

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND
INDEPENDENT AUDITORS' REPORT**

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITORS' REPORT

March 14, 2017

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, 2016 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 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, 2016 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)

	Notes	As at December 31,	
		2016	2015
Assets			
Current assets			
Cash and cash equivalents	4	12,606,666	88,875,997
Accounts receivable - net	5, 18.2	430,718,818	249,377,089
Inventories	6	32,104,516	27,222,231
Prepayments and other assets	7	16,503,711	14,650,904
		491,933,711	380,126,221
Non-current assets			
Property and equipment - net	8	1,057,682,184	1,085,609,442
Capital work-in-progress	9	589,992,493	470,078,575
		1,647,674,677	1,555,688,017
Total assets		2,139,608,388	1,935,814,238
Liabilities			
Current liabilities			
Accounts payable	18.2	38,207,085	36,365,075
Short-term revolving loan	10	50,000,000	-
Long-term loans - current portion	10	50,000,000	150,000,000
Accrued expenses and other liabilities	11	50,653,540	44,956,916
Provision for zakat	19	12,264,870	10,032,579
		201,125,495	241,354,570
Non-current liabilities			
Long-term loans - non-current portion	10	527,191,513	275,739,325
Employees' termination benefits	12	40,483,691	32,591,996
		567,675,204	308,331,321
Total liabilities		768,800,699	549,685,891
Shareholders' equity			
Share capital	13	1,200,000,000	1,200,000,000
Statutory reserve	14	22,060,800	14,592,866
Retained earnings		148,746,889	171,535,481
Total shareholders' equity		1,370,807,689	1,386,128,347
Total liabilities and shareholders' equity		2,139,608,388	1,935,814,238
Contingencies and commitments	24		

Mohammad Al Hammadi
 CEO

Saed Hussein
 CFO




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)

	Notes	For the year ended December 31,	
		2016	2015
Revenues – net	15	606,240,990	561,330,875
Cost of revenues	16	(364,692,467)	(321,095,265)
Gross profit		241,548,523	240,235,610
Operating expenses			
General and administrative expenses - net	17	(143,457,635)	(86,870,145)
Income from operations		98,090,888	153,365,465
Other income (expenses)			
Financial charges	10	(13,641,066)	(6,195,730)
Other income - net		1,229,520	3,158,009
Income before zakat		85,679,342	150,327,744
Zakat	19.2	(11,000,000)	(9,000,000)
Net income for the year		74,679,342	141,327,744
Earnings per share (Saudi Riyal):	21		
Income from operations		0.82	1.28
Net income for the year		0.62	1.18
Average number of shares outstanding		120,000,000	120,000,000

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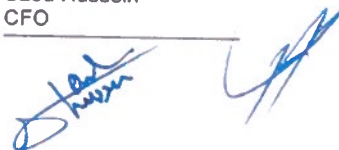
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AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31,	
		2016	2016
Cash flows from operating activities:			
Net income for the year		74,679,342	141,327,744
Adjustments for non-cash items:			
Depreciation	8	53,372,400	30,795,066
Financial charges		13,641,066	6,195,730
Gain from sale of property and equipment		(44,640)	(12,956)
Provision for doubtful debts	5,17	46,890,675	19,144,366
Provision for zakat	19.2	11,000,000	9,000,000
Provision for employees' termination benefits	12	11,461,840	16,039,540
Changes in working capital:			
Accounts receivable		(228,232,404)	(135,792,526)
Inventories		(4,882,285)	(8,908,480)
Prepayments and other current assets		(1,852,807)	(2,101,766)
Accounts payable		1,842,010	6,224,939
Accrued expenses and other current liabilities		3,319,748	(4,037,765)
Zakat paid	19.2	(8,767,709)	(3,307,650)
Employees' termination benefits paid	12	(3,570,145)	(2,401,394)
Net cash (used in) / generated from operating activities		(31,142,909)	72,164,848
Cash flows from investing activities:			
Proceeds from sale of property and equipment		64,137	17,000
Purchase of property and equipment	8	(7,829,919)	(8,595,121)
Additions to capital work-in-progress	9	(137,548,638)	(166,044,273)
Net cash used in investing activities		(145,314,420)	(174,622,394)
Cash flows from financing activities:			
Proceeds from loans		513,952,188	-
Repayment of loans		(312,500,000)	(270,960,963)
Financial charges paid		(11,264,190)	(6,382,396)
Dividends paid	23	(90,000,000)	(75,000,000)
Net cash generated from / (used in) financing activities		100,187,998	(352,343,359)
Net change in cash and cash equivalents			
Cash and cash equivalents, at beginning of year		88,875,997	543,676,902
Cash and cash equivalents, at end of year	4	12,606,666	88,875,997
Non-cash transactions:			
Transferred from retained earnings to increase the share capital	13	-	58,000,000
Transferred from statutory reserve to increase the share capital	13,14	-	392,000,000
Transferred from capital work in progress to property and equipment	8,9	17,634,720	748,533,707
Transfer to capital work in progress against accrued expenses and other liabilities	11	-	21,878,571

