

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

**Interim condensed financial statements (Unaudited)
For the six-month period ended June 30, 2017
with auditors' report on review of interim condensed Financial
statements**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017
with auditors' report on review of Interim condensed Financial statements**

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

**TO: SHAREHOLDERS OF
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Al Hammadi Company For Development And Investment (A Saudi Joint Stock Company)** ("the Company") as at 30 June 2017 and the related interim condensed statements of income and comprehensive income for three-month and six-month periods ended June 30, 2017 and interim condensed statements of changes in shareholders' equity and cash flows for the six-month period then ended at that date, and the notes from (1) to (8) which are an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard (34) "Interim Financial Reporting" and International Financial Reporting Standard (1) "First-time Adoption Of International Financial Reporting Standard" that are 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 limited review in accordance with the International Standards on Review Engagement - 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in Kingdom of Saudi Arabia. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in 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 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 International Accounting Standard (34) "Interim Financial Reporting" and International Financial Reporting Standard (1) "First-time Adoption of International Financial Reporting Standards" that are endorsed in the Kingdom of Saudi Arabia.



AlAzem & AlSudairy
Certified Public Accountants

Salman B. AlSudairy
License No. 283

24 Dhul Qadah 1438H (August 16, 2017)
Riyadh, Kingdom of Saudi Arabia

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)

	<u>Three-month period ended June 30,</u>		<u>Six-month period ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Clinic service revenues	147,453,645	118,899,270	298,191,707	243,285,073
Sale of goods revenue - pharmacy	29,255,779	19,377,486	58,743,117	38,958,052
Revenue	176,709,424	138,076,756	356,934,824	282,241,125
Cost of revenue	(118,554,910)	(80,521,519)	(236,759,951)	(169,937,714)
Gross profit	58,154,514	57,555,237	120,174,873	112,303,411
Administrative expenses	(25,271,005)	(29,928,046)	(53,884,818)	(58,014,322)
Other operating income	961,656	1,517,249	2,010,487	2,595,383
Operating profit	33,846,165	29,144,440	68,500,542	56,884,452
Finance charges	(4,989,371)	(6,283,119)	(6,676,000)	(10,817,677)
Profit before zakat	28,855,794	22,881,321	59,824,542	46,268,775
Zakat expense	(3,200,000)	(2,250,000)	(6,200,000)	(4,500,000)
Profit for the period	25,655,794	20,631,321	53,624,542	41,766,775
Earnings per share (Saudi Riyals):				
Basic and diluted profit for the period attributable to ordinary equity holders	6 0.21	0.17	0.45	0.35

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The notes on pages 7 to 17 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 comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended June 30,		Six-month period ended June 30	
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period		25,655,794	20,631,321	53,624,542	41,766,775
Items that will not be reclassified back to income statement in subsequent periods:					
Re-measurement loss on defined benefit plan	4	(2,143,155)	(291,542)	(338,685)	(583,084)
Other comprehensive loss for the period		(2,143,155)	(291,542)	(338,685)	(583,084)
Total comprehensive income for the period		23,512,639	20,339,779	53,287,857	41,183,691




