

Offering of twenty-two million five hundred thousand (22,500,000) new ordinary shares through a capital increase, representing thirty percent (30%) of the share capital of Al Hammadi Company for Development and Investment after subscription, through a public offering at a price of SAR 28 per share (with a fully paid up nominal value of SAR 10 per share)

## Prospectus

# Al Hammadi Company for Development and Investment

A Saudi joint stock company under Ministerial Resolution No. 316/q dated 16/9/1429H (corresponding to 16/9/2008G) and registered under Commercial Register No. 1010196714 dated 23/2/1425H (corresponding to 13/4/2004G)

Offer Period: starts on Wendsday 13/8/1435H (corresponding to 11/6/2014G) until 19/8/1435H (corresponding to 17/6/2014G).



Al Hammadi Company for Development and Investment (the "Company") is a Saudi joint stock company pursuant to Ministerial Resolution No. 316/q dated 16/9/1429H (corresponding to 16/9/2008G) and commercial registration No. 1010196714 dated 23/2/1425H (corresponding to 13/4/2004G). The Company was originally founded as a sole proprietorship owned by Saleh Mohammad Al Hammadi and was registered under commercial registration No. 1010060944 dated 21/02/1406H (corresponding to 05/11/1985G) with a capital of Saudi Riyals four million (SAR 4,000,000). It was then converted on 25/01/1425H (corresponding to 16/3/2004G) to a limited liability company under the name of "Al Hammadi Hospital Company" with a share capital of Saudi Riyals fifty million (SAR 50,000,000). On 13/06/1429 (corresponding to 17/6/2008G), the Shareholders of Al Hammadi Hospital Company resolved to convert the legal status of the Company into a Saudi joint-stock company under the name of "Al Hammadi Company for Development and Investment" with a share capital of Saudi Riyals three hundred million (SAR 300,000,000) through the capitalisation of the amount of Saudi Riyals one hundred eighty million seven hundred seventy nine thousand and seven hundred and ninety two (SAR 180,779,792) from the retained earnings account, Saudi Riyals twenty million eighty six thousand and six hundred and forty three (SAR 20,086,643) from the statutory reserve account, and Saudi Riyals forty nine million one hundred and thirty three thousand and five hundred and sixty five (SAR 49,133,565) from the Shareholders' current account as reflected in the Company's 2008G financial statements. His Excellency the Minister of Commerce and Industry issued Ministerial Resolution No. 316/Q dated 16/9/1429H (corresponding to 16/9/2008G) declaring the Company's conversion into a joint-stock company. On 19/7/1433H (corresponding to 09/06/2012G), the Company increased its share capital to Saudi Riyals four hundred and twenty million (SAR 420,000,000) through the capitalisation of an amount of Saudi Riyals one hundred and twenty million (SAR 120,000,000) from its retained earnings. Finally, on 8/8/1434H (corresponding to 17/6/2013G), the Company increased its share capital to Saudi Riyals five hundred and twenty-five million (SAR 525,000,000) divided into fifty two million five hundred thousand shares (52,500,000) with a nominal value of Saudi Riyals ten (SAR 10) per share. This increase, representing Saudi Riyals one hundred and five million (SAR 105,000,000), was covered through the capitalisation of Saudi Riyals seventy two million (SAR 72,000,000) from the retained earnings account, and the capitalisation of Saudi Riyals thirty three million (SAR 33,000,000) from the statutory reserve account. In accordance with the Offering (as defined below), the Company intends to increase its share capital by Saudi Riyals two hundred and twenty five million (SAR 225,000,000) which shall become Saudi Riyals seven hundred and fifty million (SAR 750,000,000) following the Offering, divided into seventy five million shares (75,000,000) with a nominal value of Saudi Riyals ten (SAR 10) per share (the "Shares").

The initial public offering (the "Offering") includes the offering of twenty-two million five hundred thousand (22,500,000) ordinary shares ("Offer Shares") and each an "Offer Share" with an Offer Price of Saudi Riyals twenty eight (SAR 28) per share, which represents a nominal value of Saudi Riyals ten (SAR 10), and a premium of Saudi Riyals eighteen (SAR 18). The total number of Offer Shares represents 30% of the Company's issued share capital following the Offering. The amount of Saudi Riyals four hundred fifty seven million and five hundred thousand (SAR 457,500,000), representing 75% of the net proceeds from the Offering shall be used to finance the Al Hammadi Hospital - Al Nuzha project and to repay part of the loans associated therewith. The remaining amount of the Offer net proceeds which amounts to Saudi Riyals one hundred fifty two million and five hundred thousand (SAR 152,500,000) shall be used for general purposes of the Company (please refer to section 8 "The Use of Proceeds" of this Prospectus). The Company's shares shall be ordinary shares of a one class which shall include the shares of the Founding Shareholders as well as the Offer Shares, and no Shareholder shall be given any preferential rights, as each share shall grant its holder the right to one vote. Each Shareholder owning at least (20) shares shall have the right to attend the meetings of the General Assembly of Shareholders (the "General Assembly") and to vote on its resolutions. The Offer Shares shall receive their respective share of any dividend declared by the Company as of the date of commencement of the Offer Period and in the subsequent fiscal years (please refer to section 7 "Dividends Distribution Policy" of this Prospectus).

The Current Shareholders of the Company whose names and ownership percentages in the Company's share capital appear on page (34) of this Prospectus own a total of fifty-two million five hundred thousand (52,500,000) shares with a nominal value of Saudi Riyals ten (SAR 10) per share, representing 70% of the Company's overall share capital following the Offering. Consequently, they shall retain a controlling interest in the Company after the completion of the Offering. Moreover, the names and ownership percentages of the Substantial Shareholders in the Company who own 5% or more of its shares, appear on page (xi) of this Prospectus. Furthermore, the Offering has been fully underwritten by Samba Capital & Investment Management Company (please refer to section 12 "Underwriting" of this Prospectus).

Subscription to the Offer Shares is restricted to the two following groups of investors:

Tranche (A): Institutional Investors: This tranche comprises a number of institutions including mutual funds (referred to collectively as the "Institutional Investors") (please refer to section 1 "Definitions and Abbreviations" of this Prospectus). The number of Offer Shares allocated to Institutional Investors is twenty two million and five hundred thousand (22,500,000) Offer Shares, representing 100% of the Offer Shares. In the event that the Individual Investors (who are defined under "Tranche (B)" below) subscribe to the Offer Shares, the Lead Manager may exercise its right to reduce the number of shares allocated to Institutional Investors to eleven million two hundred and fifty thousand (11,250,000) shares, representing 50% of the total Offer Shares, subject to the approval of the Capital Market Authority (the "CMA"). 90% of the Offer Shares in the institutional tranche will be allocated to mutual funds, such percentage is subject to adjustment in the event that other institutions, excluding mutual funds, do not fully subscribe to the remaining percentage (10%), or in the event that the mutual funds do not fully subscribe to the percentage allocated to them (90%).

Tranche (B): Individual Investors: This tranche comprises Saudi individuals, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit in the names of her minor children, on the condition that she proves that she is a divorcee or widow and that she is the mother of her minor children, (hereinafter collectively referred to as "Individual Investors" and individually as "Subscriber"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant. The maximum number of Offer Shares allocated to the Individual Investors is (11,250,000), representing 50% of the total Offer Shares. In the event the Individual Investors do not subscribe to the full number of Offer Shares allocated to them, the Lead Manager may, subject to the CMA's approval, reduce the number of Offer Shares allocated to Individual Investors to match the number of shares of which they subscribed.

In a meeting held on 23/4/1435H (corresponding to 23/2/2014G), the Company's Board of Directors recommended to increase the Company's share capital from Saudi Riyals five hundred and twenty five million (SAR 525,000,000) to Saudi Riyals seven hundred and fifty million (SAR 750,000,000), subject to obtaining all necessary regulatory approvals. On 8/5/1435H (corresponding to 9/3/2014G), the Extraordinary General Assembly of the Company approved the Board of Directors' recommendation and resolved and authorised the increase of the Company's share capital from Saudi Riyals five hundred and twenty five million (SAR 525,000,000) to Saudi Riyals seven hundred and fifty million (SAR 750,000,000), on the condition that the new shares are offered through a public offering. The Current Shareholders in the Company have waived their rights to subscribe to such new shares.

The Offering shall commence on Wendsday 13/8/1435H (corresponding to 11/6/2014G), and shall remain open for a period of 7 days, up to and including the last day of the Offering which will end on Tuesday 19/8/1435H (corresponding to 17/6/2014G) ("Offer Period"). Subscription for the Offer Shares can be made through any branch of the Receiving Entities (the "Receiving Entities") listed on page (viii) and (ix) during the Offer Period (please refer to the "Key Dates and Subscription Procedures" section and section 15 "Subscription Terms and Conditions"). Institutional Investors may subscribe to the Offer Shares through the institutional book runner during the book building process which shall take place prior to the offering of the Shares to Individual Investors.

Each Individual Investor must apply to a minimum of (10) shares. Each Individual Investor shall be allocated a minimum of 10 Offer Shares and a maximum of 250,000 Offer Shares. The remaining number of Offer Shares, if any, shall be allocated on a pro-rata basis based on the percentage requested by each Individual Investor to the total number shares applied for by that investor. If the number of Individual Investors exceeds 1,125,000 subscribers, then the Company does not guarantee the minimum allocation of (10) shares to each Individual Investor and, in such case, the Offer Shares shall be equally allocated amongst the Individual Investors. In the event that the number of Individual Investors exceed 1,125,000, the Offer Shares shall be allocated based on an allocation mechanism suggested by the Company and the Financial Advisor. Excess subscription monies, if any, shall be refunded to the Individual Investors without any deduction or withholding by the Receiving Entities. Notification of the final allocation and refund of subscription monies shall be made no later than 26/8/1435H (corresponding to 24/6/2014G) (please refer to subsection "Allotment and Refund of Surplus" in section 15 "Subscription Terms and Conditions" of this Prospectus).

Prior to the Offering, there has been no public market for the Shares in the Company, whether within or outside the Kingdom of Saudi Arabia. The Company has submitted an application to the CMA for the admission of the Shares to the Official List and all supporting documents requested by the CMA have been submitted. All relevant approvals relating to the Offering have been granted. Trading in the Offer shares of the Company is expected to commence on the Saudi Stock Exchange (the "Exchange" or "Tadawul") soon after the final allocation of the Offer Shares and satisfying all relevant regulatory requirements (please refer to the "Key Dates and Subscription Procedures" section). Following the registration of the Shares on the Official List, Saudi nationals, and GCC nationals, non-Saudi residents holding valid residency permits in Saudi Arabia, Saudi and GCC companies, banks and, mutual funds shall be permitted to trade in the Offer Shares of the Company. Moreover, non-Saudi individuals living outside the Kingdom and institutions registered outside the Kingdom, (hereinafter referred to as "Foreign Investors") shall also have the right to acquire the economic benefits in the Company's shares by entering into SWAP agreements with persons authorized by the CMA (hereinafter referred to as "Authorized Persons") to purchase shares listed on the Exchange and to trade in the same for the benefit of Foreign Investors. It should be noted that under SWAP agreements, the Authorized Persons shall remain the legal owners of the Shares.

The Company has submitted the Admission and Listing Application to the CMA of the Kingdom of Saudi Arabia, and all requirements applicable in this regard have been satisfied. section "Important Notice" page (ii) and section number (2) "Risk Factors" of this Prospectus must be carefully read before making any decision as to whether or not to invest in the Offer Shares in accordance with this Prospectus.

Financial Advisor, Lead Manager, Book Runner and Underwriter

sambacapital سامبا كابيتال

Receiving Entities

SABB ساب

samba سامبا

Al Rajih Bank مصرف الراجحي

بنك الرياض  
riyadh bank

بنك الجزيرة  
BANK ALIAZIRA

NCB الأهلي

العمري  
ane

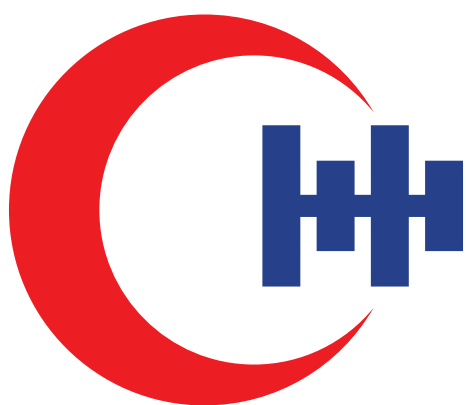
بنك  
Banque  
Saudia  
Francaise

جدوى للاستثمار  
Jadwa Investment

This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority"). The directors, whose names appear on page (vi) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus was issued on 10/8/1435H (corresponding to 8/6/2014G)

This Prospectus is an English translation of the official Arabic Prospectus. In case of any differences between the two, the Arabic version shall prevail.



## Important Notice

This Prospectus includes full details of information relating to the Company and the Offer Shares. In applying for the Offer Shares, Applicants shall be treated as applying on the basis of the information contained in the Prospectus, copies of which are made available for collection from the Receiving Entities or by visiting the Company's website ([www.alhammadi.com](http://www.alhammadi.com)), the CMA website ([www.cma.org.sa](http://www.cma.org.sa)), or the Financial Advisor and the Lead Manager's website ([www.sambacapital.com](http://www.sambacapital.com)).

Samba Capital & Investment Management Company ("**Samba Capital**") has been appointed by the Company as the Financial Advisor (the "**Financial Advisor**") in relation to the Offering as well as the Lead Manager ("**Lead Manager**"), and Underwriter (the "**Underwriter**") in relation to the Offering described in this Prospectus (please refer to section 12 "**Underwriting**" of this Prospectus).

This Prospectus includes information given in compliance with the Listing Rules issued by the CMA. The Directors whose names appear on page (iv) collectively and individually accept full responsibility for accuracy of the information contained in this Prospectus, and confirm, having made all reasonable enquiries, that there are no other facts, the omission of which would make any statement herein misleading. The CMA and the Exchange shall not be responsible for any information contained in this Prospectus, nor do they make any representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any losses arising from the information contained in this Prospectus or incurred in reliance upon any part hereof.

The Company has made all reasonable enquiries to ensure the accuracy of the information contained in this Prospectus on the date hereof. The market and industry information relating to the market in which the Company operates and contained in this Prospectus is derived from estimates made by the Company's Management and from information and analysis available to the public from publications made by information, data and news providers. While neither the Company nor its advisors has any reason to believe that any of the market and industry information is materially inaccurate, no independent verification has been made and no representation is given in relation to such information contained in this Prospectus.

The information contained in this Prospectus is subject to change. In particular, the actual financial position of the Company and the value of the Offer Shares may be adversely affected by future developments relating to inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer is intended to be, or should be construed as or relied upon in any way as a promise or representation of future earnings, results or events.

This Prospectus shall not be regarded as a recommendation from the Company, the Directors or its advisors to participate in the Offering. In addition to the aforementioned, the information contained in this Prospectus is of a general nature, and has been compiled without taking into consideration the individual investment objectives, the financial position or the specific investment needs of the person who intends to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information contained in this Prospectus, with regard to individual objectives, financial situations and needs. Each recipient is responsible for his own assessment of the Company and to determine whether this investment opportunity and the information contained in the Prospectus suits his objectives, financial situations and needs, including merits and risks associated with the investment in the Offering. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision as to whether or not to invest as a basis for their own study of the investment opportunity and such investor's individual circumstances.

The Offering is limited to: (a) Institutional Investors: this tranche includes a number of institutions including mutual funds (please refer to section 1 "**Definitions and Abbreviations**" of this Prospectus) and (b) Individual Investors: this tranche includes Saudi individuals, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or a widow and that she is the mother of her minor children. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant.



The distribution of this Prospectus or the sale of Offer Shares in any country other than Saudi Arabia is expressly prohibited. The Company and the Financial Advisor request the recipients of this Prospectus to read the statutory restrictions relating to the Offering or sale of the Offer Shares and to comply with the same.

## Industry and Market Information

Information contained in this Prospectus relating to the industry and market in which the Company operates has been obtained from an industry and market research consultant "Roland Berger Strategy Consultants Middle East W. LLP", an independent consulting firm incorporated in Bahrain and is a subsidiary of German company Roland Berger which was founded in Munich in 1967 as a provider of market services and international consulting.

Neither the industry and market consultant nor its subsidiaries, shareholders, directors, and any of their relatives have any ownership interest or any other interest in the Company's shares. The industry and market consultant has provided written consent to the publication of the industry and market information derived from reports submitted by it to the Company in the form and structure contained in this Prospectus and it has not withdrawn such consent. The Company believes that such information, sources and estimates are correct, and it has made all reasonable efforts to confirm such information. The data relating to the industry and market is subject to change, and cannot be verified with certainty due to the limited availability of raw data, the voluntary nature of the information gathering process, and other limitations associated with the study of a market of this size.

## Financial Information

The audited financial statements of the Company as at the end for the years ending on 31 December 2010G, 2011G, 2012G and 2013G, and the notes thereto, which have been included in other sections of this Prospectus, have all been prepared in accordance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants in the Kingdom of Saudi Arabia ("**SOCPA**"), and have been audited by the Company's Auditors "PricewaterhouseCoopers". The Company issues its financial statements in Saudi Riyals.

## Forecasts and Forward Looking Statements

Forecasts contained in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently, no representation or warranty is made with respect to the accuracy or completeness of any of such forecasts.

Certain statements contained in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or "it is believed", or the negative or other variation of such terms or comparable terminology. These forward looking statements reflect the current views of the Company with respect to future events, but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks or factors which could have such an effect are described in more detail in other sections of this Prospectus (please refer to section 2 "**Risk Factors**" of this Prospectus). Should any one or more of the risks or uncertainties materialise, or any underlying assumption proves to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary prospectus to the CMA if it is found by the Company at any time after the CMA's approval of this Prospectus and before admission of its Shares to the Official List that the following has occurred: (a) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules, or (b) the emergence of any additional significant matters which should have been included in this Prospectus. With the exception of the foregoing, the Company does not intend to update or revise any information in relation to the industry or market in this Prospectus, whether this came as a result of the emergence of new information or the occurrence of future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Therefore, prospective investors must consider all forward looking statements in light of these explanations and should not place undue reliance on them.



## THE COMPANY'S DIRECTORY

### Members of the Board of Directors

The current Board of Directors is comprised of the following 9 members:

No	Name	Position	Representing	Nationality	Age	Status	Direct Ownership	Indirect Ownership	Membership date
1.	Saleh bin Mohammad Al Hammadi	Chairman	Personal capacity	Saudi	72	Non-executive / non-independent	14.286%	None	24/7/2013G
2.	Dr. Abdulaziz bin Mohammad Al Hammadi	Member	Personal capacity	Saudi	61	Non-executive / non-independent	14.286%	None	24/7/2013G
3.	Mohammad bin Saleh Al Hammadi	Managing Director	Personal capacity	Saudi	43	Executive- non-independent	7.000%	None	24/7/2013G
4.	Dr. Abdulaziz bin Saleh Al Hammadi	Member	Personal capacity	Saudi	38	Executive/ non- independent	7.000%	None	24/7/2013G
5.	Dr. Sami bin Abdullah Al Saeed	Member	Personal capacity	Saudi	48	Non-executive/ independent	0.002%	None	24/7/2013G
6.	Abdulaziz bin Abdulrahman Al Faryan*	Member	Personal capacity	Saudi	37	Non-executive/ independent	None	None	24/7/2013G
7.	Tariq bin Ziad Al Sudairy*	Member	Jadwa Healthcare Opportunities Company	Saudi	38	Non-executive / non-independent	None	None	24/7/2013G
8.	Kareem Haidar Madi*	Member	Jadwa Healthcare Opportunities Company	Jordanian	36	Non-executive / non-independent	None	None	2/12/2013G
9.	Abdulaziz bin Saleh Al Rebdi*	Member	Personal capacity	Saudi	52	Non- executive/ Independent	None	None	24/7/2013G

Source: The Company

\* Pursuant to the Company's By-laws and the Companies Regulations, every Board member shall own shares in the Company with a minimum value of SAR 10,000 (the "Qualification Shares") deposited with a local bank. Such shares shall be transferred after the Offering.



## The Company's Address



Al Hammadi Company for Development and Investment  
Khaled bin Yazeed bin Muwaiya, north of Al Aqariyyah Building –  
Al Olaya  
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The Kingdom of Saudi Arabia  
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Website: [www.alhammadi.com](http://www.alhammadi.com)  
Email: [invest@alhammadi.com](mailto:invest@alhammadi.com)

## The Company's Representatives:

Mohammad Saleh Al Hammadi  
Member of the Board of Directors - Managing Director / Chief  
Executive Officer  
Khaled bin Yazeed bin Muawiya, north of the Al Aqariyyah Building  
– Al Olaya  
P.O. Box 5504, Al Riyadh 11534  
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Website: [www.alhammadi.com](http://www.alhammadi.com)  
Email: [mohammad@alhammadi.com](mailto:mohammad@alhammadi.com)

Dr. Abdulaziz Saleh Al Hammadi  
Member of the Board of Directors – Chief Operating Officer  
Khaled bin Yazeed bin Muawiya, north of the Al Aqariyyah  
Building – Al Olaya  
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Email: [aziz@alhammadi.com](mailto:aziz@alhammadi.com)

Munir Abdulaleem Al Sayyed  
Board Secretary  
Khaled bin Yazeed bin Muawiya, north of the Al Aqariyyah Building  
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Email: [muner@alhammadi.com](mailto:muner@alhammadi.com)



## Shares Registrar

Saudi Stock Exchange Company (Tadawul)  
The Towers of Company for Cooperative Insurance  
700 King Fahd Road  
P.O. Box 60612 Riyadh 11555  
Kingdom of Saudi Arabia  
Saudi Stock Exchange (Tadawul)  
Telephone: + 966 (11) 218 1200  
Fax: + 966 (11) 2181220  
Website: [www.tadawul.com.sa](http://www.tadawul.com.sa)  
Email: [webinfo@tadawul.com.sa](mailto:webinfo@tadawul.com.sa)



## Advisors

Financial Advisor, Lead Manager, Book Runner and Underwriter  
Samba Capital & Investment Management Company  
Kingdom Tower, 14th floor  
P.O. Box 220007, Riyadh 11311  
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sambacapital سامبا كابيتال

Legal Advisor to the Offer  
The Law Office of Looaye M.  
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Legal Advisor to the Lead Manager, Book Runner and Underwriter  
Dr. Waleed N. Al-Nuwaier in association with White & Case LLP  
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**WHITE & CASE**

Financial Due Diligence Advisor

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Industry and Market Consultant

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Kingdom of Bahrain  
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Fax: +973 (17) 566 703  
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**Roland Berger**  
Strategy Consultants

Shari'ah Compliance Consultant

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Fax: +966 (11) 283 4947  
Website: [www.shariyah.com](http://www.shariyah.com)  
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Auditors and Accountants

PricewaterhouseCoopers  
The building of King Faisal Charity Foundation  
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Fax: +966 (11) 465 1663  
Kingdom of Saudi Arabia  
Website: [www.pwc.com](http://www.pwc.com)  
E-mail: [hani.ashkar@sa.pwc.com](mailto:hani.ashkar@sa.pwc.com)



Note: The above Advisers have given and not withdrawn their written consent to the publication of their names, addresses and logos in the Prospectus and the publication of their statements in the form and content appearing herein; and they do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company as of the date of publication hereof.





