

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

**Interim condensed financial statements (Unaudited)  
For the three-month period ended March 31, 2017 and  
Independent auditors' review report**

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT  
(A Saudi Joint Stock Company)  
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS**

May 15, 2017

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

**Introduction**

We have reviewed the accompanying interim condensed balance sheet of Al Hammadi Company for Development and Investment (the "Company") as of March 31, 2017, the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and the notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

**PricewaterhouseCoopers**

By: \_\_\_\_\_  
Omar M. Al Sagga  
License Number 369

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT  
(A Saudi Joint Stock Company)  
Interim condensed statement of income  
(All amounts in Saudi Riyals unless otherwise stated)

	Three-month period ended	
	March 31,	
Note	2017	2016
	(Unaudited)	(Unaudited)
Clinic service revenues	150,738,062	124,585,803
Sale of goods - pharmacy	29,487,338	19,578,566
Revenue	180,225,400	144,164,369
Cost of revenue	(118,205,041)	(89,416,195)
Gross profit	62,020,359	54,748,174
Administrative expenses	(28,413,813)	(28,086,276)
Other operating income	1,048,831	1,078,114
Operating profit	34,655,377	27,740,012
Finance charges	(3,986,829)	(4,354,558)
Profit before zakat	30,668,548	23,385,454
Zakat expense	(3,000,000)	(2,250,000)
Profit for the period	27,668,548	21,135,454
Earnings per share (Saudi Riyals):		
Basic and diluted profit for the period attributable to ordinary equity holders	6	0.18

The notes on pages 8 to 22 form an integral part of these interim condensed financial statements.

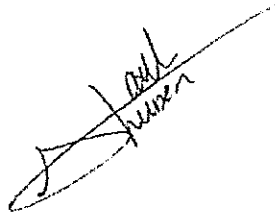
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**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
 (A Saudi Joint Stock Company)  
 Interim condensed statement of comprehensive income  
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended March 31,	
		2017 (Unaudited)	2016 (Unaudited)
Profit for the period		27,988,748	21,135,454
Items that will not be reclassified back to profit and loss in subsequent periods			
Re-measurement gain/(loss) on defined benefit plan	4	1,808,470	(291,542)
Other comprehensive income/(loss) for the period		1,808,470	(291,452)
<b>Total comprehensive income for the period</b>		<b>29,775,218</b>	<b>20,843,912</b>

The notes on pages 8 to 22 form an integral part of these interim condensed financial statements.




**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(A Saudi Joint Stock Company)**  
**Interim condensed balance sheet**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Notes	March 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)	January 1, 2016 (Unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment	4	<u>1,700,950,154</u>	<u>1,650,548,581</u>	<u>1,555,688,017</u>
<b>Current assets</b>				
Inventories		25,323,558	32,104,516	27,222,231
Trade receivables		482,405,846	430,470,509	248,877,852
Prepayments and other current assets		15,113,800	16,503,711	14,135,766
Amounts due from related parties		155,055	248,309	548,895
Cash and cash equivalents		<u>52,789,734</u>	<u>12,606,666</u>	<u>89,343,477</u>
		<u>575,787,991</u>	<u>491,833,711</u>	<u>380,126,221</u>
<b>Total assets</b>		<u><b>2,276,747,145</b></u>	<u><b>2,142,482,292</b></u>	<u><b>1,935,814,238</b></u>
<b>Equity</b>				
Share capital		1,200,000,000	1,200,000,000	1,200,000,000
Statutory reserve		24,857,875	22,060,800	14,592,868
Retained earnings	4	<u>174,665,170</u>	<u>147,588,827</u>	<u>173,285,781</u>
<b>Total equity</b>		<u><b>1,399,422,845</b></u>	<u><b>1,369,647,627</b></u>	<u><b>1,387,858,647</b></u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long-term loans	4	450,800,147	370,777,036	231,726,483
Employees' end of service benefits	4,5	41,390,898	40,586,187	30,861,898
Government grants	4	<u>147,808,449</u>	<u>148,471,875</u>	<u>38,843,858</u>
		<u>639,999,494</u>	<u>559,834,898</u>	<u>301,432,035</u>
<b>Current liabilities</b>				
Accounts payable		44,046,000	37,775,837	36,365,075
Accrued expenses and other liabilities		64,533,050	47,850,397	43,771,019
Amounts due to related parties		420,915	431,448	559,630
Short-term revolving loan		50,000,000	50,000,000	-
Long-term loans	4	58,810,285	61,428,509	152,834,989
Government grants	4	3,448,908	3,448,908	2,980,284
Zakat payable		<u>15,264,870</u>	<u>12,264,870</u>	<u>10,032,579</u>
		<u>237,324,006</u>	<u>212,999,787</u>	<u>248,523,556</u>
<b>Total liabilities</b>		<u><b>877,324,300</b></u>	<u><b>772,834,685</b></u>	<u><b>547,955,591</b></u>
<b>Total equity and liabilities</b>		<u><b>2,276,747,145</b></u>	<u><b>2,142,482,292</b></u>	<u><b>1,935,814,238</b></u>
<b>Contingencies and commitments</b>	7			

