

**NATIONAL MEDICAL CARE COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND AUDITORS'  
LIMITED REVIEW REPORT  
FOR THE THREE-MONTH PERIOD AND THE YEAR  
ENDED DECEMBER 31, 2013**

**NATIONAL MEDICAL CARE COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND AUDITORS' LIMITED  
REVIEW REPORT  
FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013**

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## AUDITORS' LIMITED REVIEW REPORT

To the shareholders  
National Medical Care Company  
(A Saudi joint stock company)  
Riyadh, Saudi Arabia

### Scope of Review

We have reviewed the accompanying interim balance sheet of National Medical Care Company (a Saudi joint stock company) (the "Company"), as at December 31, 2013, and the related interim statement of income for the three-month period and the year then ended, and the interim statements of cash flows and changes in shareholders' equity for the year then ended, and notes which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and were presented to us with all the information and explanation which we required.

We conducted our limited review in accordance with the interim financial statements review standard issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical review 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 generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Review Results

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Deloitte & Touche  
Bakr Abulkhair & Co.



Ehsan A. Makhdoum  
License No.358  
Rabi Al Awwal 15, 1435  
January 16, 2014

NATIONAL MEDICAL CARE COMPANY  
(SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2013

	Notes	2013 SR (Unaudited)	2012 SR (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent	3	185,770,320	71,817,410
Trade receivables, net	4 & 5	217,587,517	190,611,809
Accrued revenues and other debit balances	6	60,041,018	37,521,202
Inventories		48,800,584	35,274,697
<b>Total current assets</b>		<b>512,199,439</b>	<b>335,225,118</b>
<b>Non-current assets</b>			
Projects under construction		265,710,775	213,980,403
Property and equipment, net		292,362,335	245,102,059
Intangible assets		268,371	393,052
<b>Total non-current assets</b>		<b>558,341,481</b>	<b>459,475,514</b>
<b>TOTAL ASSETS</b>		<b>1,070,540,920</b>	<b>794,700,632</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables		73,281,166	62,101,590
Due to related parties	5	181,634	40,510
Accrued expenses and other credit balances		38,799,110	37,295,897
Short-term loans	7	20,480,433	10,247,361
Provision for Zakat	8	8,163,713	7,707,969
<b>Total current liabilities</b>		<b>140,906,056</b>	<b>117,393,327</b>
<b>Non-current liabilities</b>			
End-of-service indemnities		50,871,823	45,736,745
Long-term loans	7	66,572,100	21,488,239
<b>Total non-current liabilities</b>		<b>117,443,923</b>	<b>67,224,984</b>
<b>TOTAL LIABILITIES</b>		<b>258,349,979</b>	<b>184,618,311</b>
<b>Shareholders' equity</b>			
Share capital	1 & 9	448,500,000	381,000,000
Statutory reserve	10	158,473,178	42,077,397
Capital reserve		1,469,435	1,469,435
Retained earnings		203,748,328	185,535,489
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>812,190,941</b>	<b>610,082,321</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,070,540,920</b>	<b>794,700,632</b>

BoD Member  
Abdulmajeed Ben Abdulla  
Al-Mubarak

CEO  
Othman Abdulla Aba-Hussein

CFO  
Yasser Ben Mohammed Al-  
Qhaidan

The accompanying notes form an integral part of these interim financial statements

**NATIONAL MEDICAL CARE COMPANY**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM STATEMENT OF INCOME**  
**FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013**