Mohammad Al Hammadi
CEO

Saed Hussein
CFO



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)

	Notes	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2016		1,200,000,000	14,592,866	171,535,481	1,386,128,347
Net income for the year		-	-	74,679,342	74,679,342
Transfer to statutory reserve	14	-	7,467,934	(7,467,934)	-
Dividends paid	23	-	-	(90,000,000)	(90,000,000)
December 31, 2016		1,200,000,000	22,060,800	148,746,889	1,370,807,689
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)	-
Dividends 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

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AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2016
 (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), the Ministry of Commerce and Investment issued order No. Q/316 to approve the Company's conversion to a closed joint stock company (Note 13).

The Company was converted to a public listed company after obtaining the approval from the Capital Market Authority on Rajab 20, 1435H (corresponding to May 19, 2014) by issuing 22.5 million shares in an Initial Public Offering ("IPO") at Saudi Riyals 10 per share.

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

The principal activities of the Company are 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 land 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; and
- Construction and building work and maintaining the same in Saudi Arabia.

These financial statements also include the results of operations of the Company's branches operating under separate commercial registrations as below:

Branch name	Commercial Registration No.	City	Status
Al Hammadi Hospital, Olaya*	1010263026	Riyadh	Active
Al Hammadi Hospital, Al Suwaidi**	1010374269	Riyadh	Active
Al Hammadi Hospital, Al Nuzha	1010374270	Riyadh	Under construction
Al Hammadi for Maintenance & Operations	1010374273	Riyadh	No activity

* On February 7, 2016, the Company announced an electrical contact incident in the Electricity Circuit Breakers Room at the basement of Al Hammadi Hospital, Olaya Branch Building. Accordingly, the Company evacuated all patients until the completion of the maintenance works. The Company obtained all required approvals from the concerned authorities to re-open Al Hammadi Hospital, Olaya Branch after the completion of the maintenance work on August 7, 2016. The Company announced on Tadawul that the estimated business interruption financial effect resulting from the period of closing this branch to the re-opening date is approximately Saudi Riyals 20 million. The Company believes that its insurance policy covers the losses on the Company's properties and equipment, nonetheless, the Company believes that these losses are insignificant as most of the properties and equipment damaged by the electricity circuit incident were fully depreciated. The Company incurred a total amount of approximately Saudi Riyals 11.5 million to replace the damaged assets and improvements as a result of this incident and were added to the construction work costs, which was later capitalized as part of property and equipment during the year ended December 31, 2016.

** The Company started accepting patients at Al Hammadi Hospital, Al Suwaidi Branch on August 1, 2015 after obtaining all required approvals (Note 9).

The Board of Directors approved the accompanying financial statements for issuance on Jumada Al-Thani 13, 1438H (corresponding to March 12, 2017).

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
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(All amounts in Saudi Riyals unless otherwise stated)

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").

