

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

**Financial Statements for the year ended
December 31, 2012 and Independent
Auditors' Report**

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

April 2, 2013

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

Scope of audit

We have audited the accompanying balance sheet of Al Hammadi Development and Investment Company (a Saudi Closed Joint Stock Company) (the "Company") as of December 31, 2012 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all necessary information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-Laws with respect to the preparation and presentation of financial statements.

~~PricewaterhouseCoopers~~

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

	<u>Notes</u>	<u>As at December 31,</u>	
		<u>2012</u>	<u>2011</u>
Assets			
Current assets			
Cash and cash equivalents	4	63,437,597	35,163,456
Accounts receivable - net	5	107,938,194	110,564,090
Due from related parties	17	70,566	28,413
Inventories	6	15,376,280	15,214,153
Prepayments and other assets		<u>6,630,374</u>	<u>5,424,658</u>
		193,453,011	166,394,770
Non-current assets			
Property and equipment - net	7	370,345,987	345,592,148
Capital work-in-progress	8	<u>279,528,754</u>	<u>52,356,720</u>
Total assets		<u>843,327,752</u>	<u>564,343,638</u>
Liabilities			
Current liabilities			
Accounts payable		32,739,578	27,628,898
Short-term loan		-	40,000,000
Due to related parties	17	996,639	805,737
Accrued and other liabilities	10	15,240,392	11,837,701
Provision for zakat	18	<u>3,463,148</u>	<u>4,200,000</u>
		52,439,757	84,472,336
Non-current liabilities			
Long-term loans	9	212,637,615	-
Employees' termination benefits	11	<u>9,660,181</u>	<u>5,551,554</u>
Total liabilities		<u>274,737,553</u>	<u>90,023,890</u>
Shareholders' equity			
Share capital	12	420,000,000	300,000,000
Statutory reserve	13	34,048,015	24,620,970
Retained earnings		<u>114,542,184</u>	<u>149,698,778</u>
Total shareholders' equity		<u>568,590,199</u>	<u>474,319,748</u>
Total liabilities and shareholders' equity		<u>843,327,752</u>	<u>564,343,638</u>
Contingencies and commitments	22		

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




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

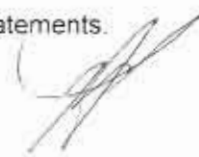
	<u>Notes</u>	<u>For the year ended December 31,</u>	
		<u>2012</u>	<u>2011</u>
Revenues - net	14	378,684,499	330,661,430
Cost of revenues	15	<u>(215,575,032)</u>	<u>(183,011,504)</u>
Gross profit		163,109,467	147,649,926
Operating expenses			
General and administrative expenses	16	<u>(70,770,339)</u>	<u>(55,501,232)</u>
Operating income		92,339,128	92,148,694
Other income (expenses)			
Financial charges		(1,656,867)	(1,613,349)
Other - net		<u>6,088,190</u>	<u>1,339,691</u>
Income before zakat		96,770,451	91,875,036
Zakat - net	18	<u>(2,500,000)</u>	<u>(1,934,462)</u>
Net income		<u>94,270,451</u>	<u>89,940,574</u>
Earnings per share:	19		
Average number of shares		<u>41,408,219</u>	<u>30,000,000</u>
Operating income		<u>2.23</u>	<u>3.07</u>
Non-operating income - other income		<u>0.11</u>	<u>(0.01)</u>
Net income		<u>2.28</u>	<u>3.00</u>