The notes on pages 8 to 22 form an integral part of these interim condensed financial statements.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT  
(A Saudi Joint Stock Company)  
Interim condensed statement of changes in equity  
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total equity
As at January 1, 2016 (Unaudited)	1,200,000,000	14,592,888	173,265,781	1,387,858,647
Profit for the period	-	-	21,135,454	21,135,454
Other comprehensive loss	-	-	(291,542)	(291,542)
Total comprehensive income for the period	-	-	20,843,912	20,843,912
Transfer to statutory reserve	-	2,113,545	(2,113,545)	-
As at March 31, 2016 (Unaudited)	1,200,000,000	16,706,411	191,896,148	1,408,702,559
As at January 1, 2017 (Unaudited)	1,200,000,000	22,060,800	147,585,827	1,369,647,627
Profit for the period	-	-	27,988,748	27,988,748
Other comprehensive income	-	-	1,806,470	1,806,470
Total comprehensive income for the period	-	-	29,775,218	29,775,218
Transfer to statutory reserve	-	2,786,875	(2,786,875)	-
As at March 31, 2017 (Unaudited)	1,200,000,000	24,857,675	174,565,170	1,399,422,845

The notes on pages 8 to 22 form an integral part of these interim condensed financial statements.

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

	For the three-month period ended March 31,	
	2017 (Unaudited)	2018 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit for the period before zakat	30,966,748	23,385,454
Adjustments to reconcile profit before zakat to net cash flows generated from (used in) operating activities:		
Depreciation of property and equipment	12,921,010	13,198,324
Provision for doubtful debts	7,434,558	4,979,034
Finance charges	3,886,629	4,354,558
Government grant release	(862,228)	(423,368)
Employees' end of service benefits	3,048,635	3,813,820
Working capital adjustments:		
Trade receivables	(59,369,895)	(58,809,540)
Inventories	8,780,960	993,407
Due from related parties	83,254	-
Prepayments and other current assets	1,389,911	(1,002,018)
Accounts payables	6,270,383	(10,933,759)
Accrued expenses and other current liabilities	15,119,046	(8,440,197)
Due to related parties	(10,533)	-
Employees' end of service benefits paid	(868,883)	(648,188)
Net cash flows generated from (used in) operating activities	<u>28,601,577</u>	<u>(27,630,471)</u>
<b>Cash flows from investing activity</b>		
Additions to property and equipment, net	(62,444,850)	(37,070,743)
Net cash flows used in investing activity	<u>(62,444,850)</u>	<u>(37,070,743)</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	78,093,255	153,233,975
Repayment of bank borrowings	-	(25,000,000)
Finance charges paid	(2,066,914)	(3,330,044)
Net cash flows generated from financing activities	<u>76,026,341</u>	<u>124,903,931</u>
<b>Net changes in cash and cash equivalents</b>	<u>40,183,068</u>	<u>60,202,717</u>
Cash and cash equivalents, at beginning of period	<u>12,606,666</u>	<u>89,343,477</u>
<b>Cash and cash equivalents, at end of period</b>	<u>52,789,734</u>	<u>149,546,194</u>

The notes on pages 8 to 22 form an integral part of these interim condensed financial statements.

*Al Hammadi*

*[Signature]*



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

**Notes to interim condensed financial statements for the three-month period ended March 31, 2017**  
(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 the order No. Q/316 to approve the Company's conversion to a Closed Joint Stock Company.

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 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; and
- construction and building work and maintaining the same in Saudi Arabia.