The notes on pages 7 to 17 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	June 30, 2017 (Unaudited)	December 31, 2016 (Unaudited)
Assets			
Non-current assets			
Property and equipment	4	<u>1,723,058,688</u>	<u>1,650,548,581</u>
Current assets			
Inventories		26,768,545	32,104,516
Trade receivables		540,538,899	430,470,509
Prepayments and other current assets		15,807,583	18,503,711
Amounts due from related parties		216,220	248,309
Cash and cash equivalents		<u>44,345,421</u>	<u>12,808,666</u>
		<u>627,676,668</u>	<u>491,933,711</u>
Total assets		<u>2,350,735,356</u>	<u>2,142,482,292</u>
Shareholders' Equity			
Share capital		1,200,000,000	1,200,000,000
Statutory reserve		27,423,254	22,080,800
Retained earnings	4	<u>195,512,230</u>	<u>147,588,827</u>
Total Shareholders' equity		<u>1,422,935,484</u>	<u>1,369,647,627</u>
Liabilities			
Non-current liabilities			
Long-term loans- Non current portion	4	489,089,856	370,777,036
Employees' end of service benefits	4, 5	44,637,631	40,586,187
Government grants- Non current portion	4	<u>146,747,224</u>	<u>148,471,675</u>
		<u>680,474,711</u>	<u>559,834,898</u>
Current liabilities			
Accounts payable		47,426,742	37,775,637
Accrued expenses and other liabilities		67,406,167	47,650,397
Amounts due to related parties		524,983	431,448
Short-term revolving loan-Current portion		50,000,000	50,000,000
Long-term loans -Current portion	4	60,053,493	61,428,509
Government grants	4	3,448,906	3,448,906
Zakat payable		<u>18,464,870</u>	<u>12,264,870</u>
		<u>247,325,161</u>	<u>212,999,767</u>
Total liabilities		<u>927,799,872</u>	<u>772,834,665</u>
Total Shareholders' equity and liabilities		<u>2,350,735,356</u>	<u>2,142,482,292</u>

*Al
Hammadi*

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AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
Interim condensed statement of changes in Shareholders' 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	14,592,866	173,265,781	1,387,858,647
Profit for the period	--	--	41,766,775	41,766,775
Other comprehensive loss	--	--	(583,084)	(583,084)
Total comprehensive income for the period	--	--	41,183,691	41,183,691
Transfer to statutory reserve	--	4,176,678	(4,176,678)	--
Accrued dividends	--	--	(90,000,000)	(90,000,000)
As at June 30, 2016 (Unaudited)	1,200,000,000	18,769,544	120,272,794	1,339,042,338
As at January 1, 2017 (Unaudited)	1,200,000,000	22,060,800	147,586,827	1,369,647,627
Profit for the period	--	--	53,624,642	53,624,642
Other comprehensive loss	--	--	(336,685)	(336,685)
Total comprehensive income for the period	--	--	53,287,957	53,287,957
Transfer to statutory reserve	--	5,382,454	(5,382,454)	--
As at June 30, 2017 (Unaudited)	1,200,000,000	27,423,254	195,512,230	1,422,935,484

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The notes on pages 7 to 17 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 Six-month period ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit for the period before zakat	59,824,542	46,239,775
Adjustments to reconcile profit before zakat to net cash flows generated from (used in) operating activities:		
Depreciation of property and equipment	26,084,820	26,444,787
Provision for doubtful debts	19,544,025	12,011,510
Finance charges	8,676,000	10,617,677
Government grant release	(1,724,451)	(1,273,507)
Employees' end of service benefits	5,989,572	5,389,848
Working capital adjustments:		
Trade receivables	(129,612,415)	(125,731,875)
Inventories	5,335,971	(1,167,052)
Net change in related parties	125,624	-
Prepayments and other current assets	696,128	(3,641,522)
Accounts payables	9,651,105	(12,878,027)
Accrued expenses and other current liabilities	17,949,300	(6,086,395)
Employees' end of service benefits paid	(3,145,633)	(1,019,082)
Zakat paid	-	(8,767,709)
Net cash flows generated from (used in) operating activities	19,394,588	(59,881,574)
Cash flows from investing activity		
Additions to property and equipment, net	(96,810,151)	(70,369,907)
Net cash flows used in investing activity	(96,810,151)	(70,369,907)
Cash flows from financing activities		
Proceeds from bank borrowings	141,937,804	153,233,975
Repayment of bank borrowings	(25,000,000)	(75,000,000)
Finance charges paid	(7,783,486)	(7,020,106)
Net cash flows generated from financing activities	109,154,318	71,213,869
Net changes in cash and cash equivalents	31,738,765	(59,037,612)
Cash and cash equivalents, at beginning of period	12,606,666	89,343,477
Cash and cash equivalents, at end of period	44,345,421	30,305,865
Non cash transaction		
Finance charge on government loans	2,655,596	-
Re-measurement loss on defined benefit plan	338,685	583,084

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The notes on pages 7 to 17 form an integral part of these interim condensed financial statements

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT

(A Saudi Joint Stock Company)

Notes to The interim condensed financial statements

for the Six-month period ended June 30, 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:

Branch name	Commercial Registration No.	City	Status
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. 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. The company was compensated Saudi Riyals 6.8 million for this fire by the insurance company on 5 July 2017.