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

	For the year ended December 31,	
	2012	2011
Cash flows from operating activities:		
Net income	94,270,451	89,940,574
<u>Adjustments for non-cash items:</u>		
Depreciation	13,597,745	12,964,742
Provision for doubtful debts	25,861,356	18,362,935
Provision for zakat	2,500,000	1,934,462
Provision for employees' termination benefits	4,429,620	4,072,120
Gain from disposal of property and equipment	-	(53,529)
<u>Changes in working capital:</u>		
Accounts receivable - net	(23,235,460)	(29,269,034)
Due from related parties	(42,153)	789,909
Inventories	(162,127)	(3,617,417)
Prepayments and other current assets	(1,205,716)	2,786,114
Accounts payable	5,110,680	5,786,148
Due to related parties	190,902	(298,650)
Accrued and other current liabilities	3,402,691	117,674
Zakat paid	(3,236,852)	(7,419,535)
Employees' termination benefits paid	(320,993)	(1,243,236)
Net cash generated from operating activities	<u>121,160,144</u>	<u>94,853,277</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	-	244,300
Purchase of property and equipment	(38,351,584)	(41,610,135)
Additions on capital work-in-progress	(227,172,034)	(52,356,720)
Net cash utilized in investing activities	<u>(265,523,618)</u>	<u>(93,722,555)</u>
Cash flows from financing activities:		
Proceeds from long-term loans	212,637,615	-
Proceeds from short-term loans	62,750,000	40,000,000
Repayment of short-term loans	(102,750,000)	-
Dividends paid	-	(26,723,416)
Net cash generated from financing activities	<u>172,637,615</u>	<u>13,276,584</u>
Net change in cash and cash equivalents	28,274,141	14,407,306
Cash and cash equivalents, at beginning of year	<u>35,163,456</u>	<u>20,756,150</u>
Cash and cash equivalents, at end of year	<u>63,437,597</u>	<u>35,163,456</u>
Supplemental non-cash information:		
Transfer from retained earnings to capital to increase share capital (Note 12)	<u>120,000,000</u>	<u>-</u>
In-kind dividends paid (Note 21)	<u>-</u>	<u>33,276,584</u>

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




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

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2012	300,000,000	24,620,970	149,698,778	474,319,748
Net income for the year	-	-	94,270,451	94,270,451
Transfer to statutory reserve	-	9,427,045	(9,427,045)	-
Transfer from retained earnings to share capital	<u>120,000,000</u>	<u>-</u>	<u>(120,000,000)</u>	<u>-</u>
December 31, 2012	<u>420,000,000</u>	<u>34,048,015</u>	<u>114,542,184</u>	<u>568,590,199</u>
January 1, 2011	300,000,000	15,626,913	128,752,261	444,379,174
Net income for the year	-	-	89,940,574	89,940,574
Transfer to statutory reserve	-	8,994,057	(8,994,057)	-
Dividends paid (Note 21)	-	-	(60,000,000)	(60,000,000)
December 31, 2011	<u>300,000,000</u>	<u>24,620,970</u>	<u>149,698,778</u>	<u>474,319,748</u>

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




AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Al Hammadi Development and Investment Company (the "Company") was established to trade in wholesale and retail of medical equipment and medicine, in addition to establishing, repairing, managing and operating hospitals and medical centers.

The Company is a Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010196714 issued in Riyadh on 23 Safar 1425H (corresponding to April 13, 2004) with a branch in Riyadh under Commercial Registration No. 1010263026 issued in Riyadh on 27 Safar 1430H (corresponding to February 22, 2009). The registered address of the Company is P.O. Box 55004, Riyadh 11534, Kingdom of Saudi Arabia.

These financial statements also include the results of operations of the Branch.

The board of directors approved the accompanying financial statements for issuance on April 2, 2013.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.

2.3 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) Financial information is separately available.

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.4 Foreign currency translation

(a) Reporting currency

These financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the years ended December 31, 2012 and 2011, respectively, are recognized in the statement of income.

2.5 Cash and cash equivalents

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

2.6 Accounts receivable, net

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the statement of income and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the statement of income.

2.7 Inventories

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

2.8 Property and equipment

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

	<u>Years</u>
Buildings	33
Medical equipment and tools	10
Furniture, fixtures and office equipment	6-10
Vehicles	4

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

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

2.9 Capital work-in-progress

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

2.10 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss recognized as income immediately in the statement of income. Impairment losses recognized on intangible assets are not reversible.