Effective January 1, 2017, the Company's financial statements will be prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by SOCPA. Upon IFRS adoption, the Company will be required to comply with the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" for the reporting periods starting January 1, 2017. In preparing the opening IFRS financial statements, the Company will analyze impacts and incorporate any necessary adjustments due to the first time adoption of IFRS.

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 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

These financial statements are presented in Saudi Riyals, which is the Company's functional and presentation currency.

(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 exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the years ended December 31, 2016 and 2015, respectively, are recognized in the statement of income.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
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Notes to the financial statements for the year ended December 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

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 is carried at cost, less accumulated depreciation. Land is not depreciated and is 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 is not depreciated. It includes property and equipment being developed for future use and when commissioned, capital work-in-progress is transferred to property and equipment and depreciated in accordance with the Company's policy.

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 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 the lowest level for which there are separately identifiable cash flows (cash-generating units). Such 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.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
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(All amounts in Saudi Riyals unless otherwise stated)

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 General Authority of Zakat and Tax (the "GAZT"). 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.

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

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 and are recorded net of discounts. Sale of goods such as medicines and drugs are recognized, net of discounts, when delivered to the patient. 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 standards. 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.

2.20 Derivative financial instruments

Derivative financial instruments are recorded at fair value initially and at each reporting date. Changes in the fair value of derivative financial instruments that do not qualify for cash flow hedge accounting are recognized in the

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(All amounts in Saudi Riyals unless otherwise stated)

statement of income as they arise and the resulting positive or negative fair values are reported under current assets and liabilities, respectively, in the balance sheet.

3. Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable and other current assets, amounts due from and due to related parties, accounts payable, loans, accrued expenses 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.

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. The Company also has transactions in US Dollars and some transactions in Euros. Management believes there is no significant exposure to currency risk during the years ended December 31, 2016 and 2015 due to the peg of the Saudi Riyals to the US Dollar and the volume of Euro denominated transactions being minimal.

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.

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 (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.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
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Notes to the financial statements for the year ended December 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

4. Cash and cash equivalents

	2016	2015
Cash on hand	1,081,131	1,146,042
Cash at banks	11,525,535	87,729,955
	<u>12,606,666</u>	<u>88,875,997</u>

5. Accounts receivable - net

	Note	2016	2015
Billed		466,632,832	248,608,279
Unbilled		6,259,783	22,141,905
		<u>472,892,615</u>	<u>270,750,184</u>
Less: provision for doubtful debts		(42,422,106)	(21,919,990)
		<u>430,470,509</u>	<u>248,830,194</u>
Due from related parties	18.2	248,309	546,895
		<u>430,718,818</u>	<u>249,377,089</u>

As of December 31, 2016, approximately 95% of the accounts receivable balance was due from two governmental entities and four insurance companies (December 31, 2015: approximately 92%).

Movement in the provision for doubtful debts is as follows:

	Note	2016	2015
January 1		21,919,990	9,283,216
Additions	17	46,890,675	19,144,366
Write-offs		(26,388,559)	(6,507,592)
		<u>42,422,106</u>	<u>21,919,990</u>
December 31		42,422,106	21,919,990

6. Inventories

	2016	2015
Medicines	11,396,563	12,951,325
Medical tools and supplies	18,183,199	12,171,774
Non-medical tools and supplies	2,112,293	1,901,474
Spare parts and supplies not held for sale	412,461	197,658
	<u>32,104,516</u>	<u>27,222,231</u>

7. Prepayments and other current assets

	2016	2015
Advances to suppliers	11,406,196	10,189,347
Prepaid rent, medical insurance and visas	2,572,425	2,477,069
Advances to employees	2,098,178	1,663,661
Cash margin deposits	227,457	144,662
Other	199,455	176,165
	<u>16,503,711</u>	<u>14,650,904</u>

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Notes to the financial statements for the year ended December 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