#### Underwriter

Samba Capital & Investment Management Company (Samba Capital)

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Kingdom of Saudi Arabia

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Fax: +966 (11) 211 7438

Website: [www.sambacapital.com](http://www.sambacapital.com)

E-mail: [ipo@sambacapital.com](mailto:ipo@sambacapital.com)

sambacapital سامبا كابيتال

#### Receiving Entities

Samba Financial Group

Main Branch at King Abdulaziz Road

P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia

Telephone: +966 (11) 477 4770

Fax: +966 (11) 479 9402

Website: [www.samba.com](http://www.samba.com)

E-mail: [customercare@samba.com](mailto:customercare@samba.com)

samba سامبا

Al Rajhi Bank

Main Branch at Al Olaya Main Road

P.O. Box: 28, Riyadh 11411

Kingdom of Saudi Arabia

Telephone: + 966 (11) 2116000

Fax: +966 (11) 460 0705

Website: [www.alrajhibank.com.sa](http://www.alrajhibank.com.sa)

E-mail: [contactcenter1@alrajhibank.com.sa](mailto:contactcenter1@alrajhibank.com.sa)

Al Rajhi Bank مصرف الراجحي

Riyad Bank

King Abdulaziz Road

P.O. Box 22622, Riyadh 11614

Kingdom of Saudi Arabia

Telephone: +966 (11) 401 3030

Fax: +966 (11) 404 2618

Website: [www.riyadbank.com](http://www.riyadbank.com)

E-mail: [customercare@riyadbank.com](mailto:customercare@riyadbank.com)

بنك الرياض  
riyad bank

Bank AlJazira

Khalid bin Al Walid Street

P.O. Box 6277, Jeddah 21442, Kingdom of Saudi Arabia

Telephone: +966 (12) 651 8070

Fax: +966 (12) 653 2478

Website: [www.baj.com.sa](http://www.baj.com.sa)

Email: [info@baj.com.sa](mailto:info@baj.com.sa)

بنك الجزيرة  
BANK ALJAZIRA  
مصرفية إقليمية حديثة  
INNOVATIVE ISLAMIC BANKING

## Receiving Entities

National Commercial Bank  
King Abdulaziz Road  
P.O. Box: 3555, Jeddah 21481  
Kingdom of Saudi Arabia  
Telephone: +966 (12) 333 3649  
Fax: +966 (12) 742 6643  
Website: www.alahli.com  
Email: contactus@alahli.com



Arab National Bank  
P.O. Box: 56921, Jeddah 11564  
Kingdom of Saudi Arabia  
Telephone: +966 (11) 9000 402  
Fax: +966 (11) 7747 402  
Website: www.anb.com.sa  
Email: abinayba@anb.com.sa



The Saudi British Bank  
Prince Abdulaziz bin Musaeb bin Jilawy Street  
P.O. Box 9084, Riyadh 11413  
Kingdom of Saudi Arabia  
Tel: +966 (11) 405 0677  
Fax: +966 (11) 405 0660  
Website: www.sabb.com  
E-mail: sabb@sabb.com



Banque Saudi Fransi  
Ma'ather Road  
P.O. Box 56006, Riyadh 11554  
Kingdom of Saudi Arabia  
Tel: +966 (11) 404 2222  
Fax: +966 (11) 404 2311  
Website: www.alfransi.com.sa  
E-mail: communications@alfransi.com.sa



Jadwa Investment  
King Fahd Road  
P.O. Box 60677 Riyadh 11555  
Kingdom of Saudi Arabia  
Telephone: + 966 (11) 1111 279  
Fax: + 966 (11) 1571 279  
Website: www.jadwa.com  
Email: info@jadwa.com



#### Main Banks of the Company

Arab National Bank  
P.O. Box: 56921, Jeddah 11564  
Kingdom of Saudi Arabia  
Telephone: +966 (11) 9000 402  
Fax: +966 (11) 7747 402  
Website: [www.anb.com.sa](http://www.anb.com.sa)  
Email: [abinayba@anb.com.sa](mailto:abinayba@anb.com.sa)



Samba Financial Group  
Main Branch at King Abdulaziz Road  
P.O. Box 833, Riyadh 11421, Kingdom of Saudi Arabia  
Telephone: +966 (11) 477 4770  
Fax: +966 (11) 479 9402  
Website: [www.samba.com](http://www.samba.com)  
E-mail: [customercare@samba.com](mailto:customercare@samba.com)



The Saudi British Bank  
Prince Abdulaziz bin Musaed bin Jlawy Street  
P.O. Box 9084, Riyadh 11413  
Kingdom of Saudi Arabia  
Tel: +966 (11) 405 0677  
Fax: +966 (11) 405 0660  
Website: [www.sabb.com](http://www.sabb.com)  
E-mail: [sabb@sabb.com](mailto:sabb@sabb.com)





## OFFER SUMMARY

Recipients of this Prospectus should read it in full before making a decision as to whether or not to invest in the Company.

The Company	Al Hammadi Company for Development and Investment, a Saudi joint stock company, in accordance with Ministerial Resolution Number (316/Q) dated 16/9/1429H (corresponding to 16/9/2008G), with commercial registration number 1010196714 dated 23/02/1425H (corresponding to 13/04/2004G).																																																																																																																									
The Company's Activities	<p>At present, the Company's main activity is owning, operating and managing hospitals. The Company currently owns, operates and manages Al Hammadi Hospital - Al Olaya, located in Al Olaya area in Riyadh, in addition to establishing two new hospitals in Al Suweidi and Al Nuzha areas in Riyadh, making the total number of hospitals owned and operated by the Company three (3).</p> <p>The Company's main activities according to its By-laws are as follows:</p> <p>Wholesale and retail trade in medical equipment, supplies and pharmaceuticals; wholesale and retail trade in food supplies; commercial agencies; purchasing or leasing land to construct buildings thereon and investing in such buildings by way of sale or rent to the benefit of the Company; establishing or participating in the establishment of various industrial projects; establishing and constructing medical centres and hospitals and operating and maintaining the same; managing health institutions and establishing and managing private schools, colleges and universities; establishing recreational touristic facilities and projects and investing, operating and maintaining the same; establishing and constructing commercial centres and operating and maintaining the same, as well as generally performing construction and building works and maintenance.</p>																																																																																																																									
Substantial Shareholders	<p>There are (7) Substantial Shareholders in the Company, each holding 5% or more of its share capital, as follows:</p> <table border="1"> <thead> <tr> <th rowspan="3">Shareholders</th><th colspan="4">Pre-Offer</th><th colspan="4">Post-Offer</th></tr> <tr> <th rowspan="2">Number of Shares</th><th rowspan="2">Value (SAR)</th><th colspan="2">Percentage</th><th rowspan="2">Number of Shares</th><th rowspan="2">Value</th><th colspan="2">Percentage</th></tr> <tr> <th>Direct</th><th>Indirect</th><th>Direct</th><th>Indirect</th></tr> </thead> <tbody> <tr> <td>Jadwa Healthcare Opportunities Company</td><td>15,750,000</td><td>157,500,000</td><td>30.000%</td><td>-</td><td>15,750,000</td><td>157,500,000</td><td>21.000%</td><td>-</td></tr> <tr> <td>Saleh Bin Mohammad Al Hammadi</td><td>7,500,000</td><td>75,000,000</td><td>14.286%</td><td>-</td><td>7,500,000</td><td>75,000,000</td><td>10.000%</td><td>-</td></tr> <tr> <td>Abdulaziz Bin Mohammad Al Hammadi</td><td>7,500,000</td><td>75,000,000</td><td>14.286%</td><td>-</td><td>7,500,000</td><td>75,000,000</td><td>10.000%</td><td>-</td></tr> <tr> <td>Faisal Bin Abdulaziz Al Hammadi</td><td>3,675,000</td><td>36,750,000</td><td>7.000%</td><td>-</td><td>3,675,000</td><td>36,750,000</td><td>4.900%</td><td>-</td></tr> <tr> <td>Mohammad Bin Saleh Al Hammadi</td><td>3,675,000</td><td>36,750,000</td><td>7.000%</td><td>-</td><td>3,675,000</td><td>36,750,000</td><td>4.900%</td><td>-</td></tr> <tr> <td>Abdulaziz Bin Saleh Al Hammadi</td><td>3,675,000</td><td>36,750,000</td><td>7.000%</td><td>-</td><td>3,675,000</td><td>36,750,000</td><td>4.900%</td><td>-</td></tr> <tr> <td>Mohammad Bin Abdulaziz Al Hammadi</td><td>3,675,000</td><td>36,750,000</td><td>7.000%</td><td>-</td><td>3,675,000</td><td>36,750,000</td><td>4.900%</td><td>-</td></tr> </tbody> </table> <p>Jadwa Investment Company owns an indirect beneficial right to 6.57% of the Company's shares through Jadwa Healthcare Opportunities Company as follows:</p> <table border="1"> <thead> <tr> <th rowspan="3">Shareholders</th><th colspan="4">Pre-Offer</th><th colspan="4">Post-Offer</th></tr> <tr> <th rowspan="2">Number of Shares</th><th rowspan="2">Value (SAR)</th><th colspan="2">Percentage</th><th rowspan="2">Number of Shares</th><th rowspan="2">Value</th><th colspan="2">Percentage</th></tr> <tr> <th>Direct</th><th>Indirect</th><th>Direct</th><th>Indirect</th></tr> </thead> <tbody> <tr> <td>Jadwa Investment Company<sup>1</sup></td><td>3,449,250</td><td>34,492,500</td><td>-</td><td>6.570%</td><td>3,449,250</td><td>34,492,500</td><td>-</td><td>4.599%</td></tr> </tbody> </table>								Shareholders	Pre-Offer				Post-Offer				Number of Shares	Value (SAR)	Percentage		Number of Shares	Value	Percentage		Direct	Indirect	Direct	Indirect	Jadwa Healthcare Opportunities Company	15,750,000	157,500,000	30.000%	-	15,750,000	157,500,000	21.000%	-	Saleh Bin Mohammad Al Hammadi	7,500,000	75,000,000	14.286%	-	7,500,000	75,000,000	10.000%	-	Abdulaziz Bin Mohammad Al Hammadi	7,500,000	75,000,000	14.286%	-	7,500,000	75,000,000	10.000%	-	Faisal Bin Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000%	-	3,675,000	36,750,000	4.900%	-	Mohammad Bin Saleh Al Hammadi	3,675,000	36,750,000	7.000%	-	3,675,000	36,750,000	4.900%	-	Abdulaziz Bin Saleh Al Hammadi	3,675,000	36,750,000	7.000%	-	3,675,000	36,750,000	4.900%	-	Mohammad Bin Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000%	-	3,675,000	36,750,000	4.900%	-	Shareholders	Pre-Offer				Post-Offer				Number of Shares	Value (SAR)	Percentage		Number of Shares	Value	Percentage		Direct	Indirect	Direct	Indirect	Jadwa Investment Company <sup>1</sup>	3,449,250	34,492,500	-	6.570%	3,449,250	34,492,500	-	4.599%
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<sup>1</sup> Note: Jadwa Investment Company is not a shareholder in the Company. Rather, it owns an indirect beneficial interest in the Company through its ownership of units in Jadwa Healthcare Opportunities Fund, a closed-end investment fund established in accordance with the Investment Funds Regulations issued by the Capital Markets Authority and offered on a private placement basis. Jadwa Healthcare Opportunities Fund owns 30% of the Company's shares Pre-Offer. For further details, please refer to Subsection 4-2-2 of section (4) (Company Background And The Nature Of Its Business) of this Prospectus..

Share Capital of the Company Prior to the Offering	SAR 525,000,000.
Total Number of Shares of the Company Prior to the Offering	52,500,000 fully paid up ordinary shares.
Nominal Value per Share	SAR (10) ten per share.
Offering	The initial public offering of 22,500,000 Offer Shares, with a fully paid nominal value of Saudi Riyals ten (SAR 10) each. The Offer Price is Saudi Riyals twenty eight (SAR 28) per share, which represents a nominal value of Saudi Riyals ten (SAR 10), and a premium of Saudi Riyals eighteen (SAR 18) per share. The total number of the Offer Shares represents 30% of the Company's share capital following the Offering.
Number of Offer Shares	22,500,000 ordinary fully paid up shares.
Percentage of Offer Shares	30% of the share capital of the Company following the Offering.
Offer Price	Saudi Riyals twenty eight (SAR 28) per share, which represents a nominal value of Saudi Riyals ten (SAR 10), and a premium of Saudi Riyals eighteen (SAR 18) per share.
Total Value of Offer Shares	SAR 630,000,000
Use of Proceeds	The total amount of the Offering proceeds is expected to be approximately SAR 630,000,000 after deducting all the Offer fees and other related expenses, amounting to approximately SAR 20,000,000 in connection with the Offer. The Offer expenses shall be borne by the Company. An amount of SAR 457,500,000, which represents 75% of the Offering net proceeds, shall be used to finance Al Hammadi Hospital - Al Nuzha project, and to repay a portion of the loans related thereto. The remaining amounts of Offering net proceeds amounting to SAR 152,500,000 shall be used for the general purposes of the Company (please refer to section 8 "The Use of Proceeds" of this Prospectus).
Number of Offer Shares Underwritten	22,500,000 shares.
Total Amount Underwritten	SAR 630,000,000
Targeted Investors	Tranche (A) Institutional Investors: this tranche includes a number of institutions including mutual funds (please refer to section 1 "Definitions and Abbreviations" of this Prospectus). Tranche (B): Individual Investors: this tranche includes Saudi individuals, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and that she is the mother of her minor children. The subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, then the regulations shall be enforced against the concerned applicant.
Number of Shares Available to Institutional Investors	22,500,000 shares representing 100% of the total Offer Shares, with the possibility of reducing it to 50% in the case of subscription by Individual Investors.
Number of Shares Available to Individual Investors	A maximum of 11,250,000 shares, representing 50% of the total Offer Shares.
Subscription Method for Institutional Investors	The Lead Manager shall provide the Subscription Application Forms to the Institutional Investors.
Subscription Method for Individual Investors	Subscription Application Forms shall be made available with the Lead Manager and at the Receiving Entities branches during the Offer Period. Such forms must be completed in accordance with the instructions detailed in section 15 "Subscription Terms and Conditions" of this Prospectus. Individuals who have already subscribed in previous IPOs in the Kingdom may also subscribe through the Internet, telephone banking or ATMs or through any branches of the Receiving Entities, which provide said service to their customers.
Minimum Number of Offer Shares to be Applied for by Institutional Investors	100,000 shares of the Offer Shares.

Minimum Number of Offer Shares to be Applied for by Individual Investors	10 shares.
Minimum Subscription Amount by Institutional Investors	2,800,000 SAR.
Minimum Subscription Amount by Individual Investors	280 SAR.
Maximum Number of Offer Shares to be Applied for by Institutional Investors	3,749,999 shares of the Offer Shares.
Maximum Number of Offer Shares to be Applied for by Individual Investors	250,000 shares.
Maximum Subscription Amount by Institutional Investors	104,999,972 SAR.
Maximum Subscription Amount by Individual Investors	7,000,000 SAR.
Allocation of Offer Shares to Institutional Investors	Institutional Investors shall be allocated 22,500,000 Offer Shares, representing 100% thereof. However, in the event that the Individual Investors subscribe to the Offer Shares, the Lead Manager may exercise its right to reduce the number of shares allocated to Institutional Investors to eleven million two hundred and fifty thousand (11,250,000) shares, representing 50% of the total Offer Shares, subject to the approval of the Capital Market Authority (the "CMA"), following the completion of the subscription process by the Individual Investors.
Allocation of Offer Shares to Individual Investors	Allocation of Offer Shares is expected to be completed no later than 26/8/1435H (corresponding to 24/6/2014G). The minimum allocation per Applicant is 10 Offer Shares and the maximum allocation per Applicant is 250,000 Offer Shares. The balance of the Offer Shares allocated to the Individual Investors, if any, shall be allocated on a pro-rata basis. In the event that the number of Individual Investors exceeds 1,125,000, then the Company does not guarantee the minimum allocation of 10 Offer Shares per Applicant, and in such case, the Offer Shares shall be allocated equally amongst all the Individual Investors. If the number of Individual Investors exceeds 11,250,000, then the Offer Shares shall be allocated amongst the Individual Investors as suggested by the Company and the Financial Advisor.
Refund of Excess Subscription Monies	Excess of subscription monies, if any, shall be refunded to the Applicants without any charge or withholding by the Lead Manager or the Receiving Entities. Notification of the final allotment and refund of subscription monies, if any, shall be made no later than 26/8/1435H (corresponding to 24/6/2014G) (please refer to section 15 "Subscription Terms and Conditions – Allotment and Refund of Surplus" of this Prospectus).
Offer Period	The Offering shall commence on Wednesday 13/8/1435H (corresponding to 11/6/2014G), and shall remain open for a period of (7) days, up to and including Tuesday 19/8/1435H (corresponding to 17/6/2014G).
Dividend Distribution	The Offer Shares shall be entitled to receive dividends declared and paid by the Company from the date of this Prospectus and subsequent fiscal years (for more information, please refer to section 7 "Dividends Distribution Policy" of this Prospectus).
Voting Rights	The shares of the Company shall be ordinary shares of one class comprising the Founding Shareholders and the Offer Shares, none of which carry any preferential voting rights. Each share entitles its holder to one vote. Each Shareholder holding at least 20 Shares shall be entitled to attend the General Assembly Meetings, and to vote on its resolutions (please refer to the Sub-section "Summary of the Company's By-Laws" and Sub-section "Voting Rights" of section 11 "Legal Information" of this Prospectus).
Lock-Up Period/ Restrictions on Shares	The Current Shareholders in the Company whose names appear in this Prospectus are precluded from disposing of their shares in the Company until the later of: (i) the publication by the Company of its financial statements for two (2) consecutive financial quarter periods following the announcement by the Company of the commencement of the commercial operation of Al Hammadi Hospital – Al Nuzha, and (ii) the lapse of six (6) months from the trading commencement date of the Company's shares on the Exchange (the "Lock-Up Period"). Thereafter, the Current Shareholders may not dispose of their shares in the Company without the CMA's prior written approval.



Listing and Trading of Shares	Prior to the Offer, there had been no public market in the Kingdom of Saudi Arabia or elsewhere for the trading of the Company's Shares. The Company has submitted an application to the CMA for the listing of its Shares on the Official List. All supporting documents required by the CMA have been submitted and all relevant approvals relating to such listing have been granted, including related procedural approvals for the subscription process. Trading of the Offer Shares on the Exchange is expected to commence soon after the final allocation of the Shares. (Please refer to the below section "Key Dates and Subscription Procedures" of this Prospectus)
Risk Factors	There are certain risks relating to an investment in this Offer. Such risks may be classified as (a) risks relating to the Company's activities and operations; (b) risks relating to the market; and (c) risks relating to Ordinary Shares. These risks have been detailed in section 2 "Risk Factors" of this Prospectus, and which should be considered carefully prior to making a decision as to whether or not to invest in the Offer.
Expenses	The Offer expenses are estimated at SAR 20,000,000 which include the Financial Advisor's fees, the Lead Manager's fees, the underwriting fees, the Receiving Entities' fees, the Legal Advisors' fees, the Financial Due Diligence Advisor fees , and Industry and Market Consultant fees, as well as the technical and feasibility studies' costs, marketing, preparation, printing and distribution expenses, as well as any other expenses relating to the Offer.

Note: The "Important Notice", page (ii) and section (2) "Risk Factors" of this Prospectus should be considered carefully prior to making an investment decision in the Offer Shares pursuant to this Prospectus.

## KEY DATES AND SUBSCRIPTION PROCEDURES

Expected Timetable for Offer	
Event	Dates
Offer Period	Subscription starts From Wednesday 13/8/1435H (corresponding to 11/6/2014G) and continues for a period of seven (7) days ending on Tuesday 19/8/1435H (corresponding to 17/6/2014G)
Last date for submission of application forms and subscription monies (Individual Investors)	Tuesday 19/8/1435H (corresponding to 17/6/2014G)
Last date for submission of the application forms (Institutional Investors)	Tuesday 5/8/1435H (corresponding to 3/6/2014G)
Last date to pay subscription amount (Institutional Investors)	Sunday 17/8/1435H (corresponding to 15/6/2014G)
Notification of final allotment of Shares	Tuesday 26/8/1435H (corresponding to 24/6/2014G)
Refund of surplus subscription funds (in the event of oversubscription)	Tuesday 26/8/1435H (corresponding to 24/6/2014G)
Expected date of trading of Offer Shares	Trading in the Company's shares is expected to begin on the Exchange following fulfilment of all relevant requirements and procedures. An announcement with the commencement date of trading will be made in the local papers and on the Tadawul website (www.tadawul.com.sa)

Note: the above timetable and the dates therein are indicative. Actual dates shall be announced through national daily press published in Arabic in the Kingdom of Saudi Arabia, and on the Tadawul website (www.tadawul.com.sa).

## HOW TO APPLY

Subscription to the Offer Shares is restricted to the following groups of investors:

Tranche (A) Institutional Investors: this tranche includes groups of institutions including mutual funds (please refer to section 1 “**Definitions and Abbreviations**” of this Prospectus). These Investors may apply in accordance with the conditions set forth in this Prospectus. Institutional Investors can obtain an application form the Book Runner.

Tranche (B) Individual Investors: this tranche includes Saudi individuals, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe in the names of her minor children to her benefit, provided that she is able to prove that she is divorced or that she is a widow and proof that she is the mother of the minor children. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant. Subscription Application Forms will be available during the Offer Period from the Lead Manager or from the branches of the Receiving Entities. It is also possible to subscribe via the Internet, telephone banking or ATMs which belong to the Receiving Entities, which provide the mentioned services to its customers, provided that the following conditions are satisfied:

- (1) The Individual Investor must have a bank account at the Receiving Entity which offers such services; and
- (2) There should have been no changes to the personal information of the Individual Investor (by the removal or addition of one of his family members) since such Individual Investor last subscribed in an initial public offering.

All Investors are required to fill out the Subscription Application Forms in accordance with the instructions provided in section 15 “**Subscription Terms and Conditions**” of this Prospectus. Each subscriber must approve all relevant sections of the Subscription Application Form. The Company reserves the right to refuse





any Subscription Application Form in part or in whole, where any of the subscription terms or conditions is not met. Furthermore, amendments to and withdrawal of the Subscription Application Form shall not be permitted once the mentioned application has been submitted. Furthermore, Subscription Application Form shall, upon submission, represent a binding agreement between the applicant and the Company (please refer to section 15 “**Subscription Terms and Conditions**” of this Prospectus).

## SUMMARY OF KEY INFORMATION

This summary of key information aims to provide a brief summary of the information contained in this Prospectus. As it is a summary, it does not contain all the information which may be of importance to interested Applicants. Recipients of this Prospectus should read it in full prior to making any decision as to whether or not to invest in the Offer Shares. Capitalised and abbreviated terms have the meanings ascribed to them in the “**Definitions and Abbreviations**” section and elsewhere in this Prospectus.