2.11 Borrowings

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

2.12 Accounts payable and accruals

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

2.13 Provisions

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

2.14 Zakat

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

2.15 Employees' termination benefits

Employees' termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of income. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leaves at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

2.16 Revenues

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

2.17 General and administrative expenses

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

2.18 Dividends

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

2.19 Operating leases

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

2.20 Reclassification

Certain amounts have been reclassified in the comparative 2011 financial statements to conform with 2012 presentation.

3. Financial instruments and risk management

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

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

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

Financial assets and liabilities are offset and net amounts reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals. Management believes that Company's exposure to currency risk is not significant.

3.2 Fair value and cash flow interest rate risks

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

3.3 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is currently not exposed to price risk as it has no investments in marketable securities.

3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts. (See also Note 5).

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012
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3.6 Fair value

Fair value is the amount for which an asset can be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

4. Cash and cash equivalents

	2012	2011
Cash in hand	3,010,064	3,745,467
Cash at banks	<u>60,427,533</u>	<u>31,417,989</u>
	<u>63,437,597</u>	<u>35,163,456</u>

5. Accounts receivable - net

	2012	2011
Trade	112,130,425	103,455,778
Receivables not yet billed	9,983,135	10,103,598
Due from employees	<u>982,382</u>	<u>695,302</u>
	123,095,942	114,254,678
Less: Provision for doubtful debts	<u>(15,157,748)</u>	<u>(3,690,588)</u>
	<u>107,938,194</u>	<u>110,564,090</u>

Movement in provision for doubtful debts is as follows:

	2012	2011
Balance at January 1	3,690,588	13,168,902
Additions	25,861,356	18,362,935
Write-offs	<u>(14,394,196)</u>	<u>(27,841,249)</u>
Balance at December 31	<u>15,157,748</u>	<u>3,690,588</u>

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012
 (All amounts in Saudi Riyals unless otherwise stated)

6. Inventories

	2012	2011
Medicines	9,356,769	9,977,255
Medical tools and supplies	4,313,944	3,546,982
Non-medical tools and supplies	1,587,996	1,558,683
Spare parts and supplies not held for sale	<u>117,571</u>	<u>131,233</u>
	<u>15,376,280</u>	<u>15,214,153</u>

7. Property and equipment - net

	January 1, 2012	Additions	Disposals	December 31, 2012
Cost:				
Lands	232,278,478	30,117,989	-	262,396,467
Buildings	196,983,088	-	-	196,983,088
Medical equipment and tools	106,323,888	6,224,349	-	112,548,237
Furniture, fixtures and office equipment	41,772,865	1,329,905	-	43,102,770
Vehicles	<u>2,252,777</u>	<u>679,341</u>	-	<u>2,932,118</u>
Total	<u>579,611,096</u>	<u>38,351,584</u>	-	<u>617,962,680</u>
Accumulated depreciation:				
Buildings	117,820,344	5,916,239	-	123,736,583
Medical equipment and tools	84,196,713	4,771,387	-	88,968,100
Furniture, fixtures and office equipment	30,545,516	2,686,959	-	33,232,475
Vehicles	<u>1,456,375</u>	<u>223,160</u>	-	<u>1,679,535</u>
Total	<u>234,018,948</u>	<u>13,597,745</u>	-	<u>247,616,693</u>
	<u>345,592,148</u>			<u>370,345,987</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012
(All amounts in Saudi Riyals unless otherwise stated)

	January 1, 2011	Additions	Disposals	December 31, 2011
Cost:				
Lands	195,718,808	36,559,670	-	232,278,478
Buildings	196,983,088	-	-	196,983,088
Medical equipment and tools	123,495,425	698,805	(17,870,342)	106,323,888
Furniture, fixtures and office equipment	48,278,475	3,308,660	(9,814,270)	41,772,865
Vehicles	2,527,403	1,043,000	(1,317,626)	2,252,777
Total	<u>567,003,199</u>	<u>41,610,135</u>	<u>(29,002,238)</u>	<u>579,611,096</u>
Accumulated depreciation:				
Buildings	111,910,851	5,909,493	-	117,820,344
Medical equipment and tools	97,345,904	4,715,417	(17,864,608)	84,196,713
Furniture, fixtures and office equipment	38,251,528	2,108,258	(9,814,270)	30,545,516
Motor vehicles	2,357,390	231,574	(1,132,589)	1,456,375
Total	<u>249,865,673</u>	<u>12,964,742</u>	<u>(28,811,467)</u>	<u>234,018,948</u>
	<u>317,137,526</u>			<u>345,592,148</u>