** 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 24 Dhul Qadah 1438H (August 16, 2017).

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(A Saudi Joint Stock Company)
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for the Six-month period ended June 30, 2017
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2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

The interim condensed financial statements for the period ended 30 June 2017, have been prepared in accordance with IAS (34) "Interim Financial Reporting" adopted in Kingdom of Saudi Arabia for part of the period covered by annual financial statement for the first time in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA) which have been applied and IFRS (1) "Adoption of International Financial Reporting Standards for the First Time".

The interim condensed financial statements don't contain all the information and disclosures that should be included in the annual financial statements in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants.

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 judgment in the process of applying the Company's accounting policies as set out in Notes 2.2 to 2.22. 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 June 30, 2017 and 31 Dec 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 as of June 30, 2017 and 31 December 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 recognition 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

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direct the use 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

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(A Saudi Joint Stock Company)
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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.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
Notes to The interim condensed financial statements
for the Six-month period ended June 30, 2017
(All amounts in Saudi Riyals unless otherwise stated)

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.

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 recognized 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.

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(A Saudi Joint Stock Company)
Notes to The interim condensed financial statements
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(All amounts in Saudi Riyals unless otherwise stated)

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.

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 recognized 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 recognized 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.

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Sale of goods revenue- 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.

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 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.

2.20 Operating leases

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

2.21 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.

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

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

Postemployment 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 June 30, 2017, the Company recorded a provision for doubtful debts amounting to Saudi Riyals 53.6 million (December 31, 2016: Saudi Riyals 42 million).

4. First-time adoption of IFRS

The Company has prepared and issued the latest annual financial statements for the year ended 31 December 2016 in accordance with the generally accepted accounting standards in kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants (SOCPA). The Company has prepared financial statements accordance with the International Financial Reporting Standards (IFRS) that adopted in Kingdom of Saudi Arabia and are effective for periods beginning on 1 January 2017 with comparative financial statements.

The financial position of the Company as at 1 January 2016 (the date of transition) has been prepared on the basis of the International Financial Reporting Standards (IFRS) adopted in Kingdom Saudi Arabia after the adjustment resulting from the transition from accepted accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) to International Financial Reporting Standards (IFRS) adopted in Kingdom of Saudi Arabia, also the company determined the impact and adjustment to the financial positions as at 1 January 2016 and 31 December 2016 and the condensed interim statements of income and comprehensive income for the three and six month periods ended 30 June 2016, the significant change in transition to International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA) as of 1 January 2016 and 31 December 2016 have been disclosed in the interim condensed financial statements for the three months ended 31 March 2017.

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 the statements of income and comprehensive income for the Six-month period ended June 30, 2016:

	Six-month period ended June 30, 2016		
	Saudi GAAP	IFRS	IFRS
	(Unaudited)	adjustments	(Unaudited)
		(Unaudited)	(Unaudited)
Clinic service revenues	282,241,125	(38,956,052)	243,285,073
Sale of goods revenue - pharmacy	--	38,956,052	38,956,052
Revenue	282,241,125	--	282,241,125
Cost of revenue	(171,227,143)	1,289,429	(169,937,714)
Gross profit	111,013,982	1,289,429	112,303,411
Administrative expenses	(58,336,679)	322,357	(58,014,322)
Other operating income	1,321,856	1,273,507	2,595,363
Operating profit	53,999,159	2,885,293	56,884,452
Finance charges	(7,020,106)	(3,597,571)	(10,617,677)
Profit before zakat	46,979,053	(712,278)	46,266,775
Zakat expense	(4,500,000)	--	(4,500,000)
Profit for the period	42,479,053	(712,278)	41,766,775
Other comprehensive loss			
<i>Items that will not to be reclassified to income statement in subsequent periods:</i>			
Re-measurement loss on defined benefit plan	--	(583,084)	(583,084)
Net total other comprehensive loss not to be reclassified to income statement in subsequent periods:	--	(583,084)	(583,084)
Total comprehensive income for the period	42,479,053	(1,295,362)	41,183,691
Earnings per share (Saudi Riyals):			
Basic and diluted profit for the period attributable to ordinary equity holders	0.35	(0.01)	0.34