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

<b>Branch name</b>	<b>Commercial Registration No.</b>	<b>City</b>	<b>Status</b>
Al Hammadi Hospital, Olaya*	1010263026	Riyadh	Active
Al Hammadi Hospital, AlSuwaidi	1010374269	Riyadh	Active
Al Hammadi Hospital, Al-Nuzha**	1010374270	Riyadh	Experimental operations
Al Hammadi for Maintenance and 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 completion of the maintenance works. The Company obtained all required approvals from the concerned authorities to re-open the Olaya branch after the completion of the maintenance work on August 7, 2016. The Company announced on Tadawul that the estimated financial effect resulting from the period of closing the hospital to the re-opening was approximately Saudi Riyals 20 million which are in the form of additional investments in the property and equipment to meet the required security measures. The Company actually incurred a total amount of approximately Saudi Riyals 11.5 million as maintenance and safety works cost as a result of this incident, which was capitalized as part of property and equipment during the year ended December 31, 2016.

\*\* On March 13, 2017, the Company announced on Tadawul the completion of the construction work of Al Hammadi Hospital Al-Nuzha branch and commencing the test run starting from March 13, 2017 by operating the medical and electromechanical equipment for testing and calibration purpose and continues working on completing the required medical and administrative staff for commercial run. The Company will announce the commencement of the commercial run later after obtaining all required licenses from the concerned authorities.

The Company's Board of Directors approved the accompanying interim condensed financial statements for issuance on May 11, 2017.

**AL HAMDADI COMPANY FOR DEVELOPMENT AND INVESTMENT**

**(A Saudi Joint Stock Company)**

**Notes to interim condensed financial statements for the three-month period ended March 31, 2017**

(All amounts in Saudi Riyals unless otherwise stated)

**2. Summary of significant accounting policies**

The principal accounting policies applied by the Company in preparing these interim condensed balance sheet are set out below:

**2.1 Basis of preparation**

**2.1.1 First time adoption of International Financial Reporting Standards ("IFRS")**

The Company prepared its financial statements for all periods up to and including the year ended December 31, 2016 in accordance with the accounting standards promulgated by the Saudi Organization of Certified Public Accountants ("SOCPA"). These interim condensed financial statements for the three-month period ended March 31, 2017 are the Company's first interim condensed financial statements prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA (referred to as "IFRS"). The Company will prepare its annual financial statements for the year ending December 31, 2017 in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. The Company has applied the guidance of IFRS 1 'First time adoption of International Financial Reporting Standards' as endorsed in Saudi Arabia and IAS 34 'Interim Financial Reporting' as endorsed in Saudi Arabia to prepare the current interim condensed financial statements. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements.

The preparation of the interim condensed financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies as set out in Notes 2.2 to 2.23. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed financial statements are disclosed in Note 3.

The Company's interim results may not be indicative of the annual results for the year.

**2.1.2 Historical Cost Convention**

These interim condensed financial statements have been prepared under the historical cost convention.

The estimates at January 1, 2016 and December 31, 2016 are consistent with those made for the same dates in accordance with SOCPA (after adjustments to reflect any differences in accounting policies) apart from the following item where application of SOCPA did not require estimation:

- Pensions and other post-employment benefits;

The estimates used by the Company to present these amounts in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia reflect conditions at January 1, 2016, the date of transition to IFRS, and as of December 31, 2016.

*New and amended standards adopted by the Company*

A number of new or amended standards became applicable for the current reporting period. However, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

*New standards, amendments and interpretation issued but not effective for the financial year beginning January 1, 2017 and not approach for an early adopted by the Company.*

- IFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets, The Company has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018, The Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**

(A Saudi Joint Stock Company)

Notes to Interim condensed financial statements for the three-month period ended March 31, 2017

(All amounts in Saudi Riyals unless otherwise stated)

and obtain the benefits from the good or service. The standard will replace the existing IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is currently assessing the full impact of IFRS 15.

- IFRS 16 "Leases", sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for accounting periods beginning on or after 1 January 2019. The Company is currently assessing the full impact of IFRS 16.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

## 2.2 Foreign currency translation

### (a) Functional and presentation currency

Items included in the interim condensed financial statements of the Company are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). These interim condensed 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 the functional currency 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the interim condensed statement of income.

## 2.3 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation. The cost of property and equipment is its purchase cost together with any incidental costs of acquisition, and where applicable, borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the interim condensed statement of income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives as follows:

Type of asset	Years
Buildings	33
Equipment and tools	10-20
Furniture, fixtures and office equipment	4-10
Vehicles	4

## **AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**

**(A Saudi Joint Stock Company)**

**Notes to interim condensed financial statements for the three-month period ended March 31, 2017**

(All amounts in Saudi Riyals unless otherwise stated)

Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance and is expensed in the period in which it is incurred.

Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount and are recognized in the interim condensed statement of income within 'other operating income/expenses' when the disposals are to third parties.

Capital work-in-progress is stated at cost and includes property that is being developed for future use. When commissioned, capital work-in-progress is transferred to the respective category within property and equipment, and depreciated in accordance with the Company's policy.

### **2.4 Impairment of non-financial assets**

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units"). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **2.5 Inventories**

Inventories are stated at the lower of cost and estimated net realizable value. The cost of inventories is based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

### **2.6 Trade receivables**

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables 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 receivables.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the customer;
- A breach of contract, such as a default or delinquency in payments; or
- It becomes probable that the counterparty will enter bankruptcy or other financial reorganization;

The Company first assesses whether objective evidence of impairment exists.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognized in the interim condensed statement of income within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the interim condensed statement of income within 'administrative expenses'.

### **2.7 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.

### **2.8 Financial assets**

The Company classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT  
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**Notes to interim condensed financial statements for the three-month period ended March 31, 2017  
(All amounts in Saudi Riyals unless otherwise stated)**

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents, trade and other receivables and due from related parties in the interim condensed balance sheet.

Loans and receivables are initially measured at fair value and subsequently carried at amortized cost using the effective interest method. The Company assesses, at each balance sheet date, whether there is objective evidence that financial assets are impaired. Impairment testing of trade receivables is described in Note 2.6.

**2.9 Equity**

The Company has issued ordinary shares that are classified as equity.

**2.10 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. The Company is in the process of updating its By-Laws.

**2.11 Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the interim condensed statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

**2.12 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the interim condensed statement of income in the period in which they are incurred.

**2.13 Government grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

The Company has received interest free loans from the Ministry of Finance with a condition to use the proceeds only for the purpose of the construction of the hospital buildings and purchase of medical equipment. The difference between the initial carrying value of the loan (its fair value) and the proceeds received is treated as a government grant. The grant income is deferred and subsequently released in the interim condensed statement of income over the same period as the depreciation of the relevant asset.

**2.14 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less from the balance sheet date (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

## **AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**

**(A Saudi Joint Stock Company)**

**Notes to interim condensed financial statements for the three-month period ended March 31, 2017**

**(All amounts in Saudi Riyals unless otherwise stated)**

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### **2.15 Provision and accruals for employees' benefits**

An accrual is made for employees for estimated liability for their entitlement to annual leave and leave passage as a result of services rendered up to the balance sheet date. The Company operates a single post-employment benefit scheme driven by the Saudi Labour and Workman Law for their periods of service up to the balance sheet date.

The post-employment benefits plan is not funded. The valuation of the obligation is carried out by an independent actuary based on the projected unit credit method. The costs relating to such plan primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the interim condensed statement of income while unwinding of the liability at discount rates used are recorded as finance charges. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the interim condensed statement of income as past service cost.

The accruals relating to annual leave and leave passage is disclosed as a current liability, while that relating to employees' end of service benefits is disclosed as a non-current liability.

### **2.16 Zakat**

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat is calculated based on higher of estimated zakat base and adjusted net profit and charged to profit or loss. Additional zakat, if any, is accounted for when determined to be required for payment.

Zakat expense is recognized in each interim period based on the best estimate of the annual zakat charge expected for the full financial year. Amounts accrued for zakat expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual charge changes.

### **2.17 Revenue**

The Company recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities, as described below:

#### *Clinic service revenues*

Clinic service revenue primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for medical consultation, radiology, clinical laboratory, accommodation and physical therapy service. Clinic revenues are recognized when, and to the extent that, performance of a medical service occurs, and is measured at the fair value of the consideration received or receivable. Fees are calculated and billed based on various pricelist agreements. The Company has determined that it is acting as principal in these arrangements as it has the responsibility for providing the medical services to the patient, it sets the prices for the clinic services which are provided, it bears the credit risk and it bears the risk of providing the medical service.

#### *Sale of goods - Pharmacy*

Sale of goods - Pharmacy represents sale of pharmaceutical and other medical products. Whilst the Company does not establish the prices for pharmaceutical products as the selling prices are fixed by the Ministry of Health, it is considered to be acting as a principal in respect of these sales because it actually provides the products and bears the inventory and credit risks. Revenue from the sale of goods - Pharmacy is therefore recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which is on the point of sale. Significant risk is passed to the buyer at the point of sale.