The above lands include six plots in total amount of Saudi Riyals 99,516,789 at December 31, 2012 (2011: Saudi Riyals 69,398,800) owned by the Company and registered under the names of the shareholders.

8. Capital work-in-progress

The capital work-in-progress comprise of the construction of Al-Suwaidi branch, Al-Nozhah branch and the staff accommodation. The movement of the account is as follows:

	2012	2011
Opening balance	52,356,720	-
Additions during the year	227,172,034	52,356,720
Transfers to fixed assets	-	-
	<u>279,528,754</u>	<u>52,356,720</u>

These constructions are financed through loans from a local commercial bank. (Please refer to Note 9 and Note 22).

9. Long-term loans

During the year ended December 31, 2012, the Company obtained a number of short-term loans which were fully repaid during the same year, and also obtained bank facilities of Saudi Riyals 303.5 million from a local commercial bank. These bank facilities include Saudi Riyals 150 million as a long-term loan to be repaid after a three years period on quarterly basis with a grace period of two years. The maturity of the first will be at March 31, 2015. The second part of the bank facilities is Saudi Riyals 150 million in the form of LCs limit to be repaid after three years period on quarterly basis with a grace period of two years. The maturity of the first installment will be on June 30, 2014. The bank facilities also include Saudi Riyals 3.5 million inform of LGs limit. The purpose of these loans are principally to finance the purchase of lands for the Company, constructions of branches and accommodation for staff

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and purchase of medical equipment. The Company used Saudi Riyals 215.1 million of the total amount of these facilities at the date of these financial statements.

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

10. Accrued and other current liabilities

	2012	2011
Employees' benefits	5,365,955	4,539,522
Patients' deposits	5,383,804	4,137,300
Medical education fund	2,714,967	2,017,511
Amounts due for external medical services	922,418	481,629
Social insurance	281,378	215,361
Other	<u>571,870</u>	<u>446,378</u>
	<u>15,240,392</u>	<u>11,837,701</u>

11. Employees' termination benefits

	2012	2011
Balance at January 1	5,551,554	2,722,670
Provision	4,429,620	4,072,120
Payments	<u>(320,993)</u>	<u>(1,243,236)</u>
Balance at December 31	<u>9,660,181</u>	<u>5,551,554</u>

12. Share capital

The Company's share capital of Saudi Riyals 420 million at December 31, 2012 consist of 42,000,000 fully paid shares of Saudi Riyals 10 each and owned by Saudi shareholders as follows:

2012

<u>Shareholders</u>	<u>Number of shares</u>	<u>Share capital</u>	<u>%</u>
Jadwa Medical Opportunity Company	12,600,000	126,000,000	30.00
Mr. Saleh Bin Mohammed Al Hammadi	9,573,900	95,739,000	22.80
Dr. Abdulaziz Bin Mohammed Al Hammadi	4,650,100	46,501,000	11.07
Mr. Faisal Abdulaziz Al Hammadi	2,940,000	29,400,000	7.00
Mr. Mohammed Abdulaziz Al Hammadi	2,940,000	29,400,000	7.00
Hend Bint Fahd Al-Dekheel	2,940,000	29,400,000	7.00
Mr. Abdulaziz Saleh Al Hammadi	2,100,000	21,000,000	5.00
Mr. Mohammed Saleh Al Hammadi	2,100,000	21,000,000	5.00
Mr. Turki Ibrahim Mansour Al Rajhi	1,400,000	14,000,000	3.33
Mr. Ibrahim Bin Mansour Al Rajhi	<u>756,000</u>	<u>7,560,000</u>	<u>1.80</u>
	<u>42,000,000</u>	<u>420,000,000</u>	<u>100.00</u>