8. Property and equipment - net

	January 1, 2016	Additions	Disposals	Transfers*	December 31, 2016
Cost:					
Land	262,396,467	-	-	-	262,396,467
Buildings	689,873,450	703,965	-	15,155,970	705,733,385
Equipment and tools	349,440,423	2,584,927	(5,563,729)	1,853,000	348,314,621
Furniture, fixtures and office equipment	84,129,494	4,461,777	-	625,750	89,217,021
Vehicles	5,308,133	79,250	(153,000)	-	5,234,383
	<u>1,391,147,967</u>	<u>7,829,919</u>	<u>(5,716,729)</u>	<u>17,634,720</u>	<u>1,410,895,877</u>
Accumulated depreciation:					
Buildings	147,667,168	20,869,843	-	-	168,537,011
Equipment and tools	111,951,812	25,143,414	(5,563,728)	-	131,531,498
Furniture, fixtures and office equipment	42,574,810	6,560,856	-	-	49,135,666
Vehicles	3,344,735	798,287	(133,504)	-	4,009,518
	<u>305,538,525</u>	<u>53,372,400</u>	<u>(5,697,232)</u>	<u>-</u>	<u>353,213,693</u>
	<u>1,085,609,442</u>				<u>1,057,682,184</u>
	January 1, 2015	Additions	Disposals	Transfers*	December 31, 2015
Cost:					
Land	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	5,308,133
	<u>634,117,139</u>	<u>8,595,121</u>	<u>(98,000)</u>	<u>748,533,707</u>	<u>1,391,147,967</u>
Accumulated depreciation:					
Buildings	135,555,569	12,111,599	-	-	147,667,168
Equipment and tools	98,442,831	13,508,981	-	-	111,951,812
Furniture, fixtures and office equipment	38,181,564	4,393,246	-	-	42,574,810
Vehicles	2,657,451	781,240	(93,956)	-	3,344,735
	<u>274,837,415</u>	<u>30,795,066</u>	<u>(93,956)</u>	<u>-</u>	<u>305,538,525</u>
	<u>359,279,724</u>				<u>1,085,609,442</u>

* See Note 9.

Included in the total balance of land are parcels of land amounting to Saudi Riyals 154 million pledged as collateral against the loans from the Ministry of Finance to finance the construction of Al Suwaidi and Al Nuzha Hospitals (Note 10).

9. Capital work-in-progress

The capital work-in-progress as at December 31, 2016 comprises mainly the costs incurred for the construction of Al Hammadi Hospital, Al Nuzha branch project and the medical and administrative staff accommodation buildings.

	Note	2016	2015
January 1		470,078,575	1,030,689,438
Additions during the year		137,548,638	187,922,844
Transfer to property and equipment *	8	(17,634,720)	(748,533,707)
December 31		<u>589,992,493</u>	<u>470,078,575</u>

* The balance of capital work-in-progress related to Al Hammadi Hospital, Al Suwaidi branch project and the related medical and administrative staff accommodation buildings amounting to Saudi Riyals 748.5 million, which included capitalized financing cost amounting to Saudi Riyals 35.3 million, was transferred to property and equipment on August 1, 2015 (date of commencing the commercial operation of Al Hammadi Hospital, Al Suwaidi Branch).

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The capital work-in-progress is financed through the Initial Public Offering "IPO" proceeds, loans from the Ministry of Finance and loans from local commercial banks (Notes 10 and 24). The total financing cost which is capitalized in capital work-in-progress is Saudi Riyals Nil as at December 31, 2016 (December 31, 2015: Saudi Riyals 38 million).

10. Loans

	2016	2015
Ministry of Finance	282,867,700	88,239,325
Commercial banks	344,323,813	337,500,000
	<u>627,191,513</u>	<u>425,739,325</u>
Short-term revolving loan	(50,000,000)	-
Current portion	<u>(50,000,000)</u>	<u>(150,000,000)</u>
Non-current portion	<u>527,191,513</u>	<u>275,739,325</u>

10.1 Loans from the Ministry of Finance

Facility 1

This facility amounting to Saudi Riyals 149.1 million was obtained for constructing Al Hammadi Hospital, Al Suwaidi Branch and for the purchasing of its medical and non-medical equipment. As of December 31, 2016, the Company has utilized an amount of Saudi Riyals 144.2 million (2015: Saudi Riyals 88.2 million). The facility is repayable in twenty equal annual instalments starting from five years after the date of the agreement, which is September 18, 2013. This loan is secured against the property and equipment of Al Hammadi Hospital, Al Suwaidi Branch.