	For the three-month period ended December 31		For the year ended December 31	
	2013 SR (Unaudited)	2012 SR (Unaudited)	2013 SR (Unaudited)	2012 SR (Audited)
Revenue and sales, Net	164,156,340	137,609,375	586,276,194	524,748,724
Cost of revenue and sales	(131,996,661)	(105,678,621)	(462,468,923)	(389,613,798)
<b>Gross profit</b>	<b>32,159,679</b>	<b>31,930,754</b>	<b>123,807,271</b>	<b>135,134,926</b>
Selling and marketing expenses	(2,769,552)	(241,406)	(3,423,582)	(985,067)
General and administrative expenses	(7,973,453)	(8,446,679)	(28,832,348)	(30,140,793)
<b>Operating income</b>	<b>21,416,674</b>	<b>23,242,669</b>	<b>91,551,341</b>	<b>104,009,066</b>
Other income	1,744,663	2,943,822	8,071,419	7,396,907
<b>Income before zakat for the period/ year</b>	<b>23,161,337</b>	<b>26,186,491</b>	<b>99,622,760</b>	<b>111,405,973</b>
Provision of Zakat	(2,777,691)	(1,159,250)	(7,127,939)	(6,449,297)
<b>NET INCOME FOR THE PERIOD / YEAR</b>	<b>20,383,646</b>	<b>25,027,241</b>	<b>92,494,821</b>	<b>104,956,676</b>
<b>Earnings per share – Note ( 12 )</b>				
Operating income for the period/ year	0.48	0.61	2.09	2.73
Net income for the period/ year	0.46	0.66	2.12	2.76

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**NATIONAL MEDICAL CARE COMPANY**  
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**INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013 SR ( Unaudited )	2012 SR ( Audited )
<b>OPERATING ACTIVITIES</b>		
Income before zakat	99,622,760	111,405,973
Adjustments for:		
Depreciation	31,250,287	27,727,320
Amortization	184,735	184,735
End-of-service indemnities	12,438,463	10,082,083
Provision for doubtful debts	2,622,488	5,793,156
Changes in operating assets and liabilities:		
Trade receivables, net	(29,598,196)	(30,889,018)
Accrued revenues and other debit balances	(22,519,816)	(2,367,516)
Inventories	(13,525,887)	(7,461,471)
Trade payables	11,179,576	13,248,258
Due to related parties	141,124	40,510
Accrued expenses and other credit balances	1,503,213	4,180,868
End-of-service indemnities paid	(7,303,385)	(6,983,506)
Zakat paid	(6,672,195)	(5,967,376)
<b>Net cash from operating activities</b>	<b>79,323,167</b>	<b>118,994,016</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(45,356,037)	(21,758,377)
Additions on Projects under construction	(84,950,779)	(99,103,866)
Proceed from sale of property and equipment	65,881	-
Purchase of intangible assets	(60,054)	-
<b>Net cash used in investing activities</b>	<b>(130,300,989)</b>	<b>(120,862,243)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in share capital	67,500,000	-
Cash proceed from share premium	107,146,299	-
Loans	55,316,933	31,735,600
Dividends paid	(65,032,500)	(47,625,000)
<b>Net cash from (used in) financing activities</b>	<b>164,930,732</b>	<b>(15,889,400)</b>
<b>Change in cash and cash equivalent</b>	<b>113,952,910</b>	<b>(17,757,627)</b>
Cash and cash equivalent, January 1	71,817,410	89,575,037
<b>CASH AND CASH EQUIVALENT, DECEMBER 31</b>	<b>185,770,320</b>	<b>71,817,410</b>
<b>Non-cash transactions:</b>		
Write-off of doubtful debts	(7,982,951)	(241,840)
Transfer from projects under construction to property and equipment	(33,220,407)	-

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**NATIONAL MEDICAL CARE COMPANY**  
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**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Share capital SR	Statutory reserve		Capital reserve SR	Retained earnings SR	Proposed dividends SR	Total SR
		Share premium SR	Transfers from net income SR				
<b>(Audited)</b>							
Balance, January 1, 2012	381,000,000	-	31,581,729	1,469,435	91,074,481	47,625,000	552,750,645
Net income for the year	-	-	-	-	104,956,676	-	104,956,676
Transfer to statutory reserve	-	-	10,495,668	-	(10,495,668)	-	-
Dividends paid (Note 14)	-	-	-	-	-	(47,625,000)	(47,625,000)
Balance, December 31, 2012	381,000,000	-	42,077,397	1,469,435	185,535,489	-	610,082,321
<b>(Unaudited)</b>							
Increase in share capital (Note 9)	67,500,000	-	-	-	-	-	67,500,000
Share premium (Note 9 & 10)	-	107,146,299	-	-	-	-	107,146,299
Net income for the year	-	-	-	-	92,494,821	-	92,494,821
Transfer to statutory reserve	-	-	9,249,482	-	(9,249,482)	-	-
Dividends paid (Note 14)	-	-	-	-	(65,032,500)	-	(65,032,500)
Balance, December 31, 2013	448,500,000	107,146,299	51,326,879	1,469,435	203,748,328	-	812,190,941