### The Company

Al Hammadi Company for Development and Investment (the “**Company**”) has been operating in the medical services field for over 28 years. It is considered one of the pioneering medical facilities in Riyadh in particular; and more generally in the Kingdom of Saudi Arabia. The main activity currently performed by the Company is the management and operation of Al Hammadi Hospital, owned by the Company and located in Al Olaya area in Riyadh (“**Al Hammadi Hospital - Al Olaya**”). Al Hammadi Hospital - Al Olaya is considered one of the comprehensive and specialized healthcare centres in Riyadh, Kingdom of Saudi Arabia. It employs medical professionals including qualified doctors and nursing staff.

The Company is currently establishing two new hospitals, one is in Al Suweidi area, southwest of Riyadh (“**Al Hammadi Hospital - Al Suweidi**”), and the other is in Al Nuzha, northeast of the city of Riyadh (“**Al Hammadi Hospital - Al Nuzha**”), which will make the number of hospitals owned by the Company three (3).

The Company expects Al Hammadi Hospital - Al Suweidi to commence its operations in the third quarter of 2014G, and for the Al Hammadi Hospital - Al Nuzha to commence its operations in the third quarter of 2015G.

Al Hammadi Hospital -Al Olaya was established in 1985G in Riyadh as a sole proprietorship under the name of “Al Hammadi Hospital, owned by Saleh Mohammad Al Hammadi” with a share capital of SAR 4,000,000 owned by Saleh Bin Mohammad Al Hammadi, and was registered in the commercial registry in Riyadh under commercial registration number 1010060944, dated 12/02/1406H (corresponding to 05/11/1985G).

On 25/01/1425H (corresponding to 16/03/2004G), Al Hammadi Hospital, a sole proprietorship, was converted into a limited liability company, under the name of “Al Hammadi Hospital Company” with a share capital of SAR 50,000,000.

Pursuant to a shareholders resolution by the shareholders of Al Hammadi Hospital Company dated 13/06/1429H (corresponding to 17/06/2008G), and in accordance with Ministerial Resolution Number (316/Q) dated 16/09/1429H (corresponding to 16/09/2008G), Al Hammadi Hospital Company was converted from a limited liability company to a closed joint stock company and its name was amended to become “Al Hammadi Company for Development and Investment”, with a share capital of SAR 300,000,000. The Company was registered in the commercial registry in Riyadh under commercial registration number 1010196714 dated 23/02/1425H (corresponding to 13/04/2004G).

On 19/07/1433H (corresponding to 09/06/2012G), the Company increased its share capital to Saudi Riyals four hundred and twenty million (SAR 420,000,000).

On 08/08/1434H (corresponding to 17/06/2013G), the Company increased its share capital to SAR 525,000,000 divided into 52,500,000 fully paid up shares, with a nominal share value of SAR 10 per share.

On 08/05/1435H (corresponding to 09/03/2014G), the Extraordinary General Assembly resolved to increase the share capital of the Company from Saudi Riyals five hundred and twenty five million (SAR 525,000,000) to Saudi Riyals seven hundred and fifty million (SAR 750,000,000) on the condition that the new shares are offered through a public offering. The Current Shareholders in the Company have waived their rights to subscribe to such new shares. After the completion of the Offering, the Company will complete the legal formalities at the Ministry of Commerce and Industry to increase its share capital which consist of publishing the Extraordinary General Assembly’s resolution authorising the capital increase and amending the related articles of its By-laws

concerning its share capital in the Official Gazette (Umm Al Qura) and updating its commercial registration with the Ministry of Industry and Commerce and obtaining an updated “Joint Stock Company Certificate of Registration”, reflecting its share capital increase to Saudi Riyals seven hundred and fifty million (SAR 750,000,000).

The Company’s main activity is operating and managing Al Hammadi Hospital - Al Olaya, in addition to establishing Al Hammadi Hospital - Al Suweidi and Al Hammadi Hospital - Al Nuzha, which shall make the number of hospitals owned by the Company three (3). Al Hammadi Hospital - Al Olaya is licensed by the Ministry of Health, and the Company has obtained all licenses required for constructing and establishing its current projects, being by Al Hammadi Hospital - Al Suweidi and Al Hammadi Hospital - Al Nuzha.

### **Al Hammadi Hospital - Al Olaya**

Al Hammadi Hospital - Al Olaya was inaugurated in 1985G in Al Olaya area in Riyadh on a plot of land owned by the Company with an area of 17,550 square meters. Its inpatient capacity is 300 beds (including ICU beds for adults and children, and neonatal incubators).

Al Hammadi Hospital - Al Olaya is one of the private hospitals providing comprehensive and specialized healthcare services in Riyadh, Kingdom of Saudi Arabia. As at 31/03/2014G, the number of employees employed by the Company is 1,583, of which 196 are doctors (this number includes 102 doctors for outpatient care, through 74 outpatient clinics), in addition to 630 medical support staff, to attend to the patients’ medical needs. For more information relating to the number of employees and their positions, please refer to Table 32: “**Number of Hospital Beds and Doctors in Al Hammadi Hospital - Al Olaya from 2010G to 2013G**” and Table 37: “**Number of Employees in the Company**” and Table 38: “**Number of Employees in the Company According to Job Description**” of this Prospectus.

Al Hammadi Hospital - Al Olaya provides a wide range of healthcare services in its outpatient clinics as well within its inpatient departments. Such services include outpatient clinic services and inpatient facilities within 20 fields of specialization, in addition to emergency services (ER), medical laboratories and radiology, and 3 inpatient pharmacies.

### **Al Hammadi Hospital - Al Suweidi**

Al Hammadi Hospital - Al Suweidi project is located in Al Suweidi area, southwest of the city of Riyadh, on a plot of land owned by the Company, with an area of 44,664 square meters. This project includes the main building for the hospital, comprising 6 levels above ground and 3 underground levels, in addition to 3 residential buildings for its staff, amounting to a total built up area of approximately 95,000 square meters.

With regard to the legal form of the Al Hammadi Hospital - Al Suweidi, the hospital was established as a branch fully owned by the Company, registered with the Ministry of Commerce and Industry under commercial register number 1010374269 on 2/7/1434H (corresponding to 12/5/2013G).

On 14/11/1432H (corresponding to 12/10/2011G), the construction work of Al Hammadi Hospital - Al Suweidi commenced, and was completed in April 2014G. The Company expects that the commencement of the operations of the hospital with all its departments will take place within the third quarter of 2014G, noting that reaching full operational bed capacity will take place gradually and is expected to be achieved by the end of 2015G.

The total estimated cost of Al Hammadi Hospital - Al Suweidi project is SAR 715 million, inclusive of the value of the land on which it is built, and which is owned by the Company. As of 31/03/2014G, the total value of the project development cost was SAR 700.7 million, which includes the value of the land on which the project is built, representing 98% of the total cost of the project. As at 31/03/2014G, the Company has spent an amount of SAR 691.7 million which was paid through its internal operating cash flows as well as Shari’ah compliant loans obtained from local banks. The remaining expenditures required to complete the project is estimated at SAR 23.3 million and shall be financed through Shari’ah compliant loans obtained from local banks, in addition to a loan obtained by the Company from the Ministry of Finance.

Al Hammadi Hospital - Al Suweidi building comprises 300 rooms and suites, in addition to 128 ICU beds for adults and children and neonatal incubators, 64 outpatient clinics, 13 large operating theatres, as well as an operating theatre for cardiac catheterization, two rooms for upper and lower endoscopy procedures, and a room for the kidney and urethral stones removal procedures.



### **Al Hammadi Hospital - Al Nuzha (under construction)**

Al Hammadi Hospital - Al Nuzha project is located in Al Nuzha area, northeast of Riyadh on a plot of land owned by the Company, with an area of 21,908 square meters. The hospital comprises 6 levels above ground and 2 underground levels, in addition to a multilevel building parking lot with a total built up area of approximately 84,000 square meters.

With regard to the legal form of Al Hammadi Hospital - Al Nuzha, it is registered as a branch fully owned by the Company, registered with the Ministry of Commerce and Industry under commercial registration number 1010374270 on 02/07/1434H (corresponding to 12/05/2013G).

On 20/05/1434H (corresponding to 01/04/2013G), the construction work of Al Hammadi Hospital - Al Nuzha commenced and is expected to be completed in the second quarter of 2015G. The Company expects that the commencement of the operations of the hospital with all its internal departments will take place in the third quarter of 2015G, noting that reaching full operational bed capacity will take place gradually and is expected to be achieved by the end of 2016G.

The estimated cost of Al Hammadi Hospital - Al Nuzha project is SAR 643.1 million, which includes the value of the land on which it is being built which is owned by the Company. As of 31/03/2014G, the total completed value of the project cost was SAR 287.2 million, including the value of the land on which it is being built, representing 44.7% of the total cost of the project. As of 31/03/2014G, the Company has spent an amount of SAR 241.2 million through its internal operating cash flows as well as Shari'ah compliant loans obtained from local banks. The remaining cost expenditure for the project is estimated at SAR 402 million which shall be funded through the Offering proceeds (please refer to section 8 "The Use of Proceeds" of this Prospectus).

Al Hammadi Hospital - Al Nuzha will provide a comprehensive range of healthcare services to its patients, in addition to comprehensive and developed medical facilities and comprehensive care for its patients.

Al Hammadi Hospital - Al Nuzha project comprises 300 inpatient rooms and suites and 128 ICU beds for adults and children and neonatal incubators, 64 outpatient clinics, 13 large operating theatres, as well as an operating theatre for cardiac catheterization, two rooms for upper and lower endoscopy procedures, and a room for the kidney and urethral stones removal procedures.

### **Compliance with the Principles of Shari'ah**

The "Shariyah Review Bureau" (an independent entity specialized in Shari'ah control and audit systems) was engaged by the Company to review the Company's compliance with the Shari'ah standards, criteria and principles determined by the Shari'ah board of the "Shariyah Review Bureau" in relation to companies. The said review included reviewing this Prospectus and the Company's financial statements for the periods 2011G, 2012G, and 2013G. The Shari'ah Board of the "Shariyah Review Bureau" indicated that the Company is compliant with such Shari'ah standards, criteria and principles.

## **1. Vision, Mission and Strategy of the Company**

### **1 - 1 Vision of the Company**

To position Al Hammadi hospitals as one of the best healthcare service providers in the private sector in the Kingdom of Saudi Arabia.

### **1 - 2 Mission of the Company**

Commitment to continuously improve the healthcare service quality standards to meet the healthcare needs of the Company's clients through efficient management team and qualified staff, as well as state of the art technology.

## **2. Competitive Advantages and Future Prospects**

### **2 - 1 Competitive Advantages**

The following are the competitive advantages that distinguish the Company from its competing healthcare service providers in the Kingdom of Saudi Arabia, and which also offer the Company opportunities to develop and grow its operations:

#### **2 - 1 - 1 Position in the Healthcare Sector**

The Company enjoys long standing experience in the provision of healthcare services, which it has gained over the last twenty eight (28) years. It further benefits from its position, reputation and brand name, which it has built in the field of healthcare services in the Kingdom, due to the quality of the healthcare services which it offers to its clients, in addition to its operating efficiency, as the Company provides its services at competitive prices in comparison with its competitors operating in the same field. The Company focuses in its operational strategy on providing its services to mid and high level income residents of Riyadh. Further, the Company diligently aims at hiring, recruiting and maintaining qualified doctors and nursing staff, in addition to its commitment to ethical standards and its pursuit in keeping up with the latest technologies in the field of medicine and healthcare (which are factors of its success), and the brand name and reputation it has presently achieved in the healthcare sector.

#### **2 - 1 - 2 Strategy Consistent with Growth in the Healthcare Sector**

The Company aims at benefiting from the strong growth in the healthcare sector in the Kingdom of Saudi Arabia generally, and in Riyadh particularly. The Company also aims at benefiting from its pioneering position, brand name and reputation, in order to further expand its offering of primary services. For example, the Company has undergone, in the last few years, a number of expansions and improvement to its Al Hammadi Hospital - Al Olaya building, resulting in increasing the capacity of some of the departments of the said hospital, where the number of intensive care unit (ICU) beds was increased from 9 to 17. The neonatal intensive care unit has been expanded from 14 beds to 25 beds, in addition to expanding the children's inpatient suites from 32 beds to 35 beds and increasing the number of beds in the children's intensive care unit (ICU) from 3 beds to 6 beds. The Company has further upgraded the suites specific to the gynaecology and maternity wards as well as the operating theatres in the hospital.



### 2 - 1 - 3 A Wide Range of Healthcare Services and Specializations

Al Hammadi Hospital - Al Olaya provides a wide range of healthcare services, which include the following specializations:

Cardiology and Cardiac Surgery	Cosmetology and Plastic Surgery	Dentistry
Dermatology	Digestive System Diseases	Ear, Nose and Throat
Emergency	Endocrinology and Diabetes	General Surgery
Internal Medicine	Kidney Diseases	Neurological Medicine and Surgery
Obstetrics and Gynaecology	Ophthalmology	Orthopaedics and Spinal Cord
Paediatric Medicine and Surgery	Psychiatry	Rheumatology
Thoracic Medicine	Urology	

In addition to the specializations listed above, Al Hammadi Hospital - Al Olaya provides supporting medical services, including for example operating internal pharmacies, radiology and laboratories, which are available at all times. Furthermore, the Company constantly ensures to add new specializations and medical services when the Company recognizes a demand for such services and where there is a shortage in meeting such demand by the medical service providers in Riyadh.

Each of Al Hammadi Hospital - Al Suweidi and Al Hammadi Hospital - Al Nuzha shall provide the similar services and medical specializations described above.

### 2 - 1 - 4 Quality of Healthcare Services

The Company aims to provide high quality healthcare services, which is evidenced by various prestigious certificates and accreditations which the Company has obtained through Al Hammadi Hospital - Al Olaya (please refer to Table 39: “**Certificates and Accreditations obtained by Al Hammadi Hospital – Al Olaya**” of section 4, “**Company Background And The Nature Of Its Business**”) and which remain valid as of the date of this Prospectus.

In addition, Al Hammadi Hospital - Al Olaya is a member of several international institutions, including the British Safety Council, the American Hospital Association and the International Hospital Foundation (IHF), which further reinforces its position as a high quality provider of medical services.

### 2 - 1 - 5 Qualified Medical Staff

The Company believes that the main driver of its success in providing high quality healthcare services lies in the expertise of its medical staff. The Company further finds that the basis of the effective execution of its vision stems from recruiting surgeons and doctors who have made their reputations through excelling in their respective medical fields of specializations. In this regard, it is worth noting that the heads of the departments in Al Hammadi Hospital - Al Olaya have an average of over 23 years of experience in their respective fields of specializations.

In addition, all consulting doctors working at the Al Hammadi Hospital - Al Olaya hold board certification or its equivalent of medical specialization certificates.

### 2 - 1 - 6 Stable Financial Position and Positive Financial Results

A notable increase in the Company’s revenues, which are derived exclusively from Al Hammadi Hospital - Al Olaya, has been recorded in the last few years, where the compound annual growth rate reached 12.9% during the period between 2010G and 2013G. Furthermore, the net income increased at a compound annual growth rate of 11.8% during the said period. This further affirms the effective implementation of the Company’s policy, aimed at optimising its medical resources.

## 2 - 1 - 7 Relationship with Medical Insurance Companies

The Company has long standing relationships with all the medical insurance companies in the Kingdom of Saudi Arabia, which enable it to meet the medical needs of a wide range of residents in Riyadh. The Company has a special division responsible for dealing with the medical insurance companies as it has contracted with a number of insurance companies and it renews such contracts on a yearly basis and negotiates prices with each insurance company independently at the time of renewal.

Revenues generated from medical insurance companies represent 67% of the Company's gross revenue for 2013G. It is worth mentioning that the main insurance companies, with which the Company deals, are Tawuniya Company for Cooperative Insurance (Tawuniya), Mediterranean and Gulf Insurance and Reinsurance Co (Medgulf), and Bupa Arabia for Cooperative Insurance Company. These three companies represented 80.5% of the revenues generated from the insurance companies in 2013G (for more information about the insurance companies and the related contracts please refer to Subsection 4-C "**Medical Insurance Companies**" of section 11 "**Legal Information**" of this Prospectus).

## 2 - 1 - 8 Agreements with Major Customers and Private Medical Centres

In 2011G, the Company entered into an agreement with Saudi Arabian Oil Company (Saudi Aramco) which ends in 2016G and may be renewed upon the mutual agreement of both parties. In addition, the Company has entered into another agreement with Saudi Electricity Company (which came into effect in January 2014G for a term of one year which shall be automatically renewed for a maximum period of two years, each a one year term after the original term of the agreement), in addition to a number of other contracts with private medical centres. Al Hammadi Hospital - Al Olaya provides medical services to employees of the said companies and their relatives, and to those patients who have been referred by the said medical centres. Such agreements provide a constant and stable flow of revenues to the Company (for more information about the agreements with major customers and private medical centres please refer to Subsection 4 "**Provision of Medical Services**" of section 11 "**Legal Information**" of this Prospectus).

## 2 - 1 - 9 Prime Location

Al Hammadi Hospital - Al Olaya is located in Al Olaya area, north of Riyadh, which is one of the most populated areas of Riyadh. This strategic location of the hospital places it in close proximity to residents of over 1 million persons in Riyadh, which enables Al Hammadi Hospital - Al Olaya to provide its medical services to the largest number of the mentioned residents. In addition to the residents of Al Olaya area, Al Hammadi Hospital - Al Olaya targets clients from other areas and districts, given its easy access via a number of main roads, including King Fahad Road, and Al Olaya main Street. In addition, in March 2013G, an extension to Al Orouba Street was opened, which increased the accessibility to Al Hammadi Hospital - Al Olaya for persons coming from the eastern area of Riyadh.

## 2 - 2 Future Prospects

The Company aims to continue to develop its operations and improve its financial position. It further aims at continuously improving the quality of its services. The following are the main strategies which the Company is looking to pursue in order to achieve its goals:

### 2 - 2 - 1 Growth through the Establishment of Hospitals in New Locations

The growth strategy of the Company includes the establishment of new hospitals in the city of Riyadh, which will enable it to reach a larger number of residents which will, in turn, further reinforce its position and reputation in the healthcare field, by taking advantage of the increasing gap between supply and demand factors in the field of healthcare in Riyadh, as well as participating in meeting the growing demand for medical services in Riyadh.

Accordingly, the Company is currently engaged in establishing Al Hammadi Hospital - Al Suweidi and Al Hammadi Hospital - Al Nuzha, in accordance with its growth strategy in relation to its operations and activities in Riyadh. The Company has chosen the location of Al Hammadi Hospital - Al Suweidi project in Al Suweidi area, southwest of Riyadh. It is expected to open doors to patients during the third quarter of 2014G. The location is strategic due to the high population density of the southern area of Riyadh, and the shortage of





healthcare services in the area. This will allow Al Hammadi Hospital - Al Suweidi to provide its services to a large demographic percentage of the population of the said area.

The Company is also currently establishing Al Hammadi Hospital - Al Nuzha in the northeast of Riyadh, which is expected to commence operations during the third quarter of 2015G. This is a strategic location in light of the high population density of the north eastern area of Riyadh, and the shortage in healthcare services in that area. Such a location will allow Al Hammadi Hospital -Al Nuzha in a good position to provide its services to a larger number of residents in the said area.

In light of the above, the number of beds available at the Company's hospitals is expected to gradually increase from 300 beds to 728 beds in 2014G, after the completion of the Al Hammadi Hospital - Al Suweidi project, which shall further increase to reach 1,156 beds in 2015G (including intensive care unit (ICU) beds for children and adults, as well as neonatal incubators) following the completion of Al Hammadi Hospital - Al Nuzha project.

### 3. Industry and Market Information

The Kingdom has witnessed significant economic growth, including in the field of healthcare services, over the past few years including 2013G. The healthcare sector has further witnessed an increase in expenditure amounting to 15% per annum, with expenditures increasing from SAR 58 billion in 2009G to SAR 102 billion in 2013G. The growth in population is considered one of the main factors which has attributed to such increase in expenditure, in addition to the strong support which the Government of the Kingdom provides to the healthcare sector.

The following is a brief overview of some of the main attributes of the healthcare sector in the Kingdom:

- Growth in population and increased life expectancy;
- An increase in the rate of chronic illnesses;
- Increased local medical expertise;
- Increased medical insurance coverage;
- Growing shortage in medical staff;
- Growing shortage in hospitals' inpatient capacity; and
- Limited expansion and coverage of healthcare services in rural areas.

The Kingdom has adopted laws and regulations governing the private insurance sector, which has resulted in an increase in the overall number of persons insured by private insurance in the Kingdom to around 8 million people in 2012G. Given that such insured persons are now covered by medical insurance, the insurance companies cover the cost of care, making the cost less of a factor to such persons since the insurance companies bear the cost. The nature of the facilities and medical services, as well as the reputation and medical experience of the doctors and nursing staff are some of the most important factors which most individuals take into consideration when choosing the hospital they wish to visit for treatment. The availability of the required medical specializations and the medical equipment also plays a vital role in choosing the facilities of one hospital over another.

Given the mentioned change in the standards for choosing one hospital over another, most people tend to visit private hospitals rather than public hospitals when seeking medical consultation. During the period between 2009G and 2013G, the number of patients at outpatient clinics in private healthcare facilities increased by a compounded annual growth rate of 9%, whereas there has been no change in the number of outpatients visiting the hospitals of the Ministry of Health. Similarly, the number of inpatients at private hospitals increased at a compound annual growth rate of 12% compared to just 1% for the Ministry of Health's facilities.

Despite the noticeable increase in the amount of investments in the Kingdom, the size of investments witnessed in the healthcare sector remains low compared to western countries. The Kingdom has spent 3% of its gross domestic product (GDP) in 2013G on healthcare, in contrast to an average of 10% in countries that are a member of the Organization for Economic Co-operation and Development ("OECD").

According to the market study prepared by the industry and market consultant (Roland Berger), all sectors of the Saudi market have witnessed significant growth and activity during the past few years. In relation to the healthcare sector in Riyadh, the number of hospitals in Riyadh has increased from 78 hospitals in 2009G to 85 hospitals in 2012G, according to the statistics issued by the Ministry of Health. The number of hospitals in Riyadh in 2013G is estimated to be 87 hospitals. The number of hospitals affiliated with the Ministry of Health in Riyadh has increased from 44 hospitals in 2009G to 46 hospitals in 2012G, according to the statistics of the Ministry of Health; and it is estimated at 47 hospitals in 2013G.

The city of Riyadh has further witnessed an increase in the number of beds available in the hospitals established in its area, from 13,144 beds in 2009G to 14,943 beds in 2012G, according to the statistics issued by the Ministry of Health. According to the market study prepared by the industry and market consultant (Roland Berger), the number of beds in the city of Riyadh is estimated at 15,792 beds in 2013G, as a result of the establishment of new public and private hospitals.

The number of clinics in Riyadh has further increased from 469 clinics in 2009G to 528 clinics in 2012G, according to the statistics issued by the Ministry of Health. According to the market study prepared by the industry and market consultant (Roland Berger), the number of clinics in Riyadh is estimated at 559 clinics in 2013G.