Facility 2

This facility amounting to Saudi Riyals 27.5 million was obtained during the year ended December 31, 2015 for constructing the housing compound related to Al Hammadi Hospital, Al Suwaidi Branch. As of December 31, 2016, the Company has utilized the complete facility amount (2015: Nil). The facility is repayable in twenty equal annual instalments starting from five years after the date of the agreement, which is January 19, 2015. This loan is secured against the land on which Al Hammadi Hospital, Al Suwaidi Branch is constructed.

Facility 3

This facility amounting to Saudi Riyals 197.6 million was obtained for constructing and furnishing the Al Hammadi Hospital, Al Nuzha Branch. As of December 31, 2016, the Company has utilized an amount of Saudi Riyals 111.2 million (2015: Nil). The facility is repayable in twenty equal annual instalments starting from five years after the date of the agreement, which is July 9, 2015. This loan is secured against the land on which Al Nuzha Branch is being constructed.

All loans from the Ministry of Finance are denominated in Saudi Riyals and do not carry any financing commission.

Management has assessed the impact of discounting of the commission free loans from the Ministry of Finance. The difference between the present value of the loans and the disbursed amounts represent a deferred government grant, which is to be amortized to the statement of income over the useful life of the property and equipment, once commissioned for use. Management has estimated the amount of deferred government grant, which is currently included in the total balance of long term loans, to be approximately Saudi Riyals 145.5 million as of December 31, 2016 (2015: approximately Saudi Riyals 45.6 million) and has concluded that separate disclosure is not required in the balance sheet as it is a reclassification within non-current liabilities, between loans from the Ministry of Finance and deferred government grants from the Ministry of Finance, that is not significant to the overall presentation of the financial statements.

10.2 Loans from commercial banks

The Company has several facilities and loan agreements with local commercial banks details of which are as follows:

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Nature	Purpose	Year obtained	(Saudi Riyals in million)		Repayment terms	(Saudi Riyals in million)		
			Total facility	Utilized		Current portion	Non-current portion	Total
Long-term financing facility agreement	Refinancing the Company's long-term exposure.	2016	312.5	202.5	Quarterly scheduled instalments repayable over three years, with the first instalment due on March 31, 2019.	-	202.5	202.5
Long-term financing facility agreement	Financing the purchase of medical machines and equipment of Al Hammadi Hospital, Al Nuzha Branch	2016	150	16.8	Semi-annual scheduled instalments repayable over three years, with the first instalment due on June 30, 2018.	-	16.8	16.8
Long-term financing facility agreement	Financing the medical machines and equipment of Al Hammadi Hospital, Al Suwaidi Branch	2013	150	150	Semi-annual scheduled instalments repayable over three years, with the first instalment due on October 16, 2015.	50	25	75
Short-term revolving loan facility agreement	Financing the Company's working capital	2016	50	50	Repayable over twelve month.	50	-	50
Totals			662.5	344.3		100	244.3	344.3

The Company has to comply with some financial and non-financial commitments and maintenance of certain financial ratios and other certain conditions. These loans are denominated in Saudi Riyals.