The accompanying notes form an integral part of these interim financial statements

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013**

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**1. ORGANIZATION AND ACTIVITIES**

National Medical Care Company (the "Company") is a Saudi joint stock company, registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration No. 1010194785 dated Muharram 9, 1425 (corresponding to February 29, 2004). The Company carries out its activities through the following branches:

- Riyadh Care Hospital under commercial registration No. 1010195325 dated Muharram 22, 1425 (corresponding to March 14, 2004).
- National Hospital under commercial registration No. 1010195327 dated Muharram 22, 1425 (corresponding to March 14, 2004).
- Care Pharmaceutical Distribution and Medical Supplies under commercial registration No. 1010301247 dated Safar 14, 1432 (corresponding to January 19, 2011).

The Company is engaged in establishing, owning, equipping, managing, maintaining and operating hospitals and health centers units, wholesale and retail trade in medicines, medical equipment and supplies, representing its companies and owning vehicles; medical equipped or unequipped; necessary to perform its function and delivery of health services in all fields. As well as services and business that may assist in achieving or complementing its objectives and ownership of lands and properties for the benefit of the Company.

Based on the company's previous decision to offer its shares for public subscription and transform the company from a Saudi closed joint stock company to a Saudi joint stock company. The capital Market Authority announced its Board decision dated December 23, 2012 which includes the approval of issuance of 6.75 million shares for public subscription at 10 riyals per share, accordingly, the Company has been transformed from a closed joint stock company to a joint stock company by increasing its share capital by SR 67.5 million (Note 9).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies followed by the company in preparing the interim financial statements, summarized below are consistent with the policies in the audited financial statements for the year ended December 31, 2012. The interim financial statements and notes accompanying should be read with the audited financial statements and notes related for the year ended December 31, 2012.

**Accounting convention**

The interim financial statements are prepared under the historical cost convention, accrual basis and going concern assumption.



NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Management's estimates**

The preparation of interim financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the period, although these estimates are based on management's best available information and knowledge in the interim financial statements preparation date, actual results ultimately may differ from those estimates.

**Revenue and sales**

Revenue is recognized when services are rendered and the Company issues the invoice to customers, which is recorded at net amount after discount.

Sales are recognized upon delivery of goods to customers and issuing the invoices.

**Accrued revenue**

The accrued revenue represents earned revenue for rendered services without issuing invoices to customers.

**Cash and cash equivalent**

Cash and cash equivalent consist of bank balances, cash on hand and investments convertible to cash with maturities of three months or less from the date of acquisition.

**Expenses**

Selling and marketing expenses principally comprise of costs incurred in the marketing of the Company's services and marketing and selling goods.

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting standards in the Kingdom of Saudi Arabia. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

**Projects under construction**

Projects under construction is recorded at cost and mainly represents expansions in existing hospitals and establishing medical centers.

**Inventories**

Inventories are stated at lower of cost or net realizable value. Cost is determined using weighted average cost method except medicines and drugs as its cost are based on first-in first-out (FIFO) method. Management believes that there is no difference in the cost of medicines and drugs if the weighted average cost is used.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful life of principal classes of assets are as follows:

	<u>Years</u>
Buildings	33
Buildings improvements	10
Medical equipment and supplies	6
Elevators and communications equipment	6-7
Furniture, fixtures and office equipment	6-7
Computers and software	5
Vehicles	5

**Intangible assets**

Intangible assets represent the total cost incurred for medical licenses and amortized over three years from the date of obtaining the license.