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4.2 The Company's reconciliation of the statements of income and comprehensive income for the three-month period ended June 30, 2016:

	<u>Three-month period ended June 30, 2016</u>		
	Saudi GAAP (Unaudited)	IFRS adjustments (Unaudited)	IFRS (Unaudited)
Clinic service revenues	138,076,756	(19,377,486)	118,699,270
Sale of goods revenue - pharmacy	-	19,377,488	19,377,486
Revenue	<u>138,076,756</u>	<u>-</u>	<u>138,076,756</u>
Cost of revenue	(81,666,518)	1,144,999	(80,521,519)
Gross profit	<u>56,410,238</u>	<u>1,144,999</u>	<u>57,555,237</u>
Administrative expenses	(30,214,296)	286,250	(29,928,046)
Other operating income	667,108	850,141	1,517,249
Operating profit	<u>26,863,050</u>	<u>2,281,390</u>	<u>29,144,440</u>
Finance charges	(3,690,062)	(2,573,057)	(6,263,119)
Profit before zakat	<u>23,172,988</u>	<u>(291,667)</u>	<u>22,881,321</u>
Zakat expense	(2,250,000)	-	(2,250,000)
Profit for the period	<u>20,922,988</u>	<u>(291,667)</u>	<u>20,631,321</u>
Other comprehensive loss			
<i>Items that will not to be reclassified to income statement in subsequent periods:</i>			
Re-measurement loss on defined benefit plan	-	(291,542)	(291,542)
Net total other comprehensive loss not to be reclassified to income statement in subsequent periods:	<u>-</u>	<u>(291,542)</u>	<u>(291,542)</u>
Total comprehensive income for the period	<u>20,922,988</u>	<u>(583,209)</u>	<u>20,339,779</u>
Earnings per share (Saudi Riyals):			
Basic and diluted profit for the period attributable to ordinary equity holders	<u>0.17</u>	<u>(0.00)</u>	<u>0.17</u>

4.3 The Company's reconciliation of statement of changes in shareholders' equity as of June 30, 2016:

	<u>June 30, 2016</u>
shareholders' Equity under Saudi GAAP	
Differences increasing (decreasing) reported equity:	1,338,607,400
Carry forward adjustment	1,730,300
For the period adjustments:	
Employees' benefits	1,611,786
Finance charges	(3,597,571)
Government grant release	1,273,507
Other comprehensive income - employees' benefits	<u>(583,084)</u>
Total shareholders' equity under IFRS (Unaudited)	<u>1,339,042,338</u>

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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:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Balance at beginning of the period/year	40,586,187	30,861,696
Current service cost	5,989,572	10,739,691
Interest cost	870,820	1,388,776
Re-measurement loss	336,685	1,166,169
Payments	<u>(3,145,633)</u>	<u>(3,570,145)</u>
Balance at end of the period/year	<u>44,637,631</u>	<u>40,586,187</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Discount rate	4.5%	4.5%
Salary growth rate	3.0%	3.0%
Retirement age	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:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Profit for the period	<u>53,624,542</u>	<u>41,766,775</u>
Weighted average number of ordinary shares	<u>120,000,000</u>	<u>120,000,000</u>
Basic and diluted earnings per share	<u>0.45</u>	<u>0.35</u>

7 Contingencies and commitments

The Company had outstanding letters of guarantee from a local commercial bank amounting to approximately Saudi Riyals 3.7 million as of June 30, 2017(December 31, 2016: approximately Saudi Riyals 2 million) issued in the ordinary course of business.

The Company also had capital commitments amounting to approximately Saudi Riyals 6.5 million as of June 30, 2017(December 31, 2016: approximately Saudi Riyals 100 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.