## Summary of Financial Information

The financial information below must be read together with the audited financial statements for the years ending on 31 December 2010G, 2011G, 2012G and 2013G, inclusive in each case of the related clarifications which have been included in a different section of this Prospectus.

All numbers are quoted in thousand SAR	2010G	2011G	2012G	2013G	Average cumulative yearly growth rate (2010G-2013G)
<b>Income Statement Summary</b>					
Net Revenues	301,549	330,661	378,684	434,076	12.9%
Cost of Sales	(165,153)	(183,012)	(215,575)	(248,914)	14.7%
<b>Gross Profit</b>	<b>136,396</b>	<b>147,650</b>	<b>163,109</b>	<b>185,162</b>	<b>10.7%</b>
General and Administrative Expenses	(48,522)	(55,501)	(70,770)	(73,067)	14.6%
Other Income, net	1,383	1,340	6,088	3,927	41.6%
Financing Costs	(5,365)	((1,613	((1,657	(320)	(60.9%)
Net Zakat	(4,023)	(1,934)	(2,500)	(4,200)	1.4%
<b>Net Income</b>	<b>79,869</b>	<b>89,941</b>	<b>94,270</b>	<b>111,503</b>	<b>11.8%</b>
<b>Summary Balance Sheet</b>					
Current Assets	174,317	166,395	193,453	208,700	6.2%
Non-Current Assets	317,138	397,949	649,875	1,027,640	48.0%
<b>Total Assets</b>	<b>491,454</b>	<b>564,344</b>	<b>843,328</b>	<b>1,236,340</b>	<b>36.0%</b>
Current Liabilities	44,352	84,472	52,440	57,913	9.3%
Non-Current Liabilities	2,723	5,552	222,298	592,835	501.6%
Shareholders' Equity	444,379	474,319	568,590	585,593	9.6%
<b>Total liabilities and Shareholders' Equity</b>	<b>491,454</b>	<b>564,344</b>	<b>843,328</b>	<b>1,236,340</b>	<b>36.0%</b>
<b>Summary Cash Flow Statement</b>					
Cash Flow From Operating Activities	136,691	94,853	121,160	97,375	





All numbers are quoted in thousand SAR	2010G	2011G	2012G	2013G	Average cumulative yearly growth rate (2010G-2013G)
Cash Flow From Investing Activities	(4,273)	(93,723)	(265,524)	(391,379)	
Cash Flow from Financing Activities	(131,794)	13,277	172,638	272,765	
Cash at the End of the Period	20,756	35,163	63,438	42,199	
<b>Financial Ratios</b>					
Gross Profit Margin (%)	45.2%	44.7%	43.1%	42.7%	
Net Income Margin (%)	26.5%	27.2%	24.9%	25.7%	
Total Debt to Equity (number of times)	0.0x	0.1x	0.4x	1.0x	
Return on Equity (%)	18.0%	19.0%	16.6%	19.0%	
Return on Assets (%)	16.3%	15.9%	11.2%	9.0%	

Source: Audited financial statements, the Company.



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## 1. Definitions and Abbreviations

Accreditation Canada	An international accreditation institution which is accredited by the International Quality Institute in the field of healthcare. The Accreditation Canada assists and directs health institutions around the world to test and develop the quality of healthcare services offered in accordance with international norms and standards.
Advisors	The Company's advisors in connection with the Offering and whose names appear on pages (vi), and (vii) of this Prospectus.
Al Hammadi Hospital – Al Nuzha	The hospital project under construction which is owned by the Company and is located in Al Nuzha District, north-east the city of Riyadh, and is registered as a subsidiary of the Company under Commercial Register number 1010374270 dated 02/07/1434H (corresponding to 12/5/2013G).
Al Hammadi Hospital - Al Olaya	The hospital owned by the Company which is located in Al Olaya district, in the north side of the city of Riyadh, and is registered as a subsidiary of the Company under Commercial Register number 1010263026 dated 27/02/1430H (corresponding to 22/2/2009G).
Al Hammadi Hospital - Al Suweidi	The hospital project under construction which is owned by the Company and is located in Al Suweidi district, south-west of the city of Riyadh, and is registered as a subsidiary of the Company under Commercial Register number 1010374269 dated 02/07/1434H (corresponding to 12/5/2013G).
Al Hammadi Maintenance and Operation (branch)	A branch of the Company located in Al Olaya district north of Riyadh, registered under Commercial Register number 1010374273 dated 02/07/1434H (corresponding to 12/05/2013G).
Applicant	Any Person subscribing to the Offer Shares.
Auditor	PricewaterhouseCoopers.
Australian Council on Healthcare Standards	An independent, non-profit organization specializing in the accreditation of quality standards in the healthcare sector.
Board Members	Are the members of the Company's board of directors who were appointed by the Company's General Assembly and whose names appear in the section entitled "Organizational Structure of the Company" on page (62) of this Prospectus.
Board or the Board of Directors	The Board of Directors of Al Hammadi Company for Development and Investment.
By-laws	The By-laws of Al Hammadi Company for Development and Investment approved by the General Assembly.
Capital Market Law	The Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G) and its amendments.
Central Board of Accreditation for Healthcare Institutions	A non-governmental non-profit organization operating under the umbrella of the Health Services Board which provides services such as the set-up, evaluation and follow-up of all governmental and private health facilities in order to extend and apply the quality and safety standards approved by the International Association for Quality in Healthcare (ISQUA).
CMA	Capital Market Authority in Saudi Arabia.
Companies Regulations	The Companies Regulations issued by Royal Decree No. M/6 dated 22/3/1385H, as amended.
Company	Al Hammadi Company for Development and Investment.
Control	The ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body; "Controller" shall be construed accordingly.





Corporate Governance Regulations	The Corporate Governance Regulations issued by the board of the Capital Market Authority under Resolution No. 1-2012-2006 dated 21 Shawwal 1427H (corresponding to 12 November 2006G), as amended by the Capital Market Authority board pursuant to Resolution No. 1-10-2010 dated 30 Rabi' Al Awwal 1431H (corresponding to 16 March 2010G).
Current Shareholders and Founding Shareholders	The current shareholders in the Company as of the date of this Prospectus, namely: Jadwa Healthcare Opportunities Company, Saleh Bin Mohammad Al Hammadi, Abdulaziz Bin Mohammad Al Hammadi, Faisal Bin Abdulaziz Al Hammadi, Mohammad Bin Saleh Al Hammadi, Abdulaziz Bin Saleh Al Hammadi, Mohammad Bin Abdulaziz Al Hammadi, Al Jawhara Ibrahim Abdullah bin Aoun, Hind Fahad Al Dakheel, Ibrahim Mansour Al Rajhi, Turki Bin Ibrahim Al Rajhi and Sami Abdullah Dakhil-Allah.
Exchange or Tadawul	The Saudi Stock Exchange.
Extraordinary General Assembly	The extraordinary general assembly of the Company's shareholders.
Financial Advisor	Samba Capital & Investment Management Company which was appointed by the Company as the Financial Advisor in connection with the Offering.
GCC	The Cooperation Council for the Arab States of the Gulf.
General Assembly	The general assembly of the Company's shareholders.
Government	The Government of the Kingdom of Saudi Arabia.
Healthcare Professional	Every person licensed to carry out health related professions, which include the following categories: human doctors, dentists, specialist pharmacists, healthcare technicians in (radiology, nursing, anaesthesia, laboratories, pharmacists, ophthalmology, disease control, prosthetic limbs, physiotherapy, dental care and fixtures, tomography, nuclear therapy, laser equipment and surgery), psychiatry and social specialists, nutrition and general health specialists, midwifery, paramedics, speech and hearing therapy, occupational rehabilitation and occupational therapy, medical physics and other health professions as agreed to by the Minister of Health, Minister of Civil Service and the Saudi Authority for Health Specialties.
Individual Investors	Saudi individuals, including divorced or widowed Saudi women with children who are minors from a non-Saudi husband and where she is entitled to subscribe in their names to her benefit.
Institutional Investors	Includes a group of institutions, as follows:  Publicly offered mutual funds established in the Kingdom of Saudi Arabia in accordance with the regulations of the CMA and which terms and conditions allow them to invest in securities listed on the Saudi Stock Exchange (Tadawul), while adhering to the provisions and restrictions set forth in the Investment Funds Regulations.  Authorised Persons licensed to carry on the business of dealing in securities as principals and comply with the minimum capital adequacy requirements.  Publicly listed companies on the Saudi Stock Exchange with discretionary investment portfolios managed by an Authorised Person, in addition to companies in the banking and insurance sectors which are listed on the Saudi Stock Exchange, in accordance with the regulations issued by the CMA, provided that the company's participation does not result in any conflict of interest.
International Organization for Standardization (ISO)	An international federation or an international non-governmental organization (which however is not part of the United Nation's organizations), which includes several bodies and agencies relating to standards and metrology in different countries, with the participation of a member from each state. It specializes in the issuance of international standards. ISO was founded in 1946 in Geneva to assist the cooperation and industrial standardization at an international level in order to facilitate the trade of goods and services.
Joint Commission International	An independent, non-profit organization which has accredited more than 20,000 healthcare organizations and programs in the United States as well as many health care facilities around the world.
Kingdom of Saudi Arabia or Kingdom or KSA	The Kingdom of Saudi Arabia.

Lead Manager	Samba Capital & Investment Management Company which was appointed by the Company as the Lead Manager.
Legal Advisor	The Law Office of Looaye M. Al-Akkas in Association with Vinson & Elkins LLP.
Listing	Listing the shares in the Official List and approval of the trading of the Offer Shares on the Saudi Stock Exchange in accordance with Article 28 of the Listing Rules issued by the CMA.
Listing Rules	The Listing Rules issued by the Capital Market Authority pursuant to Article 6 of the Capital Market Law promulgated under Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G) and amended pursuant the Capital Market Authority Board's decision No. 1-36-2012 dated 11/08/1434H (corresponding to 25/11/2012G).
Management	The management of the Company.
Medical Accreditation for Health Institutions	The process by which the institute which is responsible for granting the accreditation assesses the health institution, and as such decides whether or not it satisfies pre-defined standards in order to maintain the quality of the offered healthcare services and to improve the same. The aforementioned standards achieve the best possible outcome, and granting such institution accreditation is concrete evidence to the institution's commitment to improving the quality of services offered to the patient and to primarily ensure the safety of the healthcare environment.
Medical Malpractice	Pursuant to Article 27 of the Medical Professionals Practice Law, medical malpractice includes: error in treatment or lack of follow-up, lack of knowledge of technical issues which a healthcare professional in the same position ought to know, carrying out of trial surgeries which are unprecedented on humans contrary to applicable rules, carrying out unauthorised experiments or scientific research on patients, providing medication to a patient on an experiment basis, using medical equipment and machinery without adequate knowledge of how to use them or without taking the necessary precautions to prevent the occurrence of any damage as a result of such use, failure to monitoring or supervise patients, or failure to consult with another healthcare professional where the patient's condition requires such consultation.
Medical Professionals Practice Law	The Medical Professionals Practice Law issued pursuant to Royal Decree no. (M/59) dated 4/11/1426H.
Ministry of Commerce and Industry	The Ministry of Commerce and Industry in Saudi Arabia.
Ministry of Health	The Ministry of Health in Saudi Arabia.
Offer Period	The period commencing on Wednesday 13/8/1435H (corresponding to 11/6/2014G) for a period of (7) days inclusive of the Offering closing date, and which ends at the end of Tuesday 19/8/1435H (corresponding to 17/6/2014G).
Offer Price	SAR 28 per share which represents a nominal value of SAR 10 in addition to a premium of SAR 18.
Offer Shares	22,500,000 Shares in the Company.
Offer, Offering or Subscription	The offering or subscription in a total of 22,500,000 Shares, which represents 30% of the share capital of the Company after the offering.
Official Gazette	Umm Al Qura Gazette, the official gazette of the Government of the Kingdom of Saudi Arabia.
Official List	List of approved securities maintained by the Capital Market Authority in accordance with the Listing Rules.
Ordinary General Assembly	The ordinary general assembly of the Company's shareholders.
Person	Natural person or corporate entities.
Prospectus	This document which was prepared by the Company in connection with the Offering.



Public	Includes Institutional Investors or Individual Investors who are entitled to subscribe to the Offer Shares.
Receiving Entities	The receiving entities whose names appear on pages (x), and (xi) of this Prospectus.
Related Party	<p>Has the following meaning as set forth in the Listing Rules and the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority:</p> <ol style="list-style-type: none"> <li>1. Affiliates of the issuer (the Company). "Affiliate" means a person who Controls another person or is Controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.</li> <li>2. Substantial Shareholders of the issuer (the Company) who own 5% or more the Company's shares.</li> <li>3. Directors and senior executives of the issuer (the Company).</li> <li>4. Directors and senior executives of affiliates of the issuer (the Company).</li> <li>5. Directors and senior executives of Substantial Shareholders of the issuer (the Company).</li> <li>6. The legal advisor and financial advisor to the issuer (the Company).</li> <li>7. Any relatives of persons described at (1), (2), (3), (4) or (5) above.</li> <li>8. Any company controlled by any person described at (1), (2), (3), (4), (5), (6) or (7) above.</li> </ol>
Relatives	Husband, the wife and any minor children.
Saudi Riyal or SAR	Saudi Riyal, the official currency of the Kingdom of Saudi Arabia.
Samba Capital	Samba Capital & Investment Management Company.
Shareholders	The holders of the Shares at any given time.
Shares	75,000,000 fully paid-up shares in the Company with a nominal value of (10) Saudi Riyals per share, following the Offering.
Substantial Shareholder	A person who owns 5% or more of the Company's shares.
Subscription Applicants	Institutional Investors and Individual Investors.
Subscription Application Form	Subscription application form to the Offer Shares.
Tadawul	Automated system for the trading of Saudi shares.
Underwriter	Samba Capital & Investment Management Company appointed by the Company as the sole underwriter for the Offering.
Underwriting Agreement	The underwriting agreement entered into between the Company and the Underwriter.

## 2. Risk Factors

Prospective investors should carefully consider all the information contained in this Prospectus, including the risks described below, prior to deciding to purchase the Offer Shares. However, the risks outlined below may not include all the risks which the Company may face. The Company may face further risks which are currently unknown to the Company and which may affect its operations. However, the Board of Directors is currently unaware of any other material risks which may adversely affect the Company's activity and financial performance, except for the risks outlined below as of the date of this Prospectus. The Company's Board of Directors affirms that according to their knowledge and belief, there are no other material risks, besides those mentioned in this section, the exclusion of which may affect the investors' decision as of the date of this Prospectus.

The Company's activity, and what is mentioned in this Prospectus, financial circumstances, future projections, results of operations and cash flows may be affected negatively and materially if any of the following risks which the Company's Management (the "Management") currently consider to be material occur or if any other risks occur which the Board did not specify or currently classify as being non-material, but may actually occur and materialise.

Investment in the Shares is only appropriate for those investors who are able to evaluate the risks and the benefits of the investment and those who have sufficient resources to sustain any loss resulting from such investment. Any prospective investor who is doubtful about any process must seek advice from a licenced financial advisor who will offer advice in relation to the purchase of the Shares and any other securities.

In the event that any of the risk factors which the Management currently believes to be significant do materialize or the materialization of any other risks which the Management has not identified or those which it does not consider to be material at present, may result in the reduction of the price of the Company's Shares in the market and the investor may lose his total investment in the Shares or a part of such investment.

The risks and doubts outlined below are not presented in a way which reflects the extent of their significance. The additional risks and doubts, including those which are currently unknown or those which are not considered to be material at present, may have the effects set out above.

### 2 - 1 Risks Relating to the Company's Activity and Operation:

#### 2 - 1 - 1 The Type of Medical Services Provided

The inability of the Company to constantly maintain the level and quality of the care which it provides may adversely affect its reputation in the market and its clients may choose to stop dealing with the Company, in addition to the resulting weakness and inability to maintain its competitive advantage in the medical sector, which it is dependent upon for the continuation of its success compared to its competition.

In addition, the Company's inability to maintain the standard of its healthcare services whether as a result of its failure to deal with its clients or when compared with the medical services which its competitor healthcare establishments provide may adversely affect the Company's reputation.

#### 2 - 1 - 2 The Reliance on Doctors, Nursing Staff and Qualified Professionals

Attracting and recruiting qualified doctors and nursing staff by the Company is an issue that the Company faces in light of the limited number of doctors and nurses available in the Saudi market; given the gap in the demand and supply factors in the medical and nursing sector, both within the Kingdom and elsewhere.

Therefore, the Company's inability to attract and recruit the best medical professionals who enjoy a good reputation and experience, qualifications and medical knowledge to work at its current and future hospitals and medical facilities may affect its operations and the achievement of its business and financial targets.

The Company does not guarantee that it shall be able to continue to compete with other healthcare institutions operating in the same sector and to provide competitive financial incentives compared to other institutions. This may negatively affect the quality of the services which the Company provides to its clients.



The Company's inability to attract, recruit and retain Saudi and non-Saudi doctors, nursing staff and other specialized professional staff may adversely and materially affect the Company's operations generally and its financial performance in particular.

The lack of Saudi doctors will lead the Company to employ non-Saudi doctors and it will have to pay salaries and incentives which are competitive with those salaries and incentives offered by other healthcare institutions operating in the GCC states, which shall, in turn, increase the operational costs of the Company. This will negatively impact the Company's business or operational and financial performance.

Moreover, non-Saudi doctors working for hospitals operating in the Kingdom, including the Company, may leave to work in other countries due to various personal reasons. This trend limits the availability of medical professionals to the Company, which may adversely affect its ability to provide its medical services efficiently which will, in turn, affect its operations and financial performance.

### **2 - 1 - 3 Reliance on the Management**

The Company's operations and financial performance may be negatively affected if it fails to retain its management team, such as senior executives and qualified officers and/or being able to find qualified substitutes who enjoy the same level of experience and skills. The Company currently depends on the capabilities and expertise of its executive managers and key executive officers in carrying out its operations. The Company's success also depends on attracting highly qualified and experienced officers to hedge against the risk of losing key officers in order to mitigate the effects resulting from any of them leaving their employment with the Company.

If the Company loses any of its key or senior officers for any reason and it fails to recruit substitutes who have the same level of experience and management skills, its operations and financial performance may be adversely and materially affected.

### **2 - 1 - 4 Risks Associated with Legislation and Regulatory Requirements for the Healthcare Sector and the Required Licenses**

The Company and its activities are subject to the supervision and monitoring of various governmental authorities which oversee the healthcare sector and which include the Ministry of Health, the Food and Drug Authority, the Council of Cooperative Health Insurance, and the Central Board for Accreditation of Healthcare Institutions; all of which always strive to apply the highest standards of quality and monitoring of healthcare services provided by healthcare institutions and to regularly review the same, especially such regulations, instructions, and standards applied to the healthcare sector in which the Company operates.

The Company's inability to comply with such regulations, instructions, and standards on an ongoing basis may expose it to fines, penalties or punishments imposed by the regulatory authorities. This may, in turn, materially affect the Company's operations as it may limit the growth of its revenues or cause the suspension of its activities or the licenses required to conduct its activities.

In addition, amendments to laws, implementing regulations and guidelines enacted and implemented by the legislative and regulatory authorities in relation to the healthcare sector in which the Company operates, may require the Company to undergo certain adjustments to its operations or the methods of delivering its services in accordance with the requirements introduced by such amendments. This may result in unforeseeable additional financial charges incurred by the Company, or in a material adverse impact on its operations.

The Company's violation of any condition for the issuance or renewal of the material licences or permits required to conduct its activities, or the amendment of the conditions required to renew such licenses or permits may prevent the Company from renewing them, or cause their suspension, rejection of renewal, or cancellation by the issuing regulatory authorities, which, in turn, would adversely affect the Company's operations and financial results.

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## 2 - 1 - 5 Medical Malpractice and Medical Insurance

The Company is vulnerable to Medical Malpractice which may be committed by its Medical Professionals. As such, the Company does not guarantee that its medical professionals will not commit medical malpractice in the future.

Article 41 of the Medical Professions Practice Law states that participation in cooperative medical malpractice insurance is mandatory for all doctors and dentists practicing in both public and private medical institutions. Such institutions are legally responsible to pay any amounts awarded to the injured patient as compensation for the damages resulting from the malpractice committed by its Medical Professionals, if there is no insurance coverage or if such coverage is insufficient to cover the compensation amount. According to Article 41 above, the healthcare institution may demand payment from the convicted medical professional for the amount of damages paid by it on his/her behalf.

As such, the Company is obligated, according to Article 41 of the Medical Professions Practice Law to cover the monetary compensation required to be paid to the patient who suffers damages due to medical malpractice committed by one of its medical professionals. It is possible that the Company may not be able to demand payment from the relevant insurance company covering such medical malpractice to compensate it for the amounts and expenses that it has incurred in this regard. It is also possible that the value of the insurance amount due to the Company does not cover the total amount of compensation which the Company is required to pay to the injured patients as there are cases or incidents that may be exempted from coverage or the insured amount may be insufficient to cover or the incident may be one which cannot be insured against. The Company may also fail, for any reason, to prove a basis for its claim against the insurance company before the relevant judicial authority. Such cases would adversely and materially affect the Company's operations and financial results. Such cases may be detrimental to the Company's professional and medical reputation in the market and with its customers, which may force many of them to refrain from dealing with it. Obviously, this would, in turn, negatively impact the Company's operational activities and its revenues, profits and ability to continue its operations.

In addition, if the Company's medical professionals do not adhere to the Company's rules, procedures, and policies, on which they are trained, during the diagnosis, treatment, and follow-up of patient cases, or if the Company does not provide proper, and sufficient training for them, this may potentially result in medical malpractice instances committed by the Company's medical professionals in the future.

## 2 - 1 - 6 Certificates of Medical Accreditation

The Company has received certificates of medical accreditation from various specialized governmental and non-governmental, local and foreign, authorities (please refer to section 4 of this Prospectus - **"Company Background And The Nature Of Its Business"**). The Company's failure to maintain its position in satisfying the conditions entitling it to receive such accreditation certificates will affect its reputation in the market, which will negatively impact the Company's operations and financial performance.

## 2 - 1 - 7 Administrative Information Systems

The information systems and databases are considered to be key components in the operation and administration of healthcare facilities generally. Their importance becomes more evident in hospitals that receive hundreds of medical cases every day. The Company does not guarantee that it will be able to continuously update and maintain its administrative information systems which are required to manage and operate its operational and financial activities, including the invoicing system, as a result of various factors including, but not limited to, the need to prioritize the Company's expenditures, the availability of necessary updates or adjustments to such systems in the market or as a result of the Company not receiving the proper technical support from its supplier or service provider.

The Company's inability to maintain effective information systems and databases may negatively impact its operations and financial performance. The Company's inability to apply an accurate invoicing system may lead the Company to face financial losses as a result of its inability to collect the actual amounts due to it from its customers.