**Impairment of assets**

The Company regularly reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash -generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately in the interim statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the interim statement of income.

**Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim statement of income.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Borrowing costs**

Borrowing costs directly attributable to acquisitions or construction of qualifying assets, which are the 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 times the asset is substantially ready for their intended use or sale. All other borrowing costs are charged against income in the period in which they are incurred.

**Provisions**

A provision is recorded in the interim financial statements when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**End-of-service indemnities**

End of service indemnities, required by Saudi Arabian labor law, are provided in the interim financial statements based on the employees' length of services.

**Zakat**

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. Zakat charge is computed on the zakat base or adjusted net income, whichever is higher. The provision is charged to interim statement of income. Any difference in the estimate is recorded when the final assessment is approved at which time the provision is cleared.

3. CASH AND CASH EQUIVALENT

The cash and cash equivalent at December 31, comprise of the following:

	2013 SR (Unaudited)	2012 SR (Audited)
Cash in hand	1,982,414	6,645,372
Cash at banks	53,873,265	65,165,758
Investment funds	129,914,641	6,280
	<u>185,770,320</u>	<u>71,817,410</u>

Investment funds above represent low-risk and high liquid investments in accordance with the Islamic Shari'a. As at December 31, 2013 the Company has approximately SR 129 million investments in various investment funds dues within less than 90 days.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013

4. TRADE RECEIVABLES, NET

	2013 SR (Unaudited)	2012 SR (Audited)
Account receivables – Trade	145,435,670	119,534,449
Account receivable – Related party (Note 5)	87,606,779	91,892,755
Provision for doubtful debts	(15,454,932)	(20,815,395)
	<u>217,587,517</u>	<u>190,611,809</u>

The above receivables include amounts of SR 126,821,953 (2012: SR 123,118,042) due from governmental and semi-governmental institutions and represents approximately 54% from total receivables balance (2012: approximately 58%).

The movement of provision for doubtful debts is as follows:

	2013 SR (Unaudited)	2012 SR (Audited)
January 1	20,815,395	15,264,079
Provision for the year	15,233,529	21,595,836
Collections during year	(12,611,041)	(15,802,680)
Write-off doubtful debts	(7,982,951)	(241,840)
December 31	<u>15,454,932</u>	<u>20,815,395</u>

5. RELATED PARTIES TRANSACTIONS

Related parties represent associated companies, shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by those parties. terms of such transactions are approved by the Company's management.

Related party	Nature of relationship
General Organization for Social Insurance	Shareholder
Arab Company for Medical Supply (Owned by Fal Holding Arabia Co. Ltd. - Shareholder)	Affiliate
Arabian Drager Company Ltd. (Owned by Fal Holding Arabia Co. Ltd. - shareholder)	Affiliate

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013

5. RELATED PARTIES TRANSACTIONS (Continued)

The significant transactions with related parties included in interim statement of income for the year ended December 31 are as follows:

	2013 SR (Unaudited)	2012 SR (Audited)
General Organization for Social Insurance – Medical Services	159,687,873	148,492,162
Arabian Medical Marketing Company Limited – Supplier	276,932	244,488
Arabian Drager Company Ltd. – Supplier	3,272,245	-

Due from / to related parties balances in the interim balance sheet as at December 31 are as follows:

**Due from a related party**

	2013 SR (Unaudited)	2012 SR (Audited)
General Organization for Social Insurance	87,606,779	91,892,755

**Due to related parties**

	2013 SR (Unaudited)	2012 SR (Audited)
Arabian Medical Marketing Company Limited	117,267	40,510
Arabian Drager Company Ltd.	64,367	-
	181,634	40,510

**Compensation of Key Management Personnel**

The remuneration of directors and other members of key management included in the interim statement of income for the year was as follows:

	2013 SR (Unaudited)	2012 SR (Audited)
Board of Directors remuneration and other allowances	2,077,000	1,698,000

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013

6. ACCRUED REVENUES AND OTHER DEBIT BALANCES

	2013 SR (Unaudited)	2012 SR (Audited)
Advances to suppliers	37,882,555	11,864,300
Unbilled services revenues	17,485,715	15,946,944
Deposits with others and loans to employees	2,106,885	1,905,349
Prepaid expenses	737,880	2,874,875
Others	1,827,983	4,929,734
	<b>60,041,018</b>	<b>37,521,202</b>

7. LOANS

- A. On June 27, 2012, the Company has obtained a long-term financing (Tawarruq) amounting to SR 21,988,000 includes profit margin of SR 1,988,000 based on financing agreement signed with a bank on July 18, 2010 with a financing limit of SR 286 million. The loan balance as at December 31, 2013 amounted to SR 20,480,433. The financing cost is SIBOR plus 2% payable in 8 quarterly installments and the principal is payable on September 2014. This finance is secured by any guarantees required by the bank from time to time. As of the date of interim financial statements no guarantees were submitted.
- B. On October 1, 2012 the Company received a short-term Murabaha contract within the same financing agreement above amounted to SR 10,328,611 includes a profit margin of SR 328,611. This loan has been paid during the year.
- C. On October 10, 2012 the Company signed a financing agreement of SR 154,112,000 with Ministry of Finance to finance the constructions of a hospital, and received the first payment of the financing limit of SR 66,572,100 on April 28, 2013. The first installment repayment is due after 5 years of the contract date. This loan is secured against real estate mortgage.

8. ZAKAT

The interim statement of income is charged by an approximate amount of zakat based on management estimation and any difference from zakat calculation is adjusted at the end of the year.

The Company has filed its zakat return for all financial years till 2012 and paid zakat dues based on these returns. The Company has received assessments of DZIT for all financial years till 2005, and obtained the final zakat certificate up to 2012.

The Company received zakat assessment for the two years 2006 and 2007 from DZIT that included additional payment amounted to SR 0.9 million. The Company has booked additional provision amounted to SR 1,035,774 to meet any future commitment.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013**

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**9. SHARE CAPITAL**

On Zul Qaidah 30, 1433 (corresponding to 16 October 2012) the shareholders decided in the Extraordinary General Assembly meeting to increase the Company's share capital from 381 million to SR 448.5 million by increasing the number of shares from 38.1 million shares to 44.85 million shares with a nominal value of SR 10 per share, which has been approved by the Capital Market Authority on December 23, 2012, through public subscription of 6.75 million shares during the period from Rabi Al-Awal 23, 1434 (corresponding to February 4, 2013) to Rabi Al-Awal 29, 1434 (corresponding to February 10, 2013). The subscription was issued with premium of SR 17 per share with a net amount of SR 107,146,299 after deducting subscription cost. The net premium had been transferred to the statutory reserve in accordance with Article 98 of the Saudi Companies Regulations.

**10. STATUTORY RESERVE**

In accordance with the Regulations for Companies in Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of the annual net income until the reserve equals 50% of the share capital. The net premium amounted to SR 107,146,299 has been transferred to the statutory reserve during the year. This reserve is not available for dividend distribution.

**11. CAPITAL COMMITMENTS**

During 2009, the Company signed two agreements for the expansion of National Hospital in Riyadh and establishing of family medical center and the other one is for the supervision of the construction work with total value for both contracts of SR 313,7 million. The cost incurred till December 31, 2013 amounted to SR 266 million (December 31, 2012: SR 214 million).

**12. EARNINGS PER SHARE**

Earnings per share are calculated by dividing the operating income and net income by the weighted average number of outstanding shares for the three-month period ended December 31, 2013 amounted to 44,85 million shares and for the year ended December 31, 2013 amounted to 43.725 million shares (for the three-month period and year ended December 31, 2012: SR 38.1 million shares).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013

13. SEGMENTAL INFORMATION

The segment information relating to the Company's business activities that is approved by the management as a basis for the preparation of the financial information and is consistent with internal reporting methods. Segments results and assets include items related directly to specific sector and items can be distributed to different sectors according to certain bases.