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2011

Shareholders	Number of shares	Share capital	%
Mr. Saleh Bin Mohammed Al Hammadi	7,855,000	78,550,000	26.18
Dr. Abdulaziz Bin Mohammed Al Hammadi	7,445,000	74,450,000	24.82
Al Hammadi Company for Commercial Investment	3,200,000	32,000,000	10.67
Mr. Ibrahim Bin Mansour Al Rajhi	2,200,000	22,000,000	7.33
Mr. Faisal Abdulaziz Al Hammadi	2,100,000	21,000,000	7.00
Mr. Mohammed Abdulaziz Al Hammadi	2,100,000	21,000,000	7.00
That Al Thamanian Company	2,100,000	21,000,000	7.00
Mr. Abdulaziz Saleh Al Hammadi	1,500,000	15,000,000	5.00
Mr. Mohammed Saleh Al Hammadi	<u>1,500,000</u>	<u>15,000,000</u>	<u>5.00</u>
	<u>30,000,000</u>	<u>300,000,000</u>	<u>100.00</u>

The Company increased its share capital on January 18, 2012 from Saudi Riyals 300 million to Saudi Riyals 420 million and the number of shares from 30 million shares to 42 million shares through distribution of two shares for every 5 shares in form of bonus shares. The increase in the share capital was made through a transfer from the retained earnings as at December 31, 2011 based on the approval of the extraordinary general assembly at their meeting on 19 Rajab 1433H corresponding to June 9, 2012. The related legal formalities were completed during 2012.

13. Statutory reserve

In accordance with its by-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to allocate 10% of its net income each year to a statutory reserve until it reaches 50% of the share capital. Such reserve is not currently available for distribution to the shareholders.

14. Revenues - net

	2012	2011
Doctors' fees and other medical treatments	173,200,127	159,580,972
Pharmacy	103,782,206	86,332,227
Laboratory	79,107,585	63,268,015
X-Rays	47,290,017	38,205,648
Room charges	44,244,275	37,784,338
Physical therapy	<u>4,668,276</u>	<u>3,638,820</u>
Gross revenues	452,292,486	388,810,020
Less: Discounts	<u>(73,607,987)</u>	<u>(58,148,590)</u>
	<u>378,684,499</u>	<u>330,661,430</u>

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15. Cost of revenues

	2012	2011
Medical costs	102,371,929	85,684,174
Salaries and related benefits	96,699,348	80,511,484
Depreciation	10,434,744	10,371,794
Repairs and maintenance	2,486,169	3,372,675
Utilities	<u>3,582,842</u>	<u>3,071,377</u>
	<u>215,575,032</u>	<u>183,011,504</u>

16. General and administrative expenses

	2012	2011
Provision for doubtful debts	25,861,355	18,362,935
Salaries and related benefits	19,929,179	16,272,458
Non-medical Materials consumed	4,888,894	6,251,352
Depreciation	3,163,001	2,592,948
Rentals	3,695,459	2,587,467
Repairs and maintenance	1,760,303	1,383,301
Utilities	895,710	767,844
Insurance	834,217	633,015
Donations and contributions	236,935	250,584
Advertisement and public relations	785,925	239,597
Stationery	93,682	75,939
Other	<u>8,625,679</u>	<u>6,083,792</u>
	<u>70,770,339</u>	<u>55,501,232</u>

17. Related party matters

17.1 Related party transactions

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

	2012	2011
Completed works for capital work in progress from a company affiliated to a shareholder	227,172,034	52,356,720
Lands purchased from the shareholders	-	36,559,670
Purchases from a company owned by relatives of the shareholders	4,395,503	4,947,134
Salaries and other benefits paid to relatives of the shareholders	2,665,219	2,057,812
Rental expense paid to related parties	250,000	250,000

Also, see Note 22 regarding dividends.