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**2.18 Administrative expenses**

Administrative expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between general and administrative expenses and cost of revenues, when required, is made on a consistent basis.

**2.19 Interest income**

Interest income is recognized on a time proportion basis on an effective interest rate method.

**2.20 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Operating Officer that makes strategic decisions.

**2.21 Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the interim condensed statement of income on a straight-line basis over the period of the lease.

**2.22 Current versus non-current classification**

The Company presents its assets and liabilities in the interim condensed balance sheet based on a current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current assets.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Due to be settled within 12 months after the reporting period; or
- When there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

**2.23 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the interim condensed financial statements in the period in which the dividends are approved by the Company's shareholders.

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**3. Critical accounting estimates and judgments**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**(a) Useful lives of property and equipment**

Management assigns useful lives and residual values to property and equipment and based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where management determines that the useful life of an asset Company or residual value of the asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life.

**(b) Post employment benefit obligation**

Post employment benefits represent obligations that will be settled in the future and require assumptions to project obligations. IFRS requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. The Company uses an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred. The assumptions used by the Company to calculate the post-employment benefits are disclosed in Note 5.

**(c) Provision for doubtful debts**

The provision for doubtful trade receivables is estimated based on assumptions about risk of default and expected loss rates. The Company uses judgment in making such assumptions and how changes in market and economic factors affect expected credit loss. The Company's judgment is based on the Company's past history, market conditions and forward looking estimates at each reporting date. As of March 31, 2017, the Company recorded a provision for doubtful debts amounting to Saudi Riyals 48 million (December 31, 2016: Saudi Riyals 42 million) (January 1, 2016: Saudi Riyals 22 million).

**4. First-time adoption of IFRS**

This note explains the principal adjustments made by the Company in restating its Saudi GAAP balance sheet as of January 1, 2016 (Company's date of transition to IFRS) and December 31, 2016, and the interim condensed statements of income, comprehensive income, changes in equity and of cash flows for the relevant periods presented.

**Mandatory exemption applied**

IFRS 1 allows first-time adopters certain mandatory exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied the following mandatory exemption:

- The Company has applied the requirements in IAS 39 and IAS 20 prospectively to government loans existing at the date of transition to IFRS and has used its Saudi GAAP carrying amount of the loans at the date of transition as the carrying amount of the loan in the IFRS balance sheet as of January 1, 2016.



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**4.1 The Company's reconciliation of balance sheet as of December 31, 2016:**

	Notes	December 31, 2016		
		Saudi GAAP (Audited)	IFRS adjustments (Unaudited)	IFRS (Unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment	A	1,647,674,677	2,873,904	1,650,548,581
<b>Current assets</b>				
Inventories		32,104,516	-	32,104,516
Trade receivables		430,470,509	-	430,470,509
Prepayments and other current assets		16,503,711	-	16,503,711
Amounts due from related parties		248,309	-	248,309
Cash and cash equivalents		12,606,666	-	12,606,666
		491,933,711	-	491,933,711
<b>Total assets</b>		<b>2,139,608,388</b>	<b>2,873,904</b>	<b>2,142,482,292</b>
<b>Equity</b>				
Share capital		1,200,000,000	-	1,200,000,000
Statutory reserve		22,060,800	-	22,060,800
Retained earnings	A,B	148,746,889	(1,160,062)	147,586,827
<b>Total equity</b>		<b>1,370,807,689</b>	<b>(1,160,062)</b>	<b>1,369,647,627</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long-term loans	A	527,191,513	(156,414,477)	370,777,036
Employees' end of service benefits	B	40,483,691	102,496	40,586,187
Government grants	A	-	148,471,675	148,471,675
		567,675,204	(7,840,306)	559,834,898
<b>Current liabilities</b>				
Accounts payable		37,775,637	-	37,775,637
Accrued expenses and other liabilities	A	50,653,540	(3,003,143)	47,650,397
Amounts due to related parties		431,448	-	431,448
Short-term revolving loan		50,000,000	-	50,000,000
Long-term loans	A	50,000,000	11,428,509	61,428,509
Government grants	A	-	3,448,906	3,448,906
Zakat payable		12,264,870	-	12,264,870
		201,125,495	11,874,272	212,999,767
<b>Total liabilities</b>		<b>768,800,699</b>	<b>4,033,966</b>	<b>772,834,665</b>
<b>Total equity and liabilities</b>		<b>2,139,608,388</b>	<b>2,873,904</b>	<b>2,142,482,292</b>