## 2 - 1 - 8 Key Customers and Private Medical Centres

The revenues of the Company partially depend on a limited number of customers from governmental authorities and corporations which refer their employees to the Company for treatment. The Company currently has a contractual relationship with Saudi Arabian Oil Company (Saudi Aramco), which ends on 31/07/2016G and may be renewed by an agreement between the parties, and with the Saudi Electricity Company, which ends in January 2015G and is automatically renewed for a maximum period of two years, each a one year term after the original term of the agreement, in addition to other contractual relationships with other private medical centres. If the Company's fails to maintain such relationships for any reason, which ensure the flow of continuous revenues to the Company, such failure shall negatively affect its operational activities and as such, will affect its profitability and financial results. Some of the issues which may arise in relation to such relationships are the following:

- The Company's inability to renew its contracts with its key customers upon their expiration or the customer's desire not to renew the same.
- The amendment of the terms of the contract in a non-favourable way to the interests of the Company from a financial perspective.
- The Company's inability to comply with the terms of a particular contract which will result in the termination of such contract or in an amendment to its terms.
- The termination of the contract at the election of the counter-party.

## 2 - 1 - 9 Relationships with Insurance Companies and Patient Coverage

The Company is a party to many agreements with cooperative health insurance companies in order to provide its medical and therapeutic services to the customers of such companies. The Company's revenues are materially dependent on such agreements, where the percentages of revenues generated from such agreements represent approximately 64.2% in 2011G, 69.1% in 2012G and 67.0% in 2013G. The percentage of revenues generated by the Company from its relationships with the Company for Cooperative Insurance, the Mediterranean and Gulf Insurance and Reinsurance (Medgulf) and Bupa Arabia for Cooperative Insurance Company represents 54% of the total revenues for 2013G.

Such agreements are fixed term agreements, by nature, and are renewed annually, whereby the Company re-negotiates with insurance companies the price of the medical services offered by the Company to their customers. The Company's business will likely be negatively affected if it does not succeed in maintaining its relationships with insurance companies, generally, or if it is unable to negotiate and maintain steady arrangements for the medical service fees or if such companies do not pay the amounts due to the Company.

The future success of the Company materially depends on maintaining good relationship with the insurance companies. Competition with other hospital groups and medical service providers in the Kingdom may affect the Company's relationship with insurance companies or its ability to negotiate an increase in the prices of medical services offered by the Company to the customers of such companies or its ability to obtain competitive benefits, a matter which may negatively affect its operations and financial performance. The Company is also subject to the risk of the insurance companies rejecting or delaying the payment of the value of the claims which the Company submits in return for the medical services provided to their customers. Such risks may be a result of human error or a technical error or financial difficulties to which the insurance companies may become subject, such as limits placed on capital adequacy and financial solvency with which they must comply with in accordance with the applicable laws regulating their business. Refusal by the insurance companies to pay the amounts due to the Company, for any reason, may have a negative impact on its business, financial position and the results of its operational activities.

## 2 - 1 - 10 Related Party Transactions

The Company is currently engaged in a number of agreements with related parties which consist of construction, supply, lease and information technology contracts. The Company has also purchased two plots of land from related parties. For more information please refer to Subsection 11.7 "Related Parties Transactions" of section (11) "Legal Information" of this Prospectus.

The basis of the agreements entered into with the related parties is considered preferential as they were directly awarded to the relevant Related Party, with the exception of the construction agreement of Al Hammadi Hospital – Al Suweidi project. The Company does not guarantee continuity of such agreements and





transactions in the future upon their expiration, as the Company's Board of Directors or its General Assembly may not accept the renewal of such contracts on one hand, or the related Director may not agree to renew the same based on the Company's conditions on the other hand.

### **2 - 1 - 11 Company Name and Trademarks**

The Company's name and two trademarks owned by the Company are considered factors which support its business. The Management of the Company believes that the identity it has developed for its commercial name has greatly contributed to the success of its business.

The Company's competitive position depends on various factors which include its ability to use such trademarks in the provision of its services in the sector in which it operates, and the protection of such trademarks against any unauthorized use (please refer to section 11 "**Legal Information**" of this Prospectus). Accordingly, the failure of the Company to protect the trademarks mentioned above, or its need to take legal action to protect them, may adversely affect its ability to use them, which could affect the conduct of its business and its operational results.

### **2 - 1 - 12 Concentration of the Company's Business on One Hospital**

The Company's current activities are the ownership, management and operation of Al Hammadi Hospital - Al Olaya which is considered the only hospital operated by the Company. Therefore, the lack of other existing and operating projects owned or managed by the Company leads to a full reliance by the Company on Al Hammadi Hospital - Al Olaya. Thus, if any event occurs which negatively effects said hospital, such as the inability to renew any license required to operate it or if any accident occurs which affects its operations temporarily or permanently, then such an event would materially affect the Company's operational and financial results.

### **2 - 1 - 13 Risks Related to New Projects**

The Company's investment in Al Hammadi Hospital – Al Nuzha and Al Hammadi Hospital - Al Suweidi projects involve several risk factors which have been divided into the following two parts based on the stages of completion of construction and operation of the two mentioned projects: (i) risk factors associated with the Al Hammadi Hospital – Al Nuzha, and (2) common risk factors between Al Hammadi Hospital – Al Nuzha project and Al Hammadi Hospital–Al Suweidi project:

#### **(1) Risk Factors relating to Al Hammadi Hospital - Al Nuzha**

##### **(A) Delay in the execution of the project**

The Company has prepared a plan for the execution of Al Hammadi Hospital - Al Nuzha project according to a specific time frame schedule. Yet, there are a number of factors which are beyond the Company's control and which may result, in the event they materialize, in a delay in the execution and completion of construction works and operation thereof according to the specified schedule. For example and without limitation, such factors include, adherence of the contractors appointed by the Company to the completion of works relating to the construction of the project, the availability of materials and machinery required for the completion of its construction, climate conditions, availability of skilled laborers and other relevant factors. If the Company is unable to execute the project pursuant to the specified schedule, then this may result in the Company being unable to achieve the desired economic benefit throughout the period of delay in the completion and operation of such project.

##### **(B) Capital expenditures required for the execution of the project being higher than the anticipated expenses**

The cost for Al Hammadi Hospital - Al Nuzha project, mentioned in this Prospectus, is approximate. The actual and final costs of the project may be higher than the costs estimated by the Company according to the studies prepared for such purpose. If such cost is significantly higher than the cost anticipated by the Company, the Company may have to resolve to procure new funding to cover such increase, which could lead to the Company incurring new financing costs in addition to its possible impact on profitability.





## **(2) Common Risk Factors between both Al Hammadi Hospital - Al Nuzha and Al Hammadi Hospital – Al Suweidi Projects**

### **(A) Profitability of the Projects**

The Company's financial performance will rely on the revenues it directly generates from its business activities in Al Hammadi Hospital – Al Olaya, in addition to the anticipated revenues to be generated from the two aforementioned projects. In the event that these projects do not generate the anticipated revenues, or in the event that one or both of them incur losses, this shall adversely affect the Company's financial results.

The Company has also procured external funding for the construction of these two projects. If the Company is unable to achieve the anticipated financial results from the operational activities of both projects, this may potentially result in the Company being unable to settle the outstanding amounts payable to the external lending parties, which will, in turn, potentially lead such lending parties to initiate legal proceedings against the Company in accordance with the applicable laws, thereby resulting in material and adverse conditions for the Company and its operational activities.

### **Limited Financial Information**

The financial information relating to the two projects above does not represent an accurate reference for the proper evaluation of their future financial performance (and as a result, the general financial performance of the Company) or on which potential investors may decide to purchase the Offer Shares, the subject matter of this Prospectus. In addition, the Company does not guarantee that the forecasts and estimates on which the feasibility studies related to the mentioned projects have been prepared are accurate, precise and free from any estimation or otherwise. Therefore, if the above-mentioned projects do not achieve their expected financial results, this will have a material and adverse effects on the business activities of the Company and on its financial status and the results of its operations and the evaluation of its future performance.

### **The Company's Ability to Manage both Projects under One Administrative and Operational Umbrella**

The growth and expansion in the Company's hospitals and the addition of the operational and administrative activities of the two projects under its current administrative and operational umbrella give rise to several risks, the most significant of which may be summarized as follows:

- The executive and operational management may face an increase in the daily supervision and follow up volume which it shall have to handle to manage the two new hospitals.
- The Company's inability to recruit qualified medical professionals to work at these projects, and the difficulty in attracting them to work for the Company may result in the Company's failure to operate these projects effectively, which may, in turn, adversely affect its financial results.
- The additional operational expenses that the Company may incur which include, for example, employees' wages, purchasing and maintaining equipment, consumables, medical supplies and other expenses. If the two above-mentioned projects do not achieve the level of revenues required to cover such expenses, this might expose the Company to incurring material losses and result in its inability to pay off its financial obligations owed to third parties (including lending parties). Consequently, this may subject the Company to negative financial and legal consequences that will affect its financial results and operations.
- Expenses and unexpected or urgent expenditures that the Company may have to spend in order to ensure the integration of the two projects under its administrative and operational umbrella.

If the Company fails to achieve the highest level of integration of the operations of the new hospitals with the Company's current operations, and to improve its operational, administrative and monitoring systems in a manner which allows its current management to manage Al Hammadi Hospital - Al Olaya and the two new projects at the same time, this could affect the Company's ability to offer medical services to its patients at the same level of quality in all its hospitals, or it may affect its ability to recruit new employees, determine the operational expenses of the hospitals, or any other issues which can affect the effective management of such hospitals.

The Company's inability to manage and operate these two projects as part of its current business might have an adverse effect on its operational business, hence, affecting its financial results and profits.

## Licenses

The laws and regulations applicable in the Kingdom require that the Company procures the licenses and certifications necessary for the operation of the above-mentioned hospitals including such licenses required by the Ministry of Health, the Council of Cooperative Health Insurance and the Central Board for Accreditation of Healthcare Institutions. In the event the Company is unable to procure such licenses for any reason, this might adversely impact its ability to operate these two hospitals. In turn, this may affect its operational activities and financial results.

## Inability to Recruit Medical and Managerial Professionals

The Company will actively recruit and hire the necessary medical and managerial professionals to operate Al Hammadi Hospital - Al Suweidi and Al Hammadi Hospital - Al Nuzha. The business of these two hospitals may be negatively affected, and in turn the overall financial and operational results of the Company, if the Company is unable to recruit and retain qualified doctors, nursing staff and managerial professionals to operate the hospitals.

## Risks Related to Construction, Buildings and the Contractor

The inability of the Company to complete the construction work of the two previously mentioned projects' buildings in accordance with the designs approved by the relevant authorities on one hand, or the occurrence of material defects in the construction of the buildings due to an error by the contractor on the other hand may require the Company to incur additional unexpected capital expenditures to solve such issues. In addition, the contractor, which is a consortium of Al Hammadi Contracting Establishment and Riyadh Development Company, has never built hospitals before. Therefore, the contractor could possibly overlook some technical or building issues which should be accounted for in the construction of the two hospitals. This could cause the Company to incur additional unexpected capital expenditures to resolve the issues, if the Company is unable to claim such amounts from the contractor.

## Other Operational Risks

The two aforementioned projects are subject to the risk factors previously mentioned under the paragraph titled **"Risks Relating to the Company's Activity and Operation"** of this section. For the avoidance of repetition, please refer to these risks when reading this part of Risk Factors.

### 2 - 1 - 14 Technical Malfunction of Equipment and Machinery

The Company relies on the continuous operation of medical and technical machinery, equipment and devices in the provision of services to its customers. Any malfunction in the main equipment may hinder its operational activities during the period of such malfunction, hence negatively affecting the Company's business and financial results.

### 2 - 1 - 15 Allocating Funds Required to Update Equipment and Machinery and Keeping Abreast of the Related Technological Developments

Sixty percent (60%) of the Company's fixed assets and equipment are considered depreciated as of 31 December 2013G. The Company's inability to allocate the required financing for the capital expenditures for the development and replacement of these assets and equipment could lead to a delay in the process of updating and replacing Al Hammadi Hospital - Al Olaya's equipment. This could negatively affect the operations of the said hospital and its financial results in the event that its equipment breaks down or if the Company is unable to keep abreast of the technological developments of medical equipment which may affect the Company's competitiveness in the market. In addition, the success of the Company's competitors in their advancement in terms of the quality and type of equipment and technology owned may affect the Company's ability to compete and may limit its ability to retain its customers.



## 2 - 1 - 16 Financing Risks

### Risks Associated with the Current Financial Arrangements

The Company obtained a loan from the Ministry of Finance amounting to SAR 149,145,000 for the financing of Al Hammadi Hospital – Al Suweidi, and the Company has received an amount of SAR 88.2 million from this loan as of 31 March 2014G. The Company has mortgaged the land on which the project is being constructed to the benefit of the Ministry of Finance as security for the repayment of the mentioned loan. The Company has also procured credit facilities from the Saudi British Bank amounting to SAR 340 million. The Company was required to submit several guarantees and undertakings which include granting a mortgage over the land on which Al Nuzha Hospital is being constructed (by way of possessive mortgage of the Hospital's title deed by surrendering it to the Saudi British Bank) as security for the repayment of the amounts granted to the Company through these facilities (for more information available on this matter, kindly refer to section 11 "**Legal Information**" of this Prospectus). In the event that the Company defaults in any of the undertakings relating to the debt accruing to the benefit of the Ministry of Finance or the Saudi British Bank pursuant to the agreements executed with them, or in any of the undertakings stipulated therein, the Ministry of Finance or the Saudi British Bank may request that the Company immediately repays the debt and/or initiate foreclosure proceedings on the mortgaged land to their benefit and the sale of the same and the collection of the loan amounts from the proceeds generated from such sale.

The financing and credit facilities agreements, all of which are Shari'ah compliant, and are executed by the Company with the Ministry of Finance and a number of Saudi Banks (the Arab National Bank, Samba Financial Group and The Saudi British Bank), also include a number of conditions which the Company must comply with, which include without limitation, the obligation to repay any amounts outstanding pursuant to such agreements within the specified timeframe in addition to other conditions (please refer to section 5 of section 11 "**Legal Information**" of this Prospectus). It is possible that the Company may not be able to meet its financial obligations arising from the mentioned agreements in the event of a shortfall in its cash flow for any reason. If, in the future, the Company defaults in its commitments pertaining to any loan, the lenders may request the Company to immediately repay the debt owed to them. In the event that there is a secured loan, the lenders can place a lien and foreclose over the relevant security. Additionally, if any lender declares its loan as outstanding and payable as a result of the Company's default, then the Company's other lenders are likely to accelerate and demand repayment of their loans. In such case, there is no guarantee that the Company will be able to procure sufficient alternative financings for the repayment of such debts. Any such factors may have material adverse effects on the Company's business and/or future prospects and/or financial standing and/or the price of its Shares.

### Future Financing

In addition to the Company's reliance on its internal financing sources, the Company relies on financing obtained from commercial banks to cover its working capital requirements. It is possible that the Company may not be able to obtain such loans at all or at reasonable terms. The Company may also need in the future to secure financing from commercial banks to achieve its expansion plans. The Company does not guarantee that it will be able to secure such financing at the suitable time and/or on acceptable preferential terms, in the future, if the Company's credit rating is affected as a result of the occurrence of any of the factors which are taken into account by the mentioned entities when conducting such rating.

### Financing Cost and Commissions Due to Lenders

The credit facilities granted by the commercial banks to the Company are Shari'ah compliant. Based on the amounts utilised by the Company under such facilities, commissions and other additional charges are charged by the lending banks which are considered as financing cost of such utilised amounts in accordance with the terms stipulated in the facility agreements signed with them. The Company currently uses some of these facilities to finance the Al Hammadi Hospital – Al Suweidi and Al Hammadi Hospital - Al Nuzha projects. In accordance with accounting standards, the Company capitalizes these amounts and additional commissions as part of the cost of these two projects. Once the said projects are completed and enter into the operational phase, the additional amounts and commissions will be recorded as expenses in the Company's income statement which will adversely affect the Company's net income. In the event that the two projects do not achieve revenues and income to cover such expenses, this will adversely affect the Company's financial results.

## 2 - 1 - 17 Litigation

The Company is exposed to future lawsuits and legal proceedings which the Company may initiate or face going forward. The Company does not guarantee the final outcome of such lawsuits and legal proceedings or the amounts the Company may be awarded or ordered to pay. Therefore, any negative outcome arising from such lawsuits or legal proceedings may adversely affect the Company and its financial results. Such lawsuits and legal proceedings include without limitation, intellectual property rights, medical malpractice and medical claims, zakat issues, employment disputes, contractual disputes as well as other damages resulting from negligence or from fraud by persons or entities in a manner which falls beyond the Company's control. For more information please refer to Subsection 11.9 "**Lawsuits, Claims, and Regulatory Proceedings**" of section (11) "**Legal Information**" of this Prospectus.

In 2012G, the Company paid an amount of SAR 1.7 million as settlement for a Medical Malpractice claim previously instituted against it.

## 2 - 1 - 18 Adequacy of Insurance Cover

Legal proceedings may be brought against the Company, which could involve large sums of claims arising from various causes as the case may be, and which may result in the Company incurring significant legal fees. Some of the claims, however, may exceed the scope of the insurance coverage, certain claims may not be covered by insurance or the claim submitted by the Company to its insurance company may be denied. The Company does not guarantee that its insurance coverage will be sufficient to cover all future claims brought against it under the relevant insurance policies. There are cases or incidents that may be exempted from coverage or the insured amount may be insufficient to cover or the incident may be one which cannot be insured against. The Company may also fail, for any reason, to prove a basis for its claim against the insurance company before the relevant judicial authority. Such cases would adversely and materially affect the operations of the Company and its financial results.

Furthermore, the Company may be unable to procure sufficient insurance coverage for certain cases in light of an increase in the insurance premium or the unavailability thereof. The inability of the Company to obtain appropriate insurance coverage for its doctors could result in its doctors unable to practice as required, which, in turn, could result in limitations in the services provided by the Company. The insurance referred to herein relates both to medical malpractice insurance in particular, and the remaining types of insurance in general.

Additionally, the Company, its business or one of its hospital facilities may become exposed to a number of accidents, which are beyond its control and which can affect its operations. Among such incidents which may occur at the hospitals are fire and natural disasters, which may affect the Company or any of its facilities. The occurrence of such incidents may lead to the suspension of work in the affected facilities for a period of time, which may affect the Company's income throughout the period in which work is suspended, in addition to the emergency capital expenses and the costs of repair, reconstruction and rehabilitation which the Company may incur for purposes of repairing, reconstructing and restoring such damaged utilities to their original state.

Although the Company has maintained valid insurance policies against such incidents, the Company does not ensure that such policies shall, whether fully or partially, cover such incidents, which may adversely affect the Company's business, financial position and results of operations.

## 2 - 1 - 19 Bad Debt Provisions

The Company has adopted a policy as of the beginning of the year 2013G by which it provides specific provisions for bad debt. Such provisions are used only to cover possible bad debt in connection with receivables from insurance companies and other customers. As the implementation of this policy only commenced recently, the amount of such provisions may, indeed, be less than the amount of actual bad debt, which may adversely affect the Company's profitability and financial position. In addition, future changes in the accounting policies adopted by the Company may require it to increase the amount of bad debt provisions.



## 2 - 1 - 20 Zakat Tax Assessment

The latest final Zakat tax assessment received by the Company was for the period ending 30/09/2008G, which is the date of the conversion of the Company's legal status from a limited liability company to a closed joint stock company. Since that date, the Company has not received any final Zakat tax assessment for the financial years from 31 December 2008G until 31 December 2013G.

The Company cannot predict any differences in the Zakat assessment as per the provisional assessment and the final assessment that may be demanded by the Department of Zakat and Income Tax, until the Company receives the final Zakat tax assessment in respect of the financial years mentioned above. Accordingly, the Company has not provisioned for such differences in its financial statements. It is possible that the Department of Zakat and Income Tax imposes significant Zakat differences on the Company, which will adversely affect the Company's financial results. Therefore, this might affect the shareholders of the Company including Current Shareholders and new shareholders subscribing in the Shares through the Offer who will bear the cost of such differences indirectly in excess of the amounts allocated in the Company's financial statements for the fiscal year ending on 31/12/2013G..

## 2 - 1 - 21 Recent formation of Board Committees

On 12/02/2013G, the Board of Directors formed the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee to perform the functions and responsibilities delegated to each committee in accordance with the Company's Corporate Governance Manual, which was adopted by the Board of Directors on the same date pursuant to the Corporate Governance Regulations issued by the CMA. For more details, please refer to section 5 "**Organizational Structure of the Company**" of this Prospectus.

In view of the recent formation of the said committees and the implementation of the Company's Corporate Governance Manual, the inability of the committee members to fulfil their specified duties and to follow the course of action to ensure the protection of the Company and its shareholders may affect the implementation of the Company's Corporate Governance Manual as well as the Board of Directors' ability to effectively manage the business of the Company through such committees. This in turn, may expose the Company to a possibility of non-compliance with its ongoing disclosure obligations following the Listing on one hand, and to operational, administrative and financial risks on the other hand. As such, this could materially and adversely affect the Company's future business, financial position and operating results.

## 2 - 2 Risks Relating to the Market

### 2 - 2 - 1 Competitive Environment

The healthcare sector is one of the sectors which face fierce competition between healthcare service providers, including hospitals. This sector is also considered as one of the promising sectors which attracts the attention of both Saudi and foreign investors. Therefore, the size of competition and the number of healthcare service providers in the Kingdom is continuously increasing; as there are a number of large and well-established private healthcare service companies with whom the Company competes. That is in addition to the current construction of a number of large hospitals in Riyadh, the area in which the Company operates. Such competition can create many challenges which the Company will have to deal with and mitigate its impact on the Company's operational and financial affairs. Some of the challenges which the Company might face are:

- The pricing of medical services in comparison with those offered by other healthcare service providers.
- The enhancement of the quality of medical facilities available in addition to the medical equipment and machinery used.
- The expansion and retention of the customer base.

The healthcare sector is amongst the sectors in which foreign investors are permitted to invest up to a 100% ownership. It is possible for competition to increase as a result of the entry of foreign companies specialized in the management and operation of hospitals which will compete with local medical companies, including the Company.

Additionally, the expansion which the Ministry of Health is currently conducting in the healthcare sector and the increase in the number of the Ministry's hospitals in Riyadh may adversely affect the level of demand on private hospitals, including the Company's group of hospitals, thereby adversely affecting the Company's competitiveness in the market and its financial performance.

## **2 - 2 - 2 Market Restructuring**

If major consolidations (or mergers) of hospitals occur in the healthcare sector between the operating companies, this may impact market factors and create dominant positions by entities controlling the sector. Such consolidation may also affect the Company's competitive advantage on the one hand, and the extent of its market share for the different types of customers in the market on the other hand, and may also impact the price rates which the Company sets for its services.

## **2 - 2 - 3 Foreign Currency; Interest Rate Risks and Financing Cost**

The foreign currency exchange rate risk to which the Company may be exposed arise from situations where the Company's commercial relationships with international parties involve the purchase of medical products and equipment, as well as other medical tools required for its daily operations which are denominated in foreign currencies. The risks are due to the fluctuation of the value of financial foreign investments due to fluctuations in foreign currency exchange rates. As the Company's dealings are carried out in Saudi Riyals and other currencies, any large unanticipated fluctuation in exchange rates will adversely affect the Company's financial performance.

In addition, the increase in the cost of financing may result in the Company incurring high financing costs, which can adversely affect the Company's future profitability and its ability to repay and settle its financial obligations towards financing parties.