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10.3 Long term loans maturities

The maturities of long-term loans are as follow:

	(Saudi Riyals in million)	
	2016	2015
2016	-	150
2017	100	150
2018	27.8	37.5
2019	80.3	-
2020	80.3	-
Thereafter	338.8	88.2
	627.2	425.7

11. Accrued expenses and other current liabilities

	2016	2015
Amounts due to property and equipment suppliers	13,302,755	21,878,571
Employees' benefits	13,231,329	9,147,052
Patients' deposits	9,003,614	7,580,874
Accrued interest	3,003,143	626,267
Retention	2,750,063	-
Board of Directors remuneration	1,963,000	-
Amounts due for external medical services	1,268,288	700,000
Social insurance	938,119	800,000
Other	5,193,229	4,224,152
	50,653,540	44,956,916

12. Employees' termination benefits

	2016	2015
January 1	32,591,996	18,953,850
Provision	11,461,840	16,039,540
Payments	(3,570,145)	(2,401,394)
December 31	40,483,691	32,591,996

13. Share capital

The Company's share capital of Saudi Riyals 1,200 million at December 31, 2016 consists of 120,000,000 shares (December 31, 2015: 120,000,000 shares) fully paid shares of Saudi Riyals 10 par value each.

On April 15, 2015, the Company's shareholders approved the Board of Directors' recommendation dated 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 and increasing the Company's number of shares from 75 million shares to 120 million shares by transferring Saudi Riyals 392 million from the statutory reserve and Saudi Riyals 58 million from the retained earnings. The legal procedures to increase the share capital were completed during 2015.

14. Statutory reserve

In accordance with the 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 share capital, which was reduced later on May 6, 2016 to 30% under the new Regulations for Companies. This reserve is currently not available for distribution to the shareholders. An amount of Saudi Riyals 392 million was transferred during the year ended December 31, 2015 from the statutory reserve to increase the share capital (Note 13).

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15. Revenues - net

	2016	2015
Doctors' fees and other medical treatments	350,036,267	333,369,291
Laboratory	96,750,533	111,598,142
Pharmacy	89,113,741	109,708,188
Room charges	84,190,330	79,536,451
X-Rays	69,692,782	66,914,096
Physical therapy	19,379,503	8,505,148
Gross revenues	<u>709,163,156</u>	<u>709,631,316</u>
Less: Discounts	<u>(102,922,166)</u>	<u>(148,300,441)</u>
	<u>606,240,990</u>	<u>561,330,875</u>

16. Cost of revenues

	Note	2016	2015
Salaries and related benefits		206,868,558	183,104,576
Medical costs		91,218,280	98,403,073
Depreciation	8	42,697,920	24,636,053
Utilities		11,201,289	5,919,058
Repairs and maintenance		4,056,008	4,147,257
Other		8,650,412	4,885,248
		<u>364,692,467</u>	<u>321,095,265</u>

17. General and administrative expenses - net

	Note	2016	2015
Salaries and related benefits		61,350,378	47,662,899
Provision for doubtful debts	5	46,890,675	19,144,366
Collection of written-off receivables*		-	(9,824,994)
Depreciation	8	10,674,480	6,159,013
Rentals		7,138,652	3,816,829
Repairs and maintenance		2,832,987	1,672,561
Insurance		1,812,818	1,591,712
Donations and contributions		1,478,763	1,500,300
Consulting and professional services		1,230,750	370,000
Advertisement and public relations		1,053,736	1,078,843
Stationery		230,734	147,643
Non-medical materials consumed		130,684	58,142
Other		8,632,978	13,492,831
		<u>143,457,635</u>	<u>86,870,145</u>

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

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18. Related party matters

a. Related party transactions

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

	2016	2015
Completed works for capital work in progress from a construction company owned by a shareholder	120,634,945	187,201,816
Salaries and other benefits paid to senior executives	5,082,593	5,007,990
Purchases from a company owned by a shareholder	3,523,271	3,810,282
Rental expenses paid to a shareholder	855,000	-
Rental expense paid to relatives of shareholders	630,000	300,000
Medical services provided to some shareholders	221,145	511,960

Also see note 24.

b. Related party balances

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

	2016	2015
Due from related parties	<u>248,309</u>	<u>546,895</u>
Due to a related party	<u>431,448</u>	<u>559,630</u>

Amounts due from related parties were included in accounts receivable (Note 5), whereas amounts due to a related party were included in accounts payable.

