch. This loan does not have any financing commissions. This loan is in Saudi Riyals.

10.2 Loans from commercial banks

The Company has held many different facilities and loans agreements with local commercial banks. Those loans carry finance commissions based on the rates prevailing in the market. These agreements include bank facilities of Saudi Riyals 1.1 billion as at December 31, 2014 in form of long term loans as follows:

- 1) Saudi Riyals 150 million as a long-term loan to be repaid after a three years period on quarterly basis with a grace period of two years. The maturity of the first will be at March 31, 2015.
- 2) Saudi Riyals 140.4 million in the form of LCs limit to be repaid after three years period on quarterly basis with a grace period of three years. The maturity of the first installment will be on June 30, 2015.
- 3) Saudi Riyals 150 million as a long-term loan to be repaid after a five years period on half year basis. The maturity of the first will be at October 20, 2015.
- 4) Saudi Riyals 168.02 million as a long-term loan to be repaid after three years period on half year basis with a grace period of two years. The maturity of the first payment will be at June 5, 2016.

The purpose of these loans are principally to finance the purchase of lands for the Company, constructions of branches and accommodation for staff and purchase of medical equipment. The Company used Saudi Riyals 608.5 million of the total amount of these facilities at the date of these financial statements.

The facilities agreements referred to above also include facilities for the issuance of letters of guarantee and letters of credit in addition to overdraft account amounting to Saudi Riyals 51 million. The company has used Saudi Riyals 2.8 million of the total value of these facilities as at the date of the financial statements.

The long-term loans carry a special commission equal to the prevailing rates between the local commercial banks, plus a certain profit margin to be paid on quarterly basis, with a grace period of two years and are amortized over the term of the loan based on the effective interest rate method. Based on the terms of the agreement, 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:

	2014	2013
2015	102,938,607	110,310,000
2016	206,007,452	173,096,242
2017	206,007,452	170,619,565
2018	93,507,452	48,096,243
After that	<u>88,239,325</u>	<u>75,907,200</u>
	<u>696,700,288</u>	<u>578,029,250</u>

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11. Accrued and other current liabilities

	2014	2013
Employees' benefits	7,420,329	6,110,236
Patients' deposits	6,815,513	5,620,870
Medical education fund	2,667,453	3,518,654
Accrued interest	812,933	1,823,115
Amounts due for external medical services	1,247,285	1,417,457
Social insurance	478,126	355,682
Other	3,488,137	707,123
	<u>22,929,776</u>	<u>19,553,137</u>

12. Employees' termination benefits

	2014	2013
Balance as at January 1	14,805,253	9,660,181
Provision	4,793,805	5,444,577
Payments	<u>(645,208)</u>	<u>(299,505)</u>
Balance as at December 31	<u>18,953,850</u>	<u>14,805,253</u>

13. Share capital

The Company's share capital of Saudi Riyals 750 million at December 31, 2014 consist of 75,000,000 shares (December 31, 2013: 52,500,000 shares) fully paid shares of Saudi Riyals 10 each.

On 8 Jumadah' I 1435H (corresponding to March 9, 2014) 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 per share. On May 19, 2014, the Company obtained approval from the Capital Market Authority to issue 22.5 million shares in an initial public offering during the period from June 11, 2014 to June 17, 2014 and generating share premium amounted to Saudi Riyals 18 per share with a net amount of Saudi Riyals 380.2 million after deducting underwriting expenses amounted 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 underwriting collection is Saudi Riyals 618,250,657 which includes issued par value amounted to Saudi Riyals 225 million in addition to total premium share amounted to Saudi Riyals 405 million after discounted the underwriter fees amounted to Saudi Riyals 11.7 million.

14. Statutory reserve

In accordance with Saudi Regulations for Companies and the Company's Articles of Association, at least 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 50% of the capital. During the period ended at June 30, 2014 an amount of Saudi Riyals 380,261,825 was transferred to the statutory reserve in accordance to Article No. 98 of Saudi Regulations for Companies, this statutory reserve is not currently available for distribution to shareholders.

15. Revenues - net

	2014	2013
Doctors' fees and other medical treatments	224,414,305	195,544,114
Pharmacy	121,607,558	117,110,655
Laboratory	99,530,681	90,041,391
Room charges	61,906,147	46,575,878
X-Rays	57,616,670	52,255,879
Physical therapy	3,719,639	3,171,975
Gross revenues	<u>568,795,000</u>	<u>504,699,892</u>
Less: Discounts	<u>(86,830,992)</u>	<u>(70,624,193)</u>
	<u>481,964,008</u>	<u>434,075,699</u>

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16. Cost of revenues

	2014	2013
Salaries and related benefits	145,632,265	126,395,589
Medical costs	108,437,524	104,517,111
Depreciation	11,183,580	10,428,676
Repairs and maintenance	3,552,999	4,127,660
Utilities	4,044,306	3,444,477
	<u>272,850,674</u>	<u>248,913,513</u>

17. General and administrative expenses

	2014	2013
Salaries and related benefits	30,996,336	27,127,740
Provision for doubtful debts	19,722,471	22,963,729
Rentals	5,587,602	3,399,263
Non-medical Materials consumed	5,557,711	5,293,460
Depreciation	2,795,895	3,185,483
Repairs and maintenance	1,651,442	1,553,488
Utilities	1,011,076	861,119
Advertisement and public relations	687,683	200,985
Insurance	649,165	856,320
Consulting and Professional Services	475,000	388,168
Donations and contributions	277,800	226,500
Stationary	87,496	87,144
Other	8,668,920	6,923,740
	<u>78,168,597</u>	<u>73,067,139</u>

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:

	2014	2013
Completed works for capital work in progress from a company affiliated to a shareholder	365,595,009	279,763,001
Salaries and other benefits paid to relatives of the shareholders	4,391,662	4,211,662
Purchases from a company owned by relatives of the shareholders	3,842,452	5,891,803
Rental expense paid to related parties	300,000	300,000

Also, see note 24.