In addition, any increase in the financing cost rates, whether fixed or variable rates (i.e., financings based on the inter-bank borrowing between Saudi banks rate, known as "SIBOR", or on the inter-bank borrowing between London banks rate known as "LIBOR"), which is payable to the Company's financing parties, could lead to an increase in the financing costs required by the Company to finance its operations, which could affect its profit rates and financial results.

## **2 - 2 - 4 Saudization**

The obligation to commit to Saudization is an initiative by the Government which requires that companies operating in the Kingdom of Saudi Arabia hire a certain number of Saudi nationals amongst its employees. Pursuant to the circular issued by the Ministry of Labour dated 1/5/1423H (Corresponding to 10/08/2002G) the Company must obtain a Saudization certificate from the Ministry of Labour. The Ministry of Labour may later decide to impose stricter Saudization policies.

The Company's ability to meet its obligations and to request governmental loans, in addition to its financial performance and ability to recruit additional numbers of foreign employees may be adversely affected in the event the Company fails to comply with the Saudization policies and ratios in the future as issued and applied by the Ministry of Labour. In addition, the Company's failure to comply with the Saudization policies and ratios will lead to its inability to recruit sufficient non-Saudi workers for its new projects, which, in turn, will negatively affect the Company's ability to operate such projects and the Company's profitability and financial outcomes.

## **2 - 3 Risks Related to Ordinary Shares**

### **2 - 3 - 1 Distribution of Dividends**

Future distribution of dividends will depend on several factors, amongst which are, the realization of profits, the Company's financial position, operating capital requirements, distributable profits, restrictions imposed by lending parties on the Company's distribution of profit, the credit limits available to the Company as well as the general economic condition and other related factors which are subject to the evaluation of the Board of Directors. Therefore, the Company gives no assurance whatsoever to current and future shareholders that any dividends will be distributed in the future.

Given that the Company does not have a fixed policy for distribution of profits, the decision to distribute a dividend depends heavily on a number of factors, including the financial position of the Company, its working capital requirements, which may limit its decision to distribute future dividends.





It should be noted that the terms of the facility agreement entered into by the company with The Saudi British Bank on 01/08/1434H (corresponding to 06/10/2013G) stipulate that it should be a priority to repay amounts owed to the bank before distribution of dividends, and that the dividends distributed by the Company should not exceed 80% of its net profits in any case. Accordingly, the Company will not be able to distribute dividends exceeding 80% of its net profits without obtaining the approval of The Saudi British Bank. For more information on the restrictions currently imposed by banks financing the Company in respect of the cash dividends which the Company may distribute, please refer to section number (7) “**Dividends Distribution Policy**” of this Prospectus.

## **2 - 3 - 2 Effective Control by the Founding Shareholders**

The Founding Shareholders will remain in a position in which they will be able to control matters requiring shareholders’ approval, including the election of members of the Board of Directors, the increase and reduction of the Company’s share capital and other influential decisions. The Founding Shareholders will own 70% of the Company’s Shares subsequent to the subscription process. As such, the Founding Shareholders may jointly be able to influence all matters requiring shareholders’ approval, and they may exercise this ability in a manner that could have a material effect on the Company’s business, financial condition and results of operations and be inconsistent with the wishes of the other shareholders.

Any sale by the Founding Shareholders or any one of them, of a large number of shares after the expiry of the Lock-Up Period defined in the “**Offer Summary**” section of this Prospectus may result in a negative impact on the Company’s share price, thereby causing it to fall.

Also, the sale by Jadwa Healthcare Opportunities Fund of all its shares in the Company, and its exit from the Company as a Substantial Shareholder may result in the exit of its representatives from the Company’s Board of Directors, which may affect the Company’s business adversely if the Company is unable to elect new members with the same level of qualification and knowledge to replace them in the Board of Directors.

## **2 - 3 - 3 Absence of a Prior Market for the Shares**

Currently, there is no financial market for the trading of the Company’s Shares, and there is no guarantee of an active and sustainable market for the trading of the Company’s shares subsequent to the Offering. The Offer Price has been determined based on several factors, including the history and prospects of the Company’s business, the industry in which it competes and an assessment of the Company’s administrative, operational and financial results. Various factors, including the Company’s financial results, general conditions of the medical industry, the condition of the overall economy, the legal environment within which the Company operates and other factors that are beyond the Company’s control could cause significant fluctuations in the price and trading liquidity of the Company’s Shares.

## **2 - 3 - 4 Future Sales and Offering of Shares**

The sale of substantial amounts of the Shares on the Stock Exchange following the completion of the Offering, or the perception of that occurring, could adversely affect the market price of the Shares. The Founding Shareholders will be subject to the Lock-Up Period defined in the “**Offer Summary**” section of this Prospectus, during which they may not dispose of any Shares. The sale of a substantial number of Shares by any of the Founding Shareholders following the expiry of the share lock-up period could have an adverse effect on the value of the Company’s Share in the market which may result in a lower market price of the Shares. The Company does not currently intend to issue additional Shares immediately following the Offering. Yet, the issuance of any new shares by the Company could have an adverse effect on the market value of its Shares and therefore, the reduction thereof. For instance, the sale of Company shares by Jadwa Healthcare Opportunities Fund at a period of time in the future could have an adverse impact on the market price of the Company’s Shares.

### 3. General Overview of the Healthcare Services Market

The source of information set out in this section “**General Overview of the Healthcare Services Market**” is the report prepared exclusively for the Company by Roland Berger Strategy Consultants (“**Roland Berger**”). Roland Berger was established in Munich in 1967 as a strategy consulting services provider. Roland Berger has over 2,000 employees in more than 50 offices around the world. For more information on this firm, please visit their website at [www.rolandberger.com](http://www.rolandberger.com)

It is worth mentioning that no stake or interest in the Company is owned by Roland Berger, its subsidiaries or branches, its shareholders, the members of its board of directors or any of their relatives. Roland Berger has given its written consent to use its name, information and market research in the format and wording provided in this Prospectus.

The Company believes that the information and data provided in this Prospectus from other sources, including the report provided by Roland Berger, are credible. However, this information was not independently verified by the Company, its board members, its shareholders or consultants, so the Company assumes no liability for the accuracy or completeness of this information.

All data, including the data relating to 2012G has been extracted from the Roland Berger report as well as from other sources.

#### 3 - 1 Introduction

The Kingdom of Saudi Arabia witnessed significant growth in economic activity, which included the healthcare sector, during recent years, including 2013G. The healthcare sector witnessed an increase in expenditure of 15% annually, from 58 billion Saudi Riyals in 2009G to 102 billion Saudi Riyals in 2013G. A growing population was one of the main factors behind such increase, in addition to the significant support which the Kingdom extends to the healthcare sector.

#### 3 - 2 Healthcare sector trends

The following is a brief overview of several key trends shaping the healthcare industry in the Kingdom:

##### 3 - 2 - 1 Rising rate of chronic diseases

The increased prevalence of an unhealthy lifestyle in the Kingdom is one of the main factors behind the growing demand for healthcare services. Unhealthy lifestyles have led to an increase in obesity, and an increased risk of diabetes, which is a leading cause of several non-communicable diseases. Around 30% of the Kingdom's population who are above the age of 15 years are currently categorized as obese. It has been proven that obesity leads to a twenty-fold increased risk of becoming diabetes.

##### 3 - 2 - 2 Growing and aging population

From a demographic perspective, the number of Saudi residents has increased from 27.6 million in 2010G to 30 million in 2013G. The average life expectancy of the Saudi population has increased and their standards of living have improved. Such demographic trends shall result in an increase in the cost of healthcare due to increasing volume and increasing cost of healthcare services per person due to the increase in the average life expectancy.

**Table 1: Population development in the Kingdom of Saudi Arabia**

Year	Population (in millions)
2006G	24.1
2007G	24.9
2008G	25.8





Year	Population (in millions)
2009G	26.7
2010G	27.6
2011G	28.4
2012G	29.2
2013G	30.0

Source: Roland Berger Report

### 3 - 2 - 3 Increasing medical expertise

Hospitals in Saudi Arabia have become more capable of conducting advanced procedures. For example, the number of heart valve implant operations performed in the Kingdom between 2009G and 2013G are estimated to have increased by 31%. It is expected that this trend shall cause Saudi citizens to become more comfortable with the availability and quality of medical services provided in the Kingdom, thereby reducing the number of treatments performed abroad.

### 3 - 2 - 4 Growing coverage of cooperative healthcare insurance

Over the past five years, the Saudi cooperative health insurance market which covers private sector employees in the Kingdom has grown significantly as a result of the gradual implementation of mandatory cooperative insurance coverage for such employees in accordance with the Cooperative Health Insurance Law issued pursuant to Royal Decree no. (M/71) dated 27/4/1420H (corresponding to 11/8/1999G). Though initially covering only expatriates employed in large companies, the scope of the mentioned law has been extended to include all private sector employees, both Saudis and non-Saudis alike. Consequently, cooperative health insurance premiums have recorded a compounded annual growth rate of 15% between 2009G and 2013G.

### 3 - 2 - 5 Increasing shortage of medical staff

Planned increases in the capacity of healthcare facilities in the Kingdom, the opening of new healthcare services facilities in the Kingdom, as well as the high demand for healthcare services has resulted in an increased demand for doctors. However, the current shortage of Saudi doctors in addition to the fact that the Saudi Government is not implementing any drastic changes to the laws and regulations as well as the absence of a drastic increase in the number of Saudi medical graduates shall result in reliance on non-Saudi medical staff, whether in the public or the private sector. The negative effects resulting from the same are as follows:

1. **High costs:** A shortage of Saudi doctors will force healthcare institutions in the Kingdom to employ non-Saudi doctors which will, in turn, force them to compete with healthcare institutions in neighbouring GCC countries in terms of salaries and benefits, thereby further increasing average salaries.
2. **High attrition rates:** Many expatriate doctors leave employment with hospitals operating in the Kingdom to go to work in other countries due to various personal reasons, resulting in limited medical resources being available in the Kingdom and as a result, the hospitals may suffer from the limited availability of medical resources due to doctors leaving which, in turn, affects the medical services provided.

### 3 - 2 - 6 Continuing shortage of bed capacity

The Ministry of Health hospitals are currently experiencing shortages in bed capacity. This has prompted the Ministry to develop an online referrals system whereby eligible private hospitals can accept specific cases from governmental facilities which do not have the capacity to treat such cases. Despite the hospital expansion projects and the development of new hospitals in the Kingdom, which would increase the total bed capacity, it is expected that the level of increase in demand for healthcare services shall remain higher than the level of the hospitals' capacity over the coming five years.

### 3 - 2 - 7 Limited capacity and scope of healthcare services in rural areas

Modern and well-planned medical facilities are mainly available in urban areas. Approximately 60% of new hospitals are being built in cities. However, the Ministry of Health is obliged to compensate for the shortfall in healthcare services in rural areas. Hence, the dominance of Ministry of Health facilities in rural areas is set to continue free from competition from the private sector.

### 3 - 3 Healthcare Sector in the Kingdom of Saudi Arabia

The Kingdom has adopted laws and regulations regulating the private health insurance sector, leading to an increase in the total number of individuals insured by the private sector in the Kingdom to an estimated 8.4 million people in 2013G. Due to this new source of medical coverage, hospital costs became a secondary priority for patients with a high proportion now increasingly concerned with the quality of facilities as well as the reputation and expertise of doctors and of nursing staff. Other important criteria for hospital selection include the availability of certain specializations as well as the perceived technological capabilities of the healthcare facilities.

Due to this shift in preferences, the increase in patient visits tended to favour private hospitals at the expense of public facilities. During the period from 2009G to 2013G, out-patient visits to private health facilities grew at 9% compounded annual growth rate, whereas number of out-patient visits at Ministry of Health hospitals remained stable. Similarly, over the same period, the number of in-patient admissions to private sector hospitals increased at a compound annual growth rate of 12% while the number of in-patient admissions to the Ministry of Health facilities increased at a compound annual growth rate of 1%.

Despite this increase in demand, capacity generally increased at a slower pace. The number of hospitals in the Kingdom increased from 408 in 2009G to 435 in 2012G according to Ministry of Health statistics.

**Table 2: Number of Hospitals in the Kingdom**

Number of hospitals	2009G	2010G	2011G	2012G (estimated)	2013G (estimated)
Ministry of Health Hospitals	244	249	251	259	260
Other Governmental Hospitals	30	30	30	39	39
Private Hospitals	125	127	130	137	140
<b>Total</b>	<b>399</b>	<b>406</b>	<b>411</b>	<b>435</b>	<b>439</b>
<b>Percentage of total</b>					
Ministry of Health Hospitals	61%	61%	61%	60%	59%
Other Governmental Hospitals	8%	7%	7%	9%	9%
Private Hospitals	31%	31%	32%	31%	32%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Annual Growth Rate</b>					
Ministry of Health Hospitals		2%	1%	3%	0%
Other Governmental Hospitals		0.0%	0.0%	0.0%	0.0%
Private Hospitals		2%	2%	5%	2%
<b>Total</b>		<b>2%</b>	<b>1%</b>	<b>4%</b>	<b>1%</b>

Source: Roland Berger Report



In terms of capacity, the number of beds has increased from 55,932 in 2009G to 61,036 beds in 2012G according to Ministry of Health statistics. It is estimated that the number of beds in the Kingdom reached 64,330 in 2013G. The percentage of private hospital beds from the total number of beds has increased gradually from 21% in 2009G to 24% in 2013G.

**Table 3: Number of Beds in the Kingdom**

Number of hospital beds	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
Ministry of Health Hospitals	33,277	34,370	34,450	35,828	37,278
Other Governmental Hospitals	10,822	10,939	10,948	11,043	11,767
Private Hospitals	11,833	12,817	13,298	14,165	15,284
<b>Total</b>	<b>55,932</b>	<b>58,126</b>	<b>58,696</b>	<b>60,036</b>	<b>64,330</b>
<b>Percentage of Total</b>					
Ministry of Health Hospitals	60%	59%	59%	59%	58%
Other Governmental Hospitals	19%	19%	19%	18%	18%
Private Hospitals	21%	22%	22%	23%	24%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Annual Growth Rate</b>					
Ministry of Health Hospitals		3%	0%	4%	4%
Other Governmental Hospitals		1.1%	0.1%	1%	7%
Private Hospitals		8.3%	3.8%	7%	8%
<b>Total</b>		<b>4%</b>	<b>1%</b>	<b>4%</b>	<b>5%</b>

Source: Roland Berger Report

The number of clinics increased from 2,498 in 2009G to 2,716 in 2012G according to Ministry of Health statistics. This number of clinics in the Kingdom is expected to have reached 2,876 in 2013G.

**Table 4: Number of Clinics in the Kingdom**

Number of clinics	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
Government	2,281	2,343	2,360	2,518	2,666
Private	217	199	198	198	210
<b>Total</b>	<b>2,498</b>	<b>2,542</b>	<b>2,558</b>	<b>2,716</b>	<b>2,876</b>
<b>% of total</b>					
Government	91%	92%	92%	93%	93%
Private	9%	8%	8%	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Number of clinics	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
<b>Annual Growth Rate</b>					
Government	N/A	3%	1%	7%	6%
Private	N/A	%-8	%-1	0%	6%
Total	N/A	2%	1%	6%	6%

Source: Roland Berger Report

Despite the large growth in investment in the Kingdom, the size of investments in the healthcare sector in the Kingdom is still low compared to developed countries. The Kingdom spent 3% of its GDP on healthcare in 2013G, compared to an average of 10% among countries belonging to the OECD. This lower level of expenditure translated into lower levels of healthcare coverage, equalling on average only 21 beds and 24 doctors per 10,000 people in the Kingdom, compared with an average of 48 beds and 32 doctors per 10,000 people among countries belonging to the OECD.

The Organization for Economic Co-operation and Development, or OECD, was founded in 1961 and its headquarters is located in the French capital - Paris. The Organization aims to strengthen policies contributing to the improvement of social and economic conditions in all parts of the world.

### Countries Belonging to the Organization for Economic Co-operation and Development

Australia	France	South Korea	Slovakia
Austria	Germany	Luxembourg	Slovenia
Belgium	Greece	Mexico	Spain
Canada	Hungary	Netherlands	Sweden
Chile	Iceland	New Zealand	Switzerland
Czech Republic	Ireland	Norway	Turkey
Denmark		Poland	United Kingdom
Estonia	Italy	Portugal	USA
Finland	Japan		

Source: Website of the Organization for Economic Cooperation and Development as of 2/5/2013G

### 3 - 4 Healthcare Sector in Riyadh

All sectors of the Saudi market witnessed significant growth and activity in recent years. The number of hospitals in Riyadh increased from 78 in 2009G to 85 in 2012G according to Ministry of Health statistics. It is estimated that the number of hospitals in Riyadh reached 87 in 2013G. The number of hospitals in Riyadh belonging to the Ministry of Health increased from 44 in 2009G to 46 in 2012G according to Ministry of Health statistics. It is estimated that this number increased to 47 in 2013G.



**Table 5: Number of Hospitals in Riyadh**

Number of hospitals	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
Ministry of Health Hospitals	44	44	45	46	47
Other Governmental Hospitals	7	7	7	7	7
Private Hospitals	27	30	31	32	33
<b>Total</b>	<b>78</b>	<b>81</b>	<b>83</b>	<b>85</b>	<b>87</b>
<b>% of total</b>					
Ministry of Health Hospitals	56%	54%	54%	54%	54%
Other Governmental Hospitals	9%	9%	8%	9%	8%
Private Hospitals	35%	37%	37%	38%	38%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Annual Growth Rate</b>					
Ministry of Health Hospitals	N/A	0%	2%	2%	2%
Other Governmental Hospitals	N/A	0.0%	0.0%	0.0%	0.0%
Private Hospitals	N/A	11.1%	3.3%	3%	3%
<b>Total</b>	<b>N/A</b>	<b>4%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>

Source: Roland Berger Report

The number of beds available in Riyadh hospitals increased from 13,144 in 2009G to 14,943 in 2012G according to Ministry of Health statistics. It is estimated that the number of beds increased to 15,792 in 2013G as a result of the establishment of new private and governmental hospitals.

**Table 6: Number of Beds in Riyadh**

Number of hospital beds	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
Ministry of Health Hospitals	6,981	7,171	7,322	7,473	7,778
Other Governmental Hospitals	3,285	3,328	3,335	3,361	3,581
Private Hospitals	2,878	3,645	3,852	4,109	4,434
<b>Total</b>	<b>13,144</b>	<b>14,144</b>	<b>14,509</b>	<b>14,943</b>	<b>15,793</b>
<b>Percentage of total</b>					
Ministry of Health Hospitals	53%	51%	50%	50%	49%
Other Governmental Hospitals	25%	24%	23%	23%	23%
Private Hospitals	22%	26%	27%	27%	28%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Number of hospital beds	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
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#### Annual Growth Rate

Ministry of Health Hospitals	N/A	3%	2%	2%	4%
Other Governmental Hospitals	N/A	1%	0.2%	1%	7%
Private Hospitals	N/A	27%	6%	7%	8%
<b>Total</b>	<b>N/A</b>	<b>8%</b>	<b>3%</b>	<b>3%</b>	<b>6%</b>

Source: Roland Berger Report

The number of clinics in Riyadh increased from 469 clinics in 2009G to 528 in 2012G, according to Ministry of Health statistics. It is estimated that this number increased to 559 clinics in 2013G.

**Table 7: Number of clinics in Riyadh**

Number of clinics	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
Government	421	443	446	481	509
Private	48	46	46	47	50
<b>Total</b>	<b>469</b>	<b>489</b>	<b>492</b>	<b>528</b>	<b>559</b>

#### Percentage of total

Government	90%	91%	91%	91%	91%
Private	10%	9%	9%	9%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### Annual Growth Rate

Government	N/A	5%	1%	8%	6%
Private	N/A	%-4	0%	0%	6%
<b>Total</b>	<b>N/A</b>	<b>4%</b>	<b>1%</b>	<b>6%</b>	<b>6%</b>

Source: Roland Berger Report

With regard to patients dealing with Ministry of Health hospitals and private healthcare facilities (considered as Al Hammadi's competitive landscape), the number of visits to out-patient clinics increased at a compounded annual rate of 8.0%, from 13.1 million visits in 2009G to an estimate of 17.9 million in 2013G. It is estimated that most visits were to Internal medicine and dentistry departments, which, according to estimates by Roland Berger, reached 3.6 million and 2.2 million visits respectively in 2013G.

**Table 8: Analysis of Outpatient Visits in Riyadh Ministry of Health Hospitals and Private Healthcare Facilities**

Out-patient Visits	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
Cardiology	201,527	228,703	250,245	278,103	296,442
Dentistry	1,616,786	1,726,129	1,877,056	5,057,387	2,180,771



Out-patient Visits	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
Dermatology	865,231	960,706	1,065,778	1,140,778	1,190,446
ENT	1,505,413	1,624,449	1,704,329	1,839,609	1,950,296
General surgery	764,879	870,243	962,572	1,136,755	1,191,445
Internal medicine	2,530,270	2,812,523	3,098,516	3,296,113	3,567,632
Neurology	207,445	219,848	240,925	265,199	280,391
Obstetrics & gynaecology	1,302,798	1,480,130	1,666,757	1,727,761	1,854,798
Ophthalmology	929,326	1,026,842	1,165,840	1,279,536	1,341,043
Orthopaedics	1,360,562	1,416,803	1,498,692	1,572,563	1,651,169
Paediatrics	1,191,914	1,408,531	1,600,502	1,712,224	1,800,060
Plastic surgery	40,126	43,193	49,857	53,735	58,103
Psychiatry	200,659	210,556	226,566	237,542	244,503
Others	430,590	615,051	542,266	277,316	285,642
<b>Total</b>	<b>13,147,526</b>	<b>14,643,707</b>	<b>15,949,901</b>	<b>16,874,621</b>	<b>17,892,741</b>

Source: Roland Berger Report

On the other hand, the number of in-patient admissions to the Ministry of Health hospitals and private healthcare facilities in Riyadh increased at a compounded annual growth rate of 6.4%, from 464,921 patients in 2009G to 596,018 in 2013G.

**Table 9: Analysis of Inpatient Numbers in Riyadh in Hospitals owned by the Ministry of Health and Privately Owned Hospitals**

In-patient Admissions	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
Cardiology	6,413	7,114	7,470	8,468	9,011
Dentistry	7,885	8,261	8,654	8,426	8,872
ENT	39,034	42,061	43,446	44,247	46,762
General surgery	44,163	45,722	47,565	52,620	54,818
Internal medicine	96,069	112,813	114,522	110,530	118,347
Neurology	6,274	6,197	8,078	5,583	5,861
Obstetrics & gynaecology	98,581	109,157	115,744	117,284	125,210
Ophthalmology	24,236	25,522	26,876	39,011	40,480
Orthopaedics	31,819	32,985	34,194	36,195	37,876
Paediatrics	102,221	121,536	137,958	131,027	137,301

In-patient Admissions	2009G	2010G	2011G	2012G (estimated)	2013G (expected)
Plastic surgery	7,712	9,383	9,835	10,112	10,911
<b>Total</b>	<b>464,921</b>	<b>521,563</b>	<b>554,818</b>	<b>564,060</b>	<b>596,018</b>

Source: Roland Berger Report

### 3 - 5 Competition and Market Share

#### 3 - 5 - 1 Competitive Position

Ministry of Health hospitals are estimated to account for 49% of the total bed capacity in Riyadh in 2013G, totalling 7,778 beds. Private hospitals comprised approximately 28% of total bed capacity (4,434 beds). Other government hospitals provided the remaining quantity.