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**4.2 The Company's reconciliation of balance sheet as of January 1, 2016:**

	Notes	January 1, 2016		
		Saudi GAAP (Audited)	IFRS adjustments (Unaudited)	IFRS (Unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment		1,555,688,017	-	1,555,688,017
<b>Current assets</b>				
Inventories		27,222,231	-	27,222,231
Trade receivables		248,877,852	-	248,877,852
Prepayments and other current assets		14,135,766	-	14,135,766
Amounts due from related parties		546,895	-	546,895
Cash and cash equivalents		89,343,477	-	89,343,477
		380,126,221	-	380,126,221
<b>Total assets</b>		<b>1,935,814,238</b>	<b>-</b>	<b>1,935,814,238</b>
<b>Equity</b>				
Share capital		1,200,000,000	-	1,200,000,000
Statutory reserve		14,592,866	-	14,592,866
Retained earnings	B	171,535,481	1,730,300	173,265,781
<b>Total equity</b>		<b>1,386,128,347</b>	<b>1,730,300</b>	<b>1,387,858,647</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long-term loans	A	275,739,325	(44,012,842)	231,726,483
Employees' end of service benefits	B	32,591,996	(1,730,300)	30,861,696
Government grants	A	-	38,843,856	38,843,856
		308,331,321	(6,899,286)	301,432,035
<b>Current liabilities</b>				
Accounts payable		36,365,075	-	36,365,075
Accrued expenses and other liabilities	A	44,397,286	(626,267)	43,771,019
Amounts due to related parties		559,630	-	559,630
Long-term loans	A	150,000,000	2,834,969	152,834,969
Government grants	A	-	2,960,284	2,960,284
Zakat payable		10,032,579	-	10,032,579
		241,354,570	5,168,986	246,523,556
<b>Total liabilities</b>		<b>549,685,891</b>	<b>(1,730,300)</b>	<b>547,955,591</b>
<b>Total equity and liabilities</b>		<b>1,935,814,238</b>	<b>-</b>	<b>1,935,814,238</b>

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**4.3 The Company's reconciliation of the statements of income and comprehensive income for the year ended December 31, 2016:**

	Notes	Year ended December 31, 2016		
		Saudi GAAP (Audited)	IFRS adjustments (Unaudited)	IFRS (Unaudited)
Clinic service revenues	C	606,240,990	(89,113,741)	517,127,249
Sale of goods – pharmacy		-	89,113,741	89,113,741
<b>Revenue</b>		<b>606,240,990</b>	<b>-</b>	<b>606,240,990</b>
Cost of revenue	B	(364,692,467)	577,719	(364,114,748)
<b>Gross profit</b>		<b>241,548,523</b>	<b>577,719</b>	<b>242,126,242</b>
Administrative expenses	B	(143,457,635)	144,430	(143,313,205)
Other operating income	A	1,229,520	2,960,283	4,189,803
<b>Operating profit</b>		<b>99,320,408</b>	<b>3,682,432</b>	<b>103,002,840</b>
Finance charges	A,B	(13,641,066)	(5,406,625)	(19,047,691)
<b>Profit before zakat</b>		<b>85,679,342</b>	<b>(1,724,193)</b>	<b>83,955,149</b>
Zakat expense		(11,000,000)	-	(11,000,000)
<b>Profit for the year</b>		<b>74,679,342</b>	<b>(1,724,193)</b>	<b>72,955,149</b>
<b>Other comprehensive income</b>				
<i>Items that will not to be reclassified to profit or loss in subsequent periods:</i>				
Re-measurement loss on defined benefit plan		-	(1,166,169)	(1,166,169)
<b>Net total other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<b>-</b>	<b>(1,166,169)</b>	<b>(1,166,169)</b>
<b>Total comprehensive income for the year</b>		<b>74,679,342</b>	<b>(2,890,362)</b>	<b>71,788,980</b>
<b>Earnings per share (Saudi Riyals):</b>				
Basic and diluted profit for the year attributable to ordinary equity holders		0.62	(0.02)	0.60

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**4.4 The Company's reconciliation of the statements of income and comprehensive income for the three-month period ended March 31, 2016:**