19. Zakat matters

c. 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:

	2016	2015
Calculation of zakat base:		
Shareholders' equity at beginning of year	1,386,128,347	1,319,800,603
Adjusted net income for the year	150,593,213	182,194,946
Provisions at beginning of year	25,818,152	29,269,654
Long term loans - Current portion	100,000,000	150,000,000
Long-term loans - Non-current portion	527,191,513	275,739,325
Amounts due to property and equipment suppliers	13,302,755	21,878,571
Less:		
Property and equipment - net	(1,057,682,184)	(1,085,609,442)
Capital work-in-progress	(589,992,493)	(470,078,575)
Spare parts and supplies not held for sale	(412,461)	(197,658)
Dividends paid	(90,000,000)	(75,000,000)
Estimated zakat base for the Company	<u>464,946,842</u>	<u>347,997,424</u>

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

Calculation of adjusted net income

	2016	2015
Income before zakat	85,679,342	150,327,744
Add:		
Salaries and other benefits paid to senior executives	5,082,593	5,007,990
Change in provisions	58,352,515	25,358,912
Donations and contributions	1,478,763	1,500,300
	<hr/>	<hr/>
Adjusted net income for the year	150,593,213	182,194,946

d. Provision for zakat

	2016	2015
January 1	10,032,579	4,340,229
Provision for the year	11,000,000	9,000,000
Payments	(8,767,709)	(3,307,650)
	<hr/>	<hr/>
December 31	12,264,870	10,032,579

e. 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, which is the date when the legal status 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 GAZT for the period ended December 31, 2009 and the years ended December 31, 2010 until December 31, 2015, and has obtained 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 GAZT. Accordingly, no additional provision is recorded in the accompanying financial statements. The Company is in the process of filing its zakat return for the year ended December 31, 2016.

20. Operating leases

The Company has operating leases related to the accommodation of the staff. The lease expense amounted to approximately Saudi Riyals 7.1 million for the year ended December 31, 2016 (2015: approximately Saudi Riyals 3.8 million).

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

	(Saudi Riyals in million)	
	2016	2015
2016	-	3.86
2017	3.65	1.34
2018	1.07	0.25
2019	0.95	0.13
	<hr/>	<hr/>
	5.67	5.58

21. Earnings per share

Earnings per share from operating income and net income for the year have been calculated by dividing the operating income and net income for the year over the weighted average number of shares outstanding during the year amounting to 120 million as of December 31, 2016 and 2015.

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22. Segment information

The Company's operations are principally comprised of one operating segment, which is the health-care 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 May 29, 2016, the Company's General assembly approved the Board of Directors' recommendation dated February 23, 2016 to distribute cash dividends amounting to Saudi Riyals 90 million for the year 2015 at Saudi Riyals 0.75 per share which is based on 1.2 million shares which were paid in full during the year ended December 31, 2016 (December 31, 2015: Saudi Riyals 75 million at Saudi Riyals 1 per share based on 750,000 shares).

24. Contingencies and commitments

The Company had outstanding letters of guarantee from a local commercial bank amounting to approximately Saudi Riyals 2 million as of December 31, 2016 (December 31, 2015: approximately Saudi Riyals 6.8 million) issued in the ordinary course of business.

The Company also had capital commitments amounting to approximately Saudi Riyals 100 million as of December 31, 2016 (December 31, 2015: approximately Saudi Riyals 154 million) related to capital work-in-progress.

25. Derivative financial instruments

The Company has executed derivative financial instruments including commission rate swaps. The notional amount of these swaps as of December 31, 2016 under such agreements was Saudi Riyals 175 million (December 31, 2015: Saudi Riyals 275 million). The fair values are not significant for separate disclosure in the financial statements.

26. Reclassification

Certain comparative figures were reclassified to conform to the overall presentation of the current year's figures where certain general and administrative expenses amounting to Saudi Riyals 6.1 million were reclassified under "Cost of revenues".