The top 10 hospitals in Riyadh cover around half of the total bed capacity in private and Ministry of Health hospitals.

**Table 10: Number of Beds in Hospital of the Ministry of Health and Private Hospital in Riyadh**

Hospital name	Number of beds	Percentage of total
King Fahd Medical City	1500	12%
King Saud Medical City	1446	12%
Dr. Sulaiman Al Habib Group	791	6%
Dallah Hospital	352	3%
Riyadh Care Hospital	340	3%
Al Yamamah Hospital	310	3%
Al Hammadi Hospital	300	3%
Specialized Medical Centre Hospital	275	2%
Al Imam Hospital	220	2%
Prince Salman Hospital	210	2%
Najd Consulting Hospital	160	1%
Saudi German Hospital	150	1%
Dr. Abdul Rahman Al Mishari Hospital	140	1%
Kingdom Hospital Consulting Clinics	130	1%
Riyadh National Hospital	124	1%
<b>Total</b>	<b>6,448</b>	<b>53%</b>
<b>Other Riyadh area hospitals</b>	<b>5,764</b>	<b>47%</b>
<b>Total Ministry of Health and private hospitals</b>	<b>12,212</b>	<b>100%</b>

Source: Roland Berger Report





The top 10 hospitals accounted for 62% of the total bed capacity in the private sector. Most of these hospitals are considered to be general hospitals, covering a wide range of treatment areas and offering a comprehensive range of services to their patients. These private operators distinguish themselves by degrees of specialization across the various treatment areas, level of out-patient focus and price versus quality.

**Degree of Specialization:** Most private hospitals in Riyadh have been striving to achieve deeper coverage in existing fields of treatment in order to meet the increasing demand and to provide a single point of patient healthcare service. Meanwhile, select others have chosen to reduce their coverage, in order to achieve higher levels of expertise. There are also several private hospitals not planning to make any changes in their degree or depth of specialization. Al Hammadi Hospital falls under the first category as it looks to maintain itself as a leading generalist hospital, offering in-depth coverage and expertise across a wide range of treatment areas.

**Level of Focus on Out-patient Services:** Wide discrepancies currently exist between private hospitals' outpatient to inpatient ratios. Some hospitals remain focused on out-patient services for day-cases and walk-in specialists' clinics. Other hospitals have migrated towards a comprehensive hospital model with complete in-patient capabilities. Al Hammadi Hospital – Al Olaya is currently among the top hospitals in the private sector in terms of out-patient activity and has extended its operating hours in mid-2012G to accommodate the increasing demand.

**Price - Quality:** the level of private hospital pricing is mainly in line with the level of quality of the key patient choice drivers: location, accessibility, availability of parking spaces, technology, level of crowdedness and cleanliness, interior design and customer service, amongst others.

### 3 - 5 - 2 Market Share

In terms of bed capacity in private hospitals, Al Hammadi Hospital – Al Olaya's market share in the Kingdom is estimated have reached 2% in 2012G, while it reached 7% in 2012G in Riyadh.

**Table 11: Al Hammadi Hospital–Al Olaya Share of Private Bed Capacity in Riyadh<sup>2</sup>**

Hospital name	Number of beds	Percentage of total
Al Hammadi Hospital – Al Olaya	300	7%
Dr. Sulaiman Al Habib Group	791	18%
Dallah Hospital	352	8%
Riyadh Care Hospital	340	8%
Specialized Medical Centre Hospital	275	6%
Najd Consultant Hospital	160	4%
Saudi German Hospital	150	3%
Dr. Abdul Rahman Al Mishra Hospital	140	3%
Kingdom Hospital Consulting Clinics	130	3%
Riyadh National Hospital	100	2%
Other private hospitals	1,672	38%
<b>Total</b>	<b>4,434</b>	<b>100%</b>

Source: Roland Berger Report

Regarding in-patient admissions and out-patient visits at private hospitals in the Kingdom of Saudi Arabia, Al Hammadi Hospital's estimated market share for 2013G in the Kingdom of Saudi Arabia is 2% and 1%

<sup>2</sup> Please note that the market study report prepared by Roland Berger does not include governmental hospitals which do not fall under the Ministry of Health.

respectively.

**Table 12: Estimated Market Share for Al Hammadi Hospital–Al Olaya Within the Private Sector in the Kingdom**

In-patient admissions	
Al Hammadi Hospital – Al Olaya	2%
Other private hospitals	98%
Total	100%
Out-patient visits	
Al Hammadi Hospital – Al Olaya	1%
Other private facilities	99%
Total	100%

Source: Roland Berger Report

Al Hammadi is also estimated to maintain 7% and 3% of private sector in-patient admissions and out-patient visits respectively in Riyadh.

**Table 13: Estimated market share for Al Hammadi Hospital within the private sector in Riyadh**

In-patient admissions	
Al Hammadi Hospital - Al Olaya	7%
Other private hospitals	93%
Total	100%
Out-patient visits	
Al Hammadi Hospital - Al Olaya	3%
Other private hospitals	97%
Total	100%

Source: Roland Berger Report



## 4. Company Background And The Nature Of Its Business

### 4 - 1 Introduction

Al Hammadi Company for Development and Investment (the “**Company**”) is a Saudi Joint Stock Company pursuant to Ministerial Resolution Number 316/Q dated 16/9/1429H (corresponding to 16/9/2008G) and under commercial registration certificate number 1010196714 dated 23/2/1425H (corresponding to 13/04/2004G) which ends on 23/02/1438H (corresponding to 24/11/2016G), located in Riyadh, Khalid Bin Yazid Bin Muawiyah Street, north of Al Aqariyyah Building, Olaya.

The Company was initially established as a sole proprietorship owned by Mr. Saleh Mohammad Al Hammadi, which was registered under commercial registration certificate number 1010060944 on 21/02/1406H (corresponding to 05/11/1985G) with a capital of Saudi Riyals four million (SAR 4,000,000), then was converted on 25/01/1425H (corresponding to 16/03/2004G) to a limited liability company under the name of “Al Hammadi Hospital Company” with a capital of Saudi Riyals fifty million (SAR 50,000,000). On 13/6/1429H (corresponding to 17/6/2008G), the shareholders in Al Hammadi Hospital Company resolved to convert the Company into a Saudi joint stock company under the name of “Al Hammadi Company for Development and Investment”, with a capital of Saudi Riyals three hundred million (SAR 300,000,000) through the capitalization of the amount of Saudi Riyals one hundred eighty million seven hundred seventy nine thousand and seven hundred ninety two (SAR 180,779,792) from the retained earnings account, twenty million eighty six thousand and six hundred and forty three Saudi Riyals (SAR 20,086,643) from the statutory reserves account, and Saudi Riyals forty nine million one hundred thirty three thousand and five hundred sixty five (SAR 49,133,565) from the shareholders’ current account, in accordance with the Company’s 2008G financial statements. His Excellency the Minister of Commerce and Industry issued Ministerial Resolution Number 316/Q dated 16/9/1429H (corresponding to 16/9/2008G) declaring the Company’s conversion into a joint stock company. On 19/07/1433H (corresponding to 09/06/2012G), the Company increased its capital to Saudi Riyals four hundred and twenty million (SAR 420,000,000), through the capitalization of the amount of Saudi Riyals one hundred and twenty million (SAR 120,000,000) from retained earnings.

On 8/8/1434H (corresponding to 17/6/2013G), the Company increased its capital to Saudi Riyals five hundred and twenty-five million (SAR 525,000,000) divided into fifty-two million five hundred thousand (52,500,000) ordinary shares of a nominal value of Saudi Riyals ten (SAR 10) per share. The increase in the amount of Saudi Riyals one hundred and five million (SAR 105,000,000) was covered by transferring Saudi Riyals seventy-two million (SAR 72,000,000) from the balance of retained earnings, and transferring the balance from the statutory reserve in the amount of Saudi Riyals thirty-three million (SAR 33,000,000).

On 8/5/1435H (corresponding to 9/3/2014G), the Extraordinary General Assembly approved the increase of the Company’s capital from Saudi Riyals five hundred and twenty-five million (SAR 525,000,000) to Saudi Riyals seven hundred and fifty million (SAR 750,000,000), provided that the increased shares are offered through an initial public offering. The Company’s Shareholders have waived their rights to subscribe to the Offer Shares.

The Company has been operating in the healthcare sector for more than 28 years, and is considered one of the leading medical facilities in Saudi Arabia in general and the city of Riyadh in particular. The main activity that is currently carried out by the Company is operating and managing Al Hammadi Hospital, which is located in Al Olaya district north of the city of Riyadh (“**Al Hammadi Hospital - Al Olaya**”), which has a capacity of 300 beds and 74 medical clinics operated by 105 doctors as of 31/3/2014G. Al Hammadi Hospital - Al Olaya also received about 550,000 outpatient clinic visits and about 25,000 inpatients admissions during 2013G. Al Hammadi Hospital - Al Olaya is regarded as one of the comprehensive and specialized healthcare service centres in the city of Riyadh in Saudi Arabia and its medical staff comprises of competent and qualified doctors and nurses (please refer to subsection 4-6 “**Description of Al Hammadi Hospital - Al Olaya**” of this section).

The Company is currently building two new hospitals, one of which is located in Al Suweidi district, southwest of the city of Riyadh (“**Al Hammadi Hospital - Al Suweidi**”), and the other which is located in Al Nuzha district, northeast of the city of Riyadh (“**Al Hammadi Hospital - Al Nuzha**”) bringing the number of hospitals owned by the Company to three (3) hospitals. As a result of this expansion, the capacity of the Company will increase from 300 beds as it was in 2012G, to 728 beds in 2014G, and will then increase to become 1,156 beds in 2015G, and from 74 outpatient clinics as it was in 2012G, to 202 outpatient clinics in 2015G.

The Company expects that the commencement of the operations of the Al Hammadi Hospital - Al Suweidi with all its internal departments will take place within the third quarter of 2014G, noting that reaching full operational bed capacity will be take place gradually and is expected to be achieved by the end of 2015G. The said hospital will have the capacity of 300 rooms and suites in addition to 128 intensive care beds for children, adults and child incubators, as well as 64 outpatient clinics, 13 major operating theatres, two rooms to perform upper and lower laparoscopy surgery, in addition to a room for cardiac catheterization procedures, and another for kidney and urethra lithotripsy procedures.

The Company expects that the commencement of the operations of the Al Hammadi Hospital - Al Nuzha with all its internal departments will take place in the third quarter of 2015G, noting that reaching full operational bed capacity will be take place gradually and it is expected to be achieved by the end of 2016G. The said hospital shall have the capacity of 300 rooms and suites in addition to 128 intensive care beds for children, adults and child incubators, as well as 64 outpatient clinics, 13 major operating theatres, two rooms to perform upper and lower laparoscopy surgery, in addition to a room for cardiac catheterization procedures, and another for kidney and urethra lithotripsy procedures.

The Company's revenues amounted to SAR 434,075,699 in 2013G, and its profit amounted to SAR 111,502,515, evidencing an increase of 14.6% in revenue, and 18.3% in profit compared to 2012G.

The Company aims, through the Offering, to increase its capital with an amount of Saudi Riyals two hundred and twenty five million (SAR 225,000,000), so that it shall become Saudi Riyals seven hundred and fifty million (SAR 750,000,000) divided into seventy five million (75,000,000) shares of a nominal value of Saudi Riyals ten (SAR 10) per share following such increase and the Offering. An amount of SAR 457,500,000 representing 75% of the Offering net proceeds will be used to finance the Al Hammadi Hospital - Al Nuzha project and to repay part of the loans associated with it, while the remaining amount of the Offering net proceeds amounting to 152,500,000 will be used for the general corporate purposes of the Company (Please refer to section 8 "**The Use of Proceeds**" of this Prospectus). The Company is expected to reach the capacity of 1,156 beds and 202 clinics in the second half of 2015G.

## 4 - 2 A Summary of the Significant Changes in the Company's Share Capital and By-laws

**Table 14: Important Changes in the Company's Capital and By-laws**

Date	Type of Company	Capital Before the Change (SAR)	Capital After the Change (SAR)	Paid Amount	Reason for the Change
21/2/1406H (corresponding to 05/11/1985G)	Sole Proprietorship	None	4,000,000	Cash	The Company commenced its business activities as a sole proprietorship owned by Saleh Bin Mohammad Al Hammadi
25/01/1425H (corresponding to 16/03/2004G)	Limited Liability Company	4,000,000	50,000,000	Capitalisation of retained earnings	The Company was converted into a limited liability company under the name of "Al Hammadi Hospital Company" with a capital of SAR 50,000,000. The share capital was increased by SAR 46,000,000 through capitalization of retained earnings according to the 2004G financial statements.
16/09/1429H (corresponding to 16/09/2008G)	Closed Joint Stock Company	50,000,000	300,000,000	Capitalization of retained earnings, statutory reserve, and the shareholders' current account	The Company was converted into a Saudi closed joint stock company under the name of "Al Hammadi Company for Development and Investment", with a capital of SAR 300,000,000. This increase in the share capital was affected through the capitalization of the amount of SAR 180,779,792 from the retained earnings account, SAR 20,086,643 from the statutory reserve account, and SAR 49,133,565 from the shareholders' current account.



Date	Type of Company	Capital Before the Change (SAR)	Capital After the Change (SAR)	Paid Amount	Reason for the Change
19/07/1433H (corresponding to 09/06/2012G)	Closed Joint Stock Company	300,000,000	420,000,000	Capitalization of retained earnings.	The Company's capital was increased by SAR 120,000,000 to become SAR 420,000,000. This increase in Company capital was covered through the capitalization of retained earnings.
8/8/1434H (corresponding to 17/6/2013G)	Closed Joint Stock Company	420,000,000	525,000,000	Capitalization of retained earnings and statutory reserve.	The Company's capital was increased by SAR 105,000,000 bringing the capital after the Offering to SAR 525,000,000. The increase in capital was covered through the capitalization of retained earnings (SAR 72,000,000) and the statutory reserve (SAR 33,000,000).
08\05\1435H (corresponding to 09\03\2014G)	Joint-stock Company	525,000,000	750,000,000	Subscriptions*	The Company's capital increase by SAR 225,000,000 has been approved bringing the capital after subscription to SAR 750,000,000. The increase will be covered through the subscription process and the payment of the increase amount from the cash contributions of the public subscribers.

Source: The Company

\* According to the approval of the Extraordinary General Assembly held on 08\05\1435H (corresponding to 09\03\2014G), the Company increased its share capital by offering 22,500,000 shares representing 30% of the Company's issued share capital following the Offering.

## 4 - 3 Substantial Shareholders

Below are the details of the Substantial Shareholders who own 5% or more of the Company's share capital prior to the IPO:

**Table 15: Details of the Shareholders who Own 5% or More of the Company's Share Capital**

Shareholder Name	Pre-offer				Post-offer			
	Number of Shares	Share Capital (SAR)	Direct Ownership %	Indirect Ownership %	Number of Shares	Share Capital (SAR)	Direct Ownership %	Indirect Ownership %
Jadwa Healthcare Opportunities Company	15,750,000	157,500,000	30.000%	-	15,750,000	157,500,000	21.000%	-
Saleh Mohammad Al Hammadi	7,500,000	75,000,000	14.286%	-	7,500,000	75,000,000	10.000%	-
Abdulaziz bin Mohammad Al Hammadi	7,500,000	75,000,000	14.286%	-	7,500,000	75,000,000	10.000%	-
Faisal Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000%	-	3,675,000	36,750,000	4.900%	-
Mohammad Saleh Al Hammadi	3,675,000	36,750,000	7.000%	-	3,675,000	36,750,000	4.900%	-

Shareholder Name	Pre-offer				Post-offer			
	Number of Shares	Share Capital (SAR)	Direct Ownership %	Indirect Ownership %	Number of Shares	Share Capital (SAR)	Direct Ownership %	Indirect Ownership %
Abdulaziz Saleh Al Hammadi	3,675,000	36,750,000	7.000%	-	3,675,000	36,750,000	4.900%	-
Mohammad Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000%	-	3,675,000	36,750,000	4.900%	-

Jadwa Investment Company owns an indirect beneficial right of 6.57% in the Company's share capital through Jadwa Healthcare Opportunities Fund as follows:

**Table 16: The Beneficial and Indirect Ownership of Jadwa Investment Company in the Company's Shares Capital**

Shareholder Name	Pre-offer				Post-offer			
	Number of Shares	Share Capital (SAR)	Direct Ownership Percentage	Indirect Ownership Percentage	Number of Shares	Share Capital (SAR)	Direct Ownership Percentage	Indirect Ownership Percentage
Jadwa Investment Company <sup>3</sup>	3,449,250	34,492,500	-	6.570%	3,449,250	34,492,500	-	4.599%

Source: The Company

#### 4 - 4 Changes in Ownership of the Company

The Company was originally established on 21/02/1406H (corresponding to 05/11/1985G) as a sole proprietorship under the name of "Al Hammadi Hospital, owned by Saleh Mohammad Al Hammadi", with a capital of SAR 4,000,000 by Saleh Bin Mohammad Al Hammadi, and was registered in the Commercial Register in the city of Riyadh under commercial registration certificate number 1010060944 dated 21/02/1406 H (corresponding to 05/11/1985G).

On 25/01/1425H (corresponding to 16/03/2004G) Al Hammadi Hospital establishment was converted into a limited liability Company under the name of "Al Hammadi Hospital Company" with a capital of SAR 50,000,000 through in-kind contributions, divided into 50,000 in kind shares of equal value, the value of each share being SAR 1,000, paid in full by the Shareholders. The ownership structure of the Company at the time of its establishment as a limited liability Company was as described in its Articles of Association dated 15/11/1422H (corresponding to 29/01/2002G) and was registered on 25/01/1425H (corresponding to 16/03/2004G) as follows:

**Table 17: Ownership Structure of the Company at the Time of its Incorporation as a Limited Liability Company**

Shareholder Name	Number of Shares	Nominal Value of Shares (SAR)	Ownership Percentage
Saleh Bin Mohammad Al Hammadi	25,000	1,000	50.000%
Abdulaziz Bin Mohammad Al Hammadi	25,000	1,000	50.000%
<b>Total</b>	<b>50,000</b>	<b>—</b>	<b>100%</b>

Source: The Company

<sup>3</sup> NOTE: Jadwa Investment Company is not a shareholder in the Company, nevertheless it owns indirect beneficial share in the Company through the acquisition of units in Jadwa Healthcare Opportunities Fund, a close-ended fund that was established according to the Investment Funds Regulations issued by the Capital Market Authority and offered through a private offering, which owns 30% of the Company's share capital through Jadwa Healthcare Opportunities Company before the initial public offering.



Based on the Al Hammadi Hospital Company Shareholders' resolution dated 13/6/1429H (corresponding to 17/6/2008G) and in accordance with Ministerial Resolution Number 316/q dated 16/9/1429H (corresponding to 15/9/2008G), Al Hammadi Hospital Company was converted into a Saudi closed joint stock company, and its name was amended to be "Al Hammadi Company for Development and Investment", with a share capital of SAR 300,000,000 fully paid up and divided into 30,000,000 shares with a nominal value of SAR 10 per share. The increase in the share capital was effected through the capitalization of an amount of SAR 180,779,792 from the retained earnings account, SAR 20,086,643 from the statutory reserve account, and SAR 49,133,565 from the Shareholders' current account.

Upon the conversion of the Company into a closed joint stock Company, its ownership structure was as follows:

**Table 18: Ownership Structure of the Company upon Conversion into a Closed Joint Stock Company**

Shareholder Name	Number of Shares	Nominal Value of Shares (SAR)	Ownership Percentage
Saleh Bin Mohammad Al Hammadi	7,855,000	78,550,000	26.183%
Abdulaziz Bin Mohammad Al Hammadi	7,445,000	74,450,000	24.816%
Al Hammadi Commercial Investment Company	3,200,000	32,000,000	10.666%
Faisal Abdulaziz Al Hammadi	2,100,000	21,000,000	7.000%
Mohammad Abdulaziz Al Hammadi	2,100,000	21,000,000	7.000%
That Al Thamaniya Company	2,100,000	21,000,000	7.000%
Abdulaziz Bin Mohammad Al Shmeisi	1,500,000	15,000,000	5.000%
Mohammad Saleh Al Hammadi	1,500,000	15,000,000	5.000%
Ibrahim Mansour Al Rajhi	1,450,000	14,500,000	4.833%
Saleh Abdulaziz Babaker Sons Trading & Contracting Company	750,000	7,500,000	2.500%
<b>Total</b>	<b>30,000,000</b>	<b>300,000,000</b>	<b>100%</b>

Source: The Company

During 2011G, Shareholders Abdulaziz Bin Mohammad Al Shmeisi and Saleh Abdulaziz Babaker Sons Trading and Contracting Company transferred all their shares in the Company in favour of Abdulaziz Saleh Al Hammadi and Ibrahim Mansour Al Rajhi, respectively, making the ownership structure of the Company as a result of such transfers as follows:

**Table 19: Ownership Structure of the Company on 24/07/1432H (corresponding to 26/6/2011G)**

Shareholder Name	Number of Shares	Nominal Value of Shares (SAR)	Ownership Percentage
Saleh Bin Mohammad Al Hammadi	7,855,000	78,550,000	26.183%
Abdulaziz Bin Mohammad Al Hammadi	7,445,000	74,450,000	24.816%
Al Hammadi Commercial Investment Company	3,200,000	32,000,000	10.666%
Ibrahim Mansour Al Rajhi	2,200,000	22,000,000	7.333%
Faisal Abdulaziz Al Hammadi	2,100,000	21,000,000	7.000%
Mohammad Abdulaziz Al Hammadi	2,100,000	21,000,000	7.000%

Shareholder Name	Number of Shares	Nominal Value of Shares (SAR)	Ownership Percentage
That Al Thamaniya Company	2,100,000	21,000,000	7.000%
Mohammad Saleh Al Hammadi	1,500,000	15,000,000	5.000%
Abdulaziz Saleh Al Hammadi	1,500,000	15,000,000	5.000%
<b>Total</b>	<b>30,000,000</b>	<b>300,000,000</b>	<b>100%</b>

Source: The Company

On 19/07/1433H (corresponding to 09/06/2012G), the Ordinary General Assembly resolved and approved the increase of the Company's by SAR 120,000,000 through the issuance of 12,000,000 new shares. The value of such shares was covered through the capitalising of retained earnings, with the effect that the Company's share capital became SAR 420,000,000 divided into 42,000,000 shares with a nominal value of SAR 10 per share, making the ownership structure of the Company as a result of the increase in capital as follows:

**Table 20: Ownership Structure of the Company on 19/07/1433H (corresponding to 09/06/2012G)**

Shareholder Name	Number of Shares	Nominal Value of Shares (SAR)	Ownership Percentage
Saleh Bin Mohammad Al Hammadi	10,997,000	109,970,000	26.183%
Abdulaziz Bin Mohammad Al Hammadi	10,423,000	104,230,000	24.816%
Al Hammadi Commercial Investment Company	4,480,000	44,800,000	10.666%
Ibrahim Mansour Al Rajhi	3,080,000	30,800,000	7.333%
Faisal Abdulaziz Al Hammadi	2,940,000	29,400,000	7.000%
Mohammad Abdulaziz Al Hammadi	2,940,000	29,400,000	7.000%
That Al Thamaniya Company	2,940,000	29,400,000	7.000%
Mohammad Saleh Al Hammadi	2,100,000	21,000,000	5.000%
Abdulaziz Saleh Al Hammadi	2,100,000	21,000,000	5.000%
<b>Total</b>	<b>42,000,000</b>	<b>420,000,000</b>	<b>100%</b>

Source: The Company

During the period after the aforementioned Ordinary General Assembly meeting and until the end of June 2012G, several transfers of shares took place among some of the Company's shareholders, where That Al Thamaniya Company transferred its shares in the Company to Hind Fahad Al Dakheel, Al Hammadi Commercial Investment Company also transferred its shares in the Company in favour of Saleh Mohammad Al Hammadi, who, in turn, transferred a portion of his shares in favour of Mohammad Saleh Al Hammadi and Abdulaziz Saleh Al Hammadi. Ibrahim Mansour Al Rajhi also transferred a portion of his shares in the Company in favour of Turki Ibrahim Al Rajhi. Moreover, Turki Ibrahim Al Rajhi allocated 1,000 shares out of his shares to Sami Abdullah Dakhil-Allah Al Saeed, Director, as qualification shares for his membership of the Board of Directors of the Company.