	Notes	Three-month period ended March 31, 2016		
		Saudi GAAP (Unaudited)	IFRS adjustments (Unaudited)	IFRS (Unaudited)
Clinic service revenues	C	144,164,369	(19,578,566)	124,585,803
Sale of goods - pharmacy		-	19,578,566	19,578,566
<b>Revenue</b>		<u>144,164,369</u>	<u>-</u>	<u>144,164,369</u>
Cost of revenue	B	(89,560,625)	144,430	(89,416,195)
<b>Gross profit</b>		<u>54,603,744</u>	<u>144,430</u>	<u>54,748,174</u>
Administrative expenses	B	(28,122,383)	36,107	(28,086,276)
Other operating income	A	654,748	423,366	1,078,114
<b>Operating profit</b>		<u>27,136,109</u>	<u>603,903</u>	<u>27,740,012</u>
Finance charges	A,B	(3,330,044)	(1,024,514)	(4,354,558)
<b>Profit before zakat</b>		<u>23,806,065</u>	<u>(420,611)</u>	<u>23,385,454</u>
Zakat expense		(2,250,000)	-	(2,250,000)
<b>Profit for the period</b>		<u>21,556,065</u>	<u>(420,611)</u>	<u>21,135,454</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Re-measurement loss on defined benefit plan		-	(291,542)	(291,542)
<b>Net total other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<u>-</u>	<u>(291,542)</u>	<u>(291,542)</u>
<b>Total comprehensive income for the period</b>		<u>21,556,065</u>	<u>(712,153)</u>	<u>20,843,912</u>
<b>Earnings per share (Saudi Riyals):</b>				
Basic and diluted profit for the period attributable to ordinary equity holders		<u>0.18</u>	<u>(0.01)</u>	<u>0.17</u>

**4.5 The Company's reconciliation of statement of changes in equity as of December 31, 2016, March 31, 2016 and January 1, 2016:**

	January 1, 2016	March 31, 2016	December 31, 2016
Equity under Saudi GAAP	1,386,128,347	1,407,684,412	1,370,807,689
Differences increasing (decreasing) reported equity:			
Carry forward adjustment	-	1,730,300	1,730,300
For the period adjustments:			
Employees' benefits	1,730,300	180,537	722,149
Finance charges	-	(1,024,514)	(5,406,625)
Government grant release	-	423,366	2,960,283
	<u>1,730,300</u>	<u>(420,611)</u>	<u>(1,724,193)</u>
Other comprehensive income - employees' benefits	-	(291,542)	(1,166,169)
<b>Total equity under IFRS (Unaudited)</b>	<u>1,387,858,647</u>	<u>1,408,702,559</u>	<u>1,369,647,627</u>

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**4.6 Company's reconciliation of statement of cash flows for the three-month period ended March 31, 2016 and the year ended December 31, 2016:**

The transition from Saudi GAAP to IFRS has not had a significant impact on the interim condensed statement of cash flows.

**Note to the Company's reconciliation of balance sheet, equity, and comprehensive income as previously reported under Saudi GAAP to IFRS.**

**Adjustments that impacted equity:**

**(A) Loans from the Ministry of Finance**

As explained in Note 2.13, the Company has recorded a government grant after fair valuing its interest free loan from the Ministry of Finance.

The impacts arising from the above changes is summarized as follows:

Interim condensed balance sheet:

	<b>December 31, 2016 (Unaudited)</b>	<b>January 1, 2016 (Unaudited)</b>
<b>Property and equipment</b>		
Increase in asset (i)	2,873,904	-
<b>Long term loans (non-current liabilities)</b>		
Decrease in liability (ii)	156,414,477	44,012,842
<b>Government grants (non-current liabilities)</b>		
(Increase) in liability (ii)	(148,471,675)	(38,843,857)
<b>Accrued expenses and other liabilities</b>		
Decrease in liability (ii)	3,003,143	626,267
<b>Long term loans (current liabilities)</b>		
(Increase) in liability (ii)	(11,428,509)	(2,834,969)
<b>Government grants (current liabilities)</b>		
(Increase) in liability (ii)	(3,448,906)	(2,960,284)
<b>Adjustment to retained earnings - (decrease)</b>	(1,057,566)	-

Interim condensed statement of income:

	<b>December 31, 2016 (Unaudited)</b>	<b>March 31, 2016 (Unaudited)</b>
<b>Other operating income</b>		
Release of government grant (ii)	2,960,283	423,366
<b>Finance charges</b>		
Interest on loan (ii)	(4,017,849)	(677,320)
<b>Adjustment to profit for the year - (decrease)</b>	(1,057,566)	(253,954)