18.2 Related party balances

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

(i) Due from related parties

	2014	2013
Mr. Ibrahim Mansour Al Rajhi (Shareholder)	272,901	166,933
Ms. Haya Al Hammadi	150,000	150,000
Ms. Sara Al Hammadi	150,000	-
Mohammed Al Hammadi Establishment for Information Technology	37,500	33,500
	<u>610,401</u>	<u>350,433</u>

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(ii) Due to a related party	2014	2013
Aktel Trading Company	<u>598,110</u>	<u>706,487</u>
	<u><u>598,110</u></u>	<u><u>706,487</u></u>

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:

	2014	2013
Calculation of zakat base:		
Shareholders' equity at beginning of year	585,592,714	568,590,199
Adjusted net income for the year	132,306,018	129,565,022
Provisions at beginning of year	34,468,774	24,817,929
Current portion - Long term loans	102,938,607	-
Long-term loans	593,761,681	578,029,250
Less:		
Property and equipment - net	(359,279,724)	(362,568,468)
Capital work-in-progress	(1,030,689,438)	(665,071,481)
Spare parts and supplies not held for sale	(179,244)	(127,489)
Dividends paid	<u>-</u>	<u>(94,500,000)</u>
Estimated zakat base for the Company	<u><u>58,919,388</u></u>	<u><u>178,734,962</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

	2014	2013
Income before zakat	134,146,064	115,702,515
Add:		
Salaries and other benefits paid to relatives of the shareholders	4,391,662	4,211,662
Change in provision for employees' termination benefits	4,148,597	5,145,072
Change in provision for doubtful debts	<u>(10,380,305)</u>	<u>4,505,773</u>
Adjusted net income for the year	<u><u>132,306,018</u></u>	<u><u>129,565,022</u></u>

19.3 Provision for zakat

	2014	2013
Balance as at January 1	3,608,603	3,463,148
Provision for the year	5,200,000	4,200,000
Payments	<u>(4,468,374)</u>	<u>(4,054,545)</u>
Balance as at December 31	<u><u>4,340,229</u></u>	<u><u>3,608,603</u></u>

19.4 Status of final assessments

The company has ended its Zakat statues 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 not any additional amounts owed by the Company for the years and the period mentioned above.

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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, 2013, and has obtained the restricted certificates. The company did not receive any zakat assessments at those periods / years until December 31, 2014, and there are no estimates of any additional amounts expected to be claimed by the DZIT. Accordingly, no provision is established in the accompanying financial statements.

20. Operating leases

The company has operating leases related to the accommodation of the staff. The rental expenses is 5.6 million Saudi Riyals for the year ended December 31, 2014 (2013: Saudi Riyals 3.4 million).

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

	2014	2013
2014	-	1,682,594
2015	2,322,728	2,332,737
2016	<u>215,993</u>	<u>215,993</u>
	<u><u>2,538,721</u></u>	<u><u>4,231,324</u></u>

21. Earnings per share

Basic earnings per share from main operations and the net income for the year has been computed by dividing the income from main operations and net income for the year by weighted average of number of shares outstanding during the year amounting to Saudi Riyals 64.9 million shares (2013: Saudi Riyals 52.5 million).

22. Segment information

The Company's operations are substantially comprised of health-care services. Accordingly, segment information is not applicable. Furthermore, all of the Company's operations are conducted in Saudi Arabia.

23. Dividends

The Company did not distribute dividends to the shareholders until December 31, 2014 (December 31, 2013: Saudi Riyals 94.5 million) (see also note 25).

24. Contingencies and commitments

The Company had outstanding letters of credit and guarantee from a local bank amounting to Saudi Riyals 40.6 million as at December 31, 2014 (December 31, 2013: Saudi Riyals 73.3 million).

The Company had capital commitments amounting to Saudi Riyals 245.6 million as at December 31, 2014 (December 31, 2013: Saudi Riyals 340.6 million) related to capital work in progress with related parties.

25. Subsequent events

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

- 1- The Company's board of directors recommended in its meeting held on January 19, 2015 the following:
 - a) Distribute cash dividends amounting to Saudi Riyals 75 million for the year 2014 at Saudi Riyals 1 per share.
 - b) 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. The proposed increase in the share capital is subject to the Company's shareholders approval in the next extraordinary general assembly meeting whose date will be announced later

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- c) Disburse an amount of Saudi Riyals 600 thousands as independent board of directors' remuneration.
- 2- On January 19, 2015, the Company signed a financing contract with the Ministry of Finance to obtain a long-term loan amounting to Saudi Riyals 27.5 million to finance the construction of the housing complex attached to AlSuwaidi hospital project. The loan was obtained by a means of collateralizing a piece of land on which AlSuwaidi hospital project was established, to the benefit of the Ministry of Finance. The loan is to be repaid over 20 equal annual instalments after a grace period of 5 years.

26. Reclassification

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