The Company main business activities are as follows:

- Inpatient and surgeries
- Outpatient clinics
- Other medical sections
- Pharmacies
- General administration\ pharmaceutical medical distribution

The segmental information for the year ended December 31, 2013 and 2012 are as follows:

	Inpatient and surgeries department SR	Outpatient clinics department SR	Other medical section department SR	Pharmacies SR	General administration\ pharmaceutical medical distribution SR	Total SR
<b>2013</b> (Unaudited)						
Revenue and sales	132,373,221	69,137,366	221,438,625	110,024,809	53,302,173	586,276,194
Gross profit	29,338,445	15,182,868	48,891,543	29,011,611	1,382,804	123,807,271
Net profit	24,997,031	12,867,336	41,565,099	29,011,611	(15,946,256)	92,494,821
Properties and equipment	84,973,723	45,263,717	143,322,252	-	18,802,643	292,362,335
Total assets	135,185,054	71,355,607	227,140,416	114,183,885	522,675,958	1,070,540,920
Total liabilities	19,876,780	10,460,204	33,355,410	16,712,371	177,945,214	258,349,979
	Inpatient and surgeries department SR	Outpatient clinics department SR	Other medical section department SR	Pharmacies SR	General administration\ pharmaceutical medical distribution SR	Total SR
<b>2012</b> (Audited)						
Revenue and sales	120,432,013	61,721,269	221,809,379	105,764,388	15,021,675	524,748,724
Gross profit	31,986,452	16,501,892	58,912,635	27,798,429	(64,482)	135,134,926
Net Profit	28,080,567	14,495,399	51,718,825	27,798,430	(17,136,545)	104,956,676
Properties and equipment	68,013,604	34,429,568	125,263,804	-	17,395,083	245,102,059
Total assets	117,270,682	59,750,286	215,984,970	102,738,820	298,955,874	794,700,632
Total liabilities	18,244,159	9,370,216	33,601,854	16,036,457	107,365,625	184,618,311



NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013

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**14. DIVIDENDS**

The General assembly approved in their meeting held on April 16, 2013, the recommendation of the Board of Directors to distribute dividend of SR 65,032,500 SR as SR 1.45 per share (2012: SR 47,625,000 as S.R 1.25 per share).

**15. FAIR VALUES RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The listed financial instruments in the interim financial position statement mainly include cash and cash equivalents, trade receivables, other assets, bank facilities, trade payables, accrued expenses and other liabilities.

**Commission rate risk**

This represents risks resulting from the fluctuations of the financial instruments as a result of changes in the market commission rates. The Company does not have significant assets or liabilities associated with commission rates, except for the banks facilities. Management believes that the risks related to the fluctuation in commission rates resulting from the banks facilities, if any, are not significant as at December 31, 2013.

**Credit risk**

It is the risk that other parties will fail to discharge their obligations and cause the other party to incur a financial loss. The Company is not exposed to a significant concentration in credit risk. Customers' receivables are reviewed continuously, aging analysis is performed and allowances are made against any doubtful debts. The receivables balance is stated net of allowance for doubtful debts. The Company keeps its cash funds at local banks with high credit rating.

**Liquidity risk**

It is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity is managed by periodically ensuring its availability in amounts sufficient to meet any future commitments.

**Currency risk**

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates, and believes that the Company is not exposed to significant currency risk since the Company's main transactions are dominated by Saudi Riyal and the U.S. dollar.

**Fair value**

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE-MONTH PERIOD AND THE YEAR ENDED DECEMBER 31, 2013**

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**16. COMPARATIVE FIGURES**

Certain figures for the comparative period/ year have been reclassified to conform with the presentation of the current year.

**17. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

The interim financial statements have been approved by the Board of Directors on January 16, 2014.