- (i) Represents capitalization of interest on hospital under construction (Al-Nuzha, see Note 1).
- (ii) Represents recognition of a government grant which represents the fair value of the interest free loans from the Ministry of Finance for the construction of hospital buildings and purchase of related medical equipment. The release of government grant and interest in the interim condensed statement of income is for the hospital (AISuwaidi) that was capitalized during August 2015. The current / non-current split is based on the application of Note 2.2. The accrued finance charge has also been reclassified from accrued expenses and other liabilities to long term loans.

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**(B) Employees' end of service benefits**

Under Saudi GAAP Standards, the Company recorded its liability based on regulatory requirements. In order to determine the liability under IFRS Standards, the Company performed detailed actuarial valuation. The impact arising from the change is summarized as follows:

Interim condensed balance sheet:

	December 31, 2016 (Unaudited)	January 1, 2016 (Unaudited)
<b>Employees' end of service benefits</b> (Increase)/decrease in liability	(102,496)	1,730,300
<b>Adjustment to retained earnings - decrease/(Increase)</b>	<u>(102,496)</u>	<u>1,730,300</u>

Interim condensed statement of comprehensive income:

	December 31, 2016 (Unaudited)	March 31, 2016 (Unaudited)
<b>Cost of revenue</b>		
Current service costs	577,719	144,430
<b>Administrative expenses</b>		
Current service costs	144,430	36,107
<b>Finance charges</b>		
Interest expense	(1,388,776)	(347,194)
<b>Adjustment to profit for the year/period - (decrease)/increase</b>	<u>(666,627)</u>	<u>(166,657)</u>
Re-measurement loss of employee's end of service benefits	<u>(1,166,169)</u>	<u>(432,575)</u>
<b>Adjustment to comprehensive income for the year/period - decrease</b>	<u>(1,166,169)</u>	<u>(432,575)</u>

**Adjustments that did not impact equity:****(C) Sale of goods - pharmacy**

The Company has reclassified the revenue from sale of pharmacy good as a separate line item in the interim condensed income statement for better presentation. This reclassification has no impact on the retained earnings.

**5. Employees' end of service benefits**

5.1 The Company operates an approved unfunded employee benefits plan for its employees as required by Saudi Arabian Labor Law.

The following table summarize the movement of the employees' end of service benefits:

	March 31, 2017	December 31, 2016
Balance at beginning of the period/year	40,586,187	30,861,696
Current service cost	3,048,635	10,739,691
Interest cost	431,229	1,388,776
Re-measurement (gain)/loss	(1,806,470)	1,166,169
Payments	<u>(868,883)</u>	<u>(3,570,145)</u>
Balance at end of the period/year	<u>41,390,698</u>	<u>40,586,187</u>

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5.2 The significant assumptions used in determining the provision for end of service benefits are shown below:

	March 31, 2017	December 31, 2016	January 1, 2016
Discount rate	4.5%	4.5%	4.5%
Salary growth rate	3.0%	3.0%	3.0%
Retirement age	60 years	60 years	60 years

**6 Earnings per share**

Basic earnings per share (EPS) is calculated by dividing the profit for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as the regular or basic earnings per share as the Company does not have any convertible securities or diluted instruments to exercise.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	March 31, 2017	March 31, 2016
Profit for the period	<u>27,968,748</u>	<u>21,135,454</u>
Weighted average number of ordinary shares	<u>120,000,000</u>	<u>120,000,000</u>
Basic and diluted earnings per share	<u>0.23</u>	<u>0.18</u>

**7 Contingencies and commitments**

The Company had outstanding letters of guarantee from a local commercial bank amounting to approximately Saudi Riyals 1.9 million as of March 31, 2017 (December 31, 2016: approximately Saudi Riyals 2 million) (January 1, 2016: approximately Saudi Riyals 6.8 million) issued in the ordinary course of business.

The Company also had capital commitments amounting to approximately Saudi Riyals 90 million as of March 31, 2017 (December 31, 2016: approximately Saudi Riyals 100 million) (January 1, 2016: approximately Saudi Riyals 154 million) related to capital work-in-progress.

**8 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 interim condensed financial statements. Accordingly, segment information is not applicable. Furthermore, all of the Company's operations are conducted in Saudi Arabia.