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17.2 Related party balances

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

(i) Due from related parties

	2012	2011
Mr Ibrahim Mansour Al Rajhi (Shareholder)	69,571	-
Aziz Limited Company for Contracting and Medical Services	995	-
Other	-	28,413
	<u>70,566</u>	<u>28,413</u>

(ii) Due to related parties

	2012	2011
Aktel Trading Company	995,034	633,973
Mohammed Al Hamadi Establishment for Information Technology	1,605	171,764
	<u>996,639</u>	<u>805,737</u>

18. Zakat matters

18.1 Components of zakat base

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

	2012	2011
Calculation of zakat base:		
Shareholders' equity at beginning of year	474,319,748	444,379,174
Adjusted net income for the year	115,011,457	87,283,418
Provisions at beginning of year	10,205,209	15,891,572
Short-term loan	-	40,000,000
Long-term loans	212,637,615	-
Less:		
Property and equipment - net	(370,345,987)	(345,592,148)
Capital work-in-progress	(279,528,754)	(52,356,720)
Spare parts and supplies not held for sale	(117,571)	(131,233)
Dividends paid	-	(60,000,000)
Estimated zakat base for the Company	<u>162,181,798</u>	<u>129,474,063</u>

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

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18.2 Calculation of adjusted net income

	2012	2011
Income before zakat	96,770,451	91,875,036
Add:		
Salaries and other benefits paid to relatives of the shareholders	2,665,219	2,057,812
Change in provision for employees' termination benefits	4,108,627	2,828,884
Change in provision for doubtful debts	<u>11,467,160</u>	<u>(9,478,314)</u>
Adjusted net income for the year	<u>115,011,457</u>	<u>87,283,418</u>

18.3 Provision for zakat

	2012	2011
Balance at January 1	4,200,000	9,685,073
Provision for the year	3,463,148	4,200,000
Reversals of prior years provisions	(963,148)	(2,265,538)
Payments	<u>(3,236,852)</u>	<u>(7,419,535)</u>
Balance at December 31	<u>3,463,148</u>	<u>4,200,000</u>

18.4 Status of final assessments

The Company has filed its zakat returns with the DZIT for the years up to December 31, 2011 and has obtained a restricted certificate until April 30, 2013.

19. Earnings per share

Earnings per share for the years ended December 31, 2012 and 2011 have been computed by dividing the operating income, non-operating income and net income for the years by weighted average number of shares outstanding during such years, which was 41,408,219 shares (2011: 30,000,000 share).

20. Segment information

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

21. Dividends

During 2012, the Company did not distribute any dividends to the shareholders (2011: Saudi Riyals 60 million).

22. Contingencies and commitments

The Company had outstanding letters of credit and guarantee from a local bank amounting to Saudi Riyals 89,225,260 as at December 31, 2012 (2011: Saudi Riyals 3,154,832).

The Company had capital commitments amounting to Saudi Riyals 591,471,246 at December 31, 2012 related to capital work in progress with related parties (2011: Saudi Riyals 50,444,852).

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The Company has commitments under operating lease contract for the staff accommodation at Saudi Riyals 750,000 as of December 31, 2012 (2011: Saudi Riyals 750,000).

23. Subsequent events

Subsequent to the date of these financial statements, the Company's board of directors recommended in its meeting held on January 19, 2013 to distribute dividends amounting to Saudi Riyals 42 million for the year 2012 at Saudi Riyals 1 per share.

Also in the same meeting, the board of directors resolved to increase the Company's share capital from Saudi Riyals 420 million to Saudi Riyals 525 million increasing the number of shares to 52.5 million shares. The proposed increase in the share capital is subject to the Company's shareholders approval in the next extraordinary general assembly meeting.

Also, subsequent to the date of these financial statements, the Company completed the formalities to obtain two loans from the Ministry of Finance amounting to a total of Saudi Riyals 400 million for the purpose of financing the constructions related to Al-Suwaidi and Al Nozha branches.