On 12/02/1434H (corresponding to 26/12/2012G), Shareholders, Saleh Bin Mohammad Al Hammadi, Abdulaziz Bin Mohammad Al Hammadi, Mohammad Saleh Al Hammadi, Abdulaziz Saleh Al Hammadi and Ibrahim Mansour Al Rajhi sold portions of their shares in the Company representing an aggregate of 30% of the Company's capital to Jadwa Healthcare Opportunities Company in an amount of SAR 375 million making the ownership structure of the Company as a result of this sale as follows:





**Table 21: Ownership Structure of the Company as of 12/02/1434H (corresponding to 26/12/2012G)**

Shareholder Name	Number of Shares	Nominal Value of Shares (SAR)	Ownership Percentage
Jadwa Healthcare Opportunities Company	12,600,000	126,000,000	30.000%
Saleh Bin Mohammad Al Hammadi	9,573,900	95,739,000	22.795%
Abdulaziz Bin Mohammad Al Hammadi	4,650,100	46,501,000	11.072%
Mohammad Abdulaziz Al Hammadi	2,940,000	29,400,000	7.000%
Hind Fahad Al Dakheel	2,940,000	29,400,000	7.000%
Faisal Abdulaziz Al Hammadi	2,940,000	29,400,000	7.000%
Mohammad Saleh Al Hammadi	2,100,000	21,000,000	5.000%
Abdulaziz Saleh Al Hammadi	2,100,000	21,000,000	5.000%
Turki Ibrahim Mansour Al Rajhi	1,399,000	13,990,000	3.331%
Ibrahim Mansour Al Rajhi	756,000	7,560,000	1.800%
Sami Abdullah Dakhil-Allah Al Saeed	1,000	10,000	0.002%
<b>Total</b>	<b>42,000,000</b>	<b>420,000,000</b>	<b>100%</b>

Source: The Company

During the period between January 2013G and June 2013G, Al Jawhara Ibrahim Abdullah bin Aoun entered as a new Shareholder in the Company by way of a transfer of a portion of Saleh Mohammad Al Hammadi's shares in the Company to her. He also transferred another portion of his shares in the Company in favour of Abdulaziz Saleh Al Hammadi and Mohammad Saleh Al Hammadi, while Hind Fahad Al Dakheel also transferred a portion of her shares in favour of Abdulaziz Mohammad Al Hammadi. On 8/8/1434H (corresponding to 17/6/2013G), the Company's Extraordinary General Assembly approved the increase of the Company's capital from SAR 420,000,000 to SAR 525,000,000. This increase of SAR 105,000,000 was covered through the transfer of SAR 72,000,000 from retained earnings and the transfer of SAR 33,000,000 from the statutory reserve account, so that the Company's share capital after such increase was as follows:

**Table 22: Ownership Structure of the Company on 8/8/1434H (corresponding to 17/6/2013G)**

Shareholder Name	Number of Shares	Nominal Value of Shares (SAR)	Ownership Percentage
Jadwa Healthcare Opportunities Company	15,750,000	157,500,000	30.000%
Saleh Bin Mohammad Al Hammadi	7,500,000	75,000,000	14.286%
Abdulaziz Bin Mohammad Al Hammadi	7,500,000	75,000,000	14.286%
Faisal Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000%
Mohammad Saleh Al Hammadi	3,675,000	36,750,000	7.000%
Abdulaziz Saleh Al Hammadi	3,675,000	36,750,000	7.000%
Mohammad Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000%
Al Jawhara Ibrahim Abdullah bin Aoun	2,367,375	23,673,750	4.509%

Shareholder Name	Number of Shares	Nominal Value of Shares (SAR)	Ownership Percentage
Hind Fahad Al Dakheel	1,987,625	19,876,250	3.786%
Turki Ibrahim Mansour Al Rajhi	1,748,750	17,487,500	3.331%
Ibrahim Mansour Al Rajhi	945,000	9,450,000	1.800%
Sami Abdullah Dakhil-Allah Al Saeed	1,250	12,500	0.002%
<b>Total</b>	<b>52,500,000</b>	<b>525,000,000</b>	<b>100%</b>

Source: The Company

#### 4 - 5 Ownership Structure of the Company's Shares Before and After the Offering

The current share capital of the Company is SAR 525,000,000 divided into 52,500,000 shares of a nominal value of SAR 10 per share. Following the Offering, the Company's share capital will become SAR 750,000,000 divided into 75,000,000 shares with a nominal value of SAR 10 per share, and the new Offer Shares offered for subscription will represent 30% of the Company's share capital after increasing the same. The Company will not grant any preferential rights to Current Shareholders or to any other person. Below is the Company shares ownership structure before and after the Offering:

**Table 23: Ownership Structure of the Company's Shares Before and After the Offering**

Shareholders	Before the Offering				After the Offering			
	Number of Shares	Nominal Value (SAR)	Ownership Percentage		Number of Shares	Value (SAR)	Ownership Percentage	
			Direct	Indirect			Direct	Indirect
Jadwa Healthcare Opportunities Company	15,750,000	157,500,000	30.000%	—	15,750,000	157,500,000	21.000%	—
Saleh Bin Mohammad Al Hammadi	7,500,000	75,000,000	14.286%	—	7,500,000	75,000,000	10.000%	—
Abdulaziz Bin Mohammad Al Hammadi	7,500,000	75,000,000	14.286%	—	7,500,000	75,000,000	10.000%	—
Faisal Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000%	—	3,675,000	36,750,000	4.900%	—
Mohammad Saleh Al Hammadi	3,675,000	36,750,000	7.000%	—	3,675,000	36,750,000	4.900%	—
Abdulaziz Saleh Al Hammadi	3,675,000	36,750,000	7.000%	—	3,675,000	36,750,000	4.900%	—
Mohammad Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000%	—	3,675,000	36,750,000	4.900%	—
Al Jawhara Ibrahim Abdullah bin Aoun	2,367,375	23,673,750	4.509%	—	2,367,375	23,673,750	3.175%	—



Shareholders	Before the Offering				After the Offering			
	Number of Shares	Nominal Value (SAR)	Ownership Percentage		Number of Shares	Value (SAR)	Ownership Percentage	
			Direct	Indirect			Direct	Indirect
Hind Fahad Al Dakheel	1,987,625	19,876,250	3.786%	—	1,987,625	19,876,250	2.650%	—
Turki Ibrahim Mansour Al Rajhi	1,748,750	17,487,500	3.331%	—	1,748,750	17,487,500	2.332%	—
Ibrahim Mansour Al Rajhi	945,000	9,450,000	1.800%	—	945,000	9,450,000	1.260%	—
Sami Abdullah Dakhil-Allah Al Saeed	1,250	12,500	0.002%	—	1,250	12,500	0.002%	—
Public	—	—	—	—	22,500,000	225,000,000	30.000%	—
<b>Total</b>	<b>52,500,000</b>	<b>525,000,000</b>	<b>100%</b>		<b>75,000,000</b>	<b>750,000,000</b>	<b>100%</b>	

Source: The Company

## 4 - 6 Summary of Companies Owning Shares in the Company

There is only one company that owns shares in the Company, namely Jadwa Healthcare Opportunities Company.

### • Jadwa Healthcare Opportunities Company

Jadwa Healthcare Opportunities Company is a limited liability Company established for a special purpose and registered in the Commercial Register in the city of Riyadh under commercial registration certificate number 1010357326 dated 26/01/1434H (corresponding to 10/12/2012G) with a capital of SAR 50,000, divided into 5,000 shares of equal value, each share with a value of SAR (10).

Jadwa Healthcare Opportunities Company owns 12,600,000 shares of the Company's shares representing 30% of the Company capital for and on behalf of Jadwa Healthcare Opportunities Fund, which was, thereafter, increased to become 15,750,000 share after the increase of the Company's share capital from SAR 420,000,000 to SAR 525,000,000 on 8\8\1434H (corresponding to 17\6\2013G).

Following completion of the Offering, Jadwa Healthcare Opportunities Company will still hold 15,750,000 shares of the shares of the Company representing 21% of the capital of the Company. Therefore, it will remain among the Substantial Shareholders of the Company.

Jadwa Healthcare Opportunities Company does not conduct any activities which compete with those of the Company. Jadwa Healthcare Opportunities Fund is a closed-end fund which was established according to the Investment Funds Regulations issued by the CMA and offered through a private placement. The fund aims at investing in healthcare projects.

As investment funds do not enjoy legal personality, the fund manager, Jadwa Investment Company, entered into a framework custody agreement dated 24/08/2011G with the custodian (Al Bilad Investment Company) pursuant to which Jadwa Healthcare Opportunities Company acquired shares in the Company for and on behalf of the fund. Based on the legal description and the nature of investment funds set forth in Article 39 of the Capital Market Law, which applies to the aforementioned fund, Jadwa Healthcare Opportunities Fund is considered a collective investment scheme aiming to provide opportunities to its investors to collectively share in the profits of such scheme, and is managed by the fund manager, Jadwa Investment Company.

The legal effects of the said relationship are limited to the Fund manager, and the unit-holders of the fund, and do not have any impact on the Company or its Shareholders. The fund manager is the sole representative

of the fund's interests in the Company, whereas the rights of unit-holders in the fund are limited to the right to receive profits realised by the fund through its investment in the Company. The unit-holders in the fund are considered indirect beneficial owners of the Company's shares, and they shall not enjoy any of the rights set out in the Companies Regulations, the Capital Market Law and its implementing rules issued thereunder or the Company's By-laws including the right to vote or any rights conferred by the Company's shares to the Shareholders. The fund does not intervene in the Company's daily management operations, as its role is limited to introducing strategic and operational improvements and raising the level of governance through the participation of the fund manager's representatives as members of the Company's Board of Director and related committees.

Neither the fund's private placement memorandum, nor the framework custody agreement referred to above, nor any other agreement related to the fund includes any material provisions that may affect the decision of potential investors to invest in the Company.

The following table describes the ownership percentages of the shareholders in Jadwa Healthcare Opportunities Company:

**Table 24: Shareholders Currently in Jadwa Healthcare Opportunities Company**

Shareholder Name	Ownership Percentage
Jadwa Investment Opportunities Company	95%
Ahmed Al Khateeb	5%
<b>Total</b>	<b>100%</b>

Source: The Company

Jadwa Investment Opportunities Company is a limited liability company and a special purpose vehicle registered in the Commercial Register under commercial registration certificate number 10103200765 date 1/1/1433H (corresponding to 26/11/2011G) with a share capital of SAR 50,000. The following table describes the ownership percentages of the shareholders in Jadwa Investment Opportunities Company:

**Table 25: Shareholders Currently in Jadwa Investment Opportunities Company**

Shareholder Name	Ownership Percentage
Al Bilad Investment Company	90%
Ahmed Al Khateeb	10%
<b>Total</b>	<b>100%</b>

Source: The Company

Al Bilad Investment Company is a limited liability Company registered in the Commercial Register under commercial registration certificate number 1010240489 dated 11/11/1428H (corresponding to 21/11/2007G) with a capital of SAR 50,000,000. The following table describes the ownership percentages of the shareholders in Al Bilad Investment Company:

**Table 26: Shareholders in Al Bilad Investment Company**

Shareholder Name	Ownership Percentage
Al Bilad Bank	100%
<b>Total</b>	<b>100%</b>

Source: The Company



Below is the fund's basic information:

**Date of Establishment and Closing:** The fund was established on 13/11/2012G, and the closing of the subscription was on 31\12\2012G.

**The Fund Term and Termination:** The fund's term is (5) five years beginning from the date of the subscription closing in the fund or any other shorter period in the case of termination by the fund manager. The fund manager may also extend the fund's term for additional (5) five years after notifying the unit-holders of such decision.

**Fund's Objective:** The fund's investment objective is to deliver long-term capital appreciation to the unit holders rights by investing in healthcare projects and companies and by holding shares in them in accordance with the principles of Shari'ah.

**Voting Policy:** The fund's voting policy is based on its objectives and strategies, which are based on introducing strategic and operational developments and raising the Company's level of governance in accordance with the Company's objective and By-laws. The unit-holders do not have the right to vote on the related matters of the fund according to the fund's terms and conditions.

**Exit Strategy:** The goal of every investor is to achieve profit from its investment. The fund also aims at realising profit from its investment in the Company in accordance with the Shari'ah guidelines approved by the internal Shari'ah board of Jadwa Investment Company. According to the fund's terms and conditions, the exit strategy from an investment is considered to be an important part of the investment decisions made by the fund manager. The fund manager will seek to exit from the investment in the appropriate time according to several strategies as follows:

- Sale through an IPO, or
- Sale to strategic or financial investors, or
- Selling in the market whenever it is appropriate, or
- The acquisition of the investment by another company, or
- Buyout of the investment by the management of the company and/or the company.

With respect to the exit process through an IPO, the fund's terms and conditions provide that the fund manager has the right, at its discretion, to sell the remaining part of the investment in whole or part through the following:

- Selling in the financial market during a period of six months after the expiration of the lock-up period imposed on the shares trading, and/or
- Selling through a block transaction to a strategic purchaser, and/or
- Transferring the shares to the unit-holders in the fund proportionately to the percentage of their respective shares in the fund after expiration of the lock-up period.

**The Fund's Board of Directors and its Representatives:** The fund's board of directors comprises of Tariq Bin Ziad Al Sudairy (Chairman), Jerry Todd (it is possible that the members of the present as is fund's board of directors are changed by the departure of Jerry Todd and the entry of a new member), Dr. Mohammad Al Sahli, Walid Addas and Raed Al Amaari. The fund's manager is represented in the Company's Board of Directors, through Jadwa Healthcare Opportunities Company, by Tariq Bin Ziad Al Sudairy and Kareem Haider Madi, both employees at Jadwa Investment Company. On 02\12\2013G, the Company's Board of Directors decided to appoint Kareem Haidar Madi as the Chairman of the Audit Committee and a member of the Company's Executive Committee. The Company's Board also decided at the same meeting to appoint Mohammad Ovais Yousuf, an employee of Jadwa Investment Company, as a member of the Nomination and Remuneration Committee as well as the Executive Committee of the Company, (for more details on the CVs of each Tariq Ziad Al Sudairy, Kareem Haidar Madi and Mohammad Ovais Yousuf, please check section 5 "**Organizational Structure of the Company**" of this Prospectus).

There is no option granted to the unit-holders in the fund to convert their units into shares in the Company.

The following table lists the unit-holders in Jadwa Healthcare Opportunities Fund with 5% or more ownership or interest, direct and indirect, in the shares of the Company before and following the Offering:

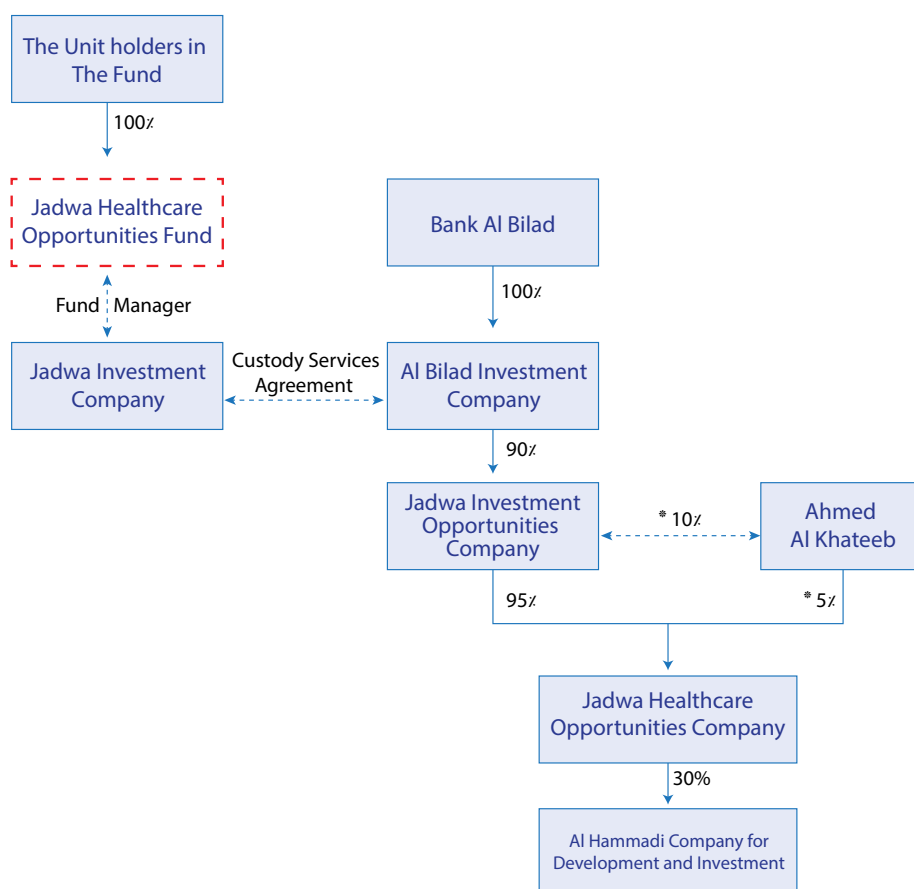
**Table 27: Unit-holders in Jadwa Healthcare Opportunities Fund with 5% or more Ownership or Interest, Direct or Indirect, in the Shares of the Company Before and Following the Offering:**

Name	Pre-offer			Post-offer		
	Direct shares	Indirect shares	%	Direct shares	Indirect shares	%
Jadwa Investment Company	0	3,449,250	6.570%	0	2,414,475.0	4.599%
<b>Total</b>	<b>0</b>	<b>15,750,000</b>	<b>30%</b>	<b>0</b>	<b>11,025,000</b>	<b>21%</b>

Source: Jadwa Investment Company

The following chart illustrates the ownership of shares in the Company by Jadwa Healthcare Opportunities Fund.

**Figure 1: Structure of Jadwa Healthcare Opportunities Fund Investment in the Company's Shares**



Jadwa Healthcare Opportunities Fund A Sharia compliant close-ended private fund managed by Jadwa Investment Company.

\* The percentages represent the direct ownership by Ahmed Al Khateeb and do not take into account his indirect ownership.

Source: The Company

The following table lists direct and indirect ownership and interest of the board of directors of Jadwa Healthcare Opportunities Fund in the Company as of 11/05/2014G:

**Table 28: Direct and Indirect Ownership and Interest of the Board of Directors of Jadwa Healthcare Opportunities Fund in the Company as of 11/05/2014G:**

Name	Shares in Jadwa				Units in the Fund			Ownership in the Company's Shares		
	Direct	Indirect	Total	%	Direct	Indirect	Total	Direct	Indirect <sup>4</sup>	%
Tariq Bin Ziad Al Sudairy	-	-	-	-	-	-	-	-	-	-
Jerry Todd <sup>5</sup>	-	400,000	400,000	0.469%	-	4	4	-	16,180	0.031%
Mohammad Al Sahli	-	-	-	-	-	-	-	-	-	-
Walid Addas	-	-	-	-	-	-	-	-	-	-
Raed Al Amaari	72,750	-	72,750	0.085%	-	1	1	-	2,943	0.006%

Source: Jadwa Investment Company

The following table lists the direct and indirect ownership and interest of the members and secretary of the board of directors of Jadwa Investment Company in the Company as of 11/05/2014G:

**Table 29: Direct and Indirect Ownership and Interest of the Members and Secretary of the Board of Directors of Jadwa Investment Company in the Company as of 11/05/2014G:**

Name	Shares in Jadwa				Units in the Fund			Ownership in the Company's Shares		
	Direct	Indirect	Total	%	Direct	Indirect	Total	Direct	Indirect <sup>6</sup>	%
Adib Al-Zamil	-	273,621	273,621	0.32%	-	27	27	-	110,533	0.211%
Azman Mokhtar	-	-	-	-	-	0	0	-	-	-
Howard Marks	-	-	-	-	-	0	0	-	-	-
Iqbal Khan	-	-	-	-	-	0	0	-	-	-
Michael Paul	-	-	-	-	-	0	0	-	-	-
Abdulaziz Alsubaie	-	-	-	-	-	17	17	-	66,654	0.127%
Abdulrahman bin Ibrahim Ruwite	3,000,000	-	3,000,000	3.52%	-	141	141	-	121,348	0.231%
Ahmed bin Aqeel Al Khateeb	2,250,000	-	2,250,000	2.64%	-	106	106	-	91,011	0.173%
Tariq Bin Ziad Al Sudairy <sup>7</sup>	-	-	-	-	-	-	-	-	-	-
Nasser bin Saleh Al Hamdan (Secretary of the Board)	300,000	-	300,000	0.35%	-	14	14	-	12,135	0.023%

Source: Jadwa Investment Company

<sup>4</sup> Note: Calculated by summing the indirect ownership in the Company resulting from direct and indirect ownership in Jadwa and the indirect ownership in the Company resulting from direct and indirect ownership in the fund.

<sup>5</sup> Note: It is possible that the members of the fund's board of directors will be changed by the departure of Jerry Todd and the entry of a new member

<sup>6</sup> Note: Calculated by summing the indirect ownership in the Company resulting from direct and indirect ownership in Jadwa and the indirect ownership in the Company resulting from direct and indirect ownership in the fund.

<sup>7</sup> Note: Tariq Bin Ziad Al Sudairy was appointed as a managing director in the board of directors of Jadwa Investment Company pursuant to a board of directors resolution dated 11/05/2014G. This resolution is subject to the CMA's approval.

The following table lists shareholders holding 5% or more of Jadwa Investment Company as of 11/05/2014G:

**Table 30: Shareholders Holding 5% or More of Jadwa Investment Company as of 11/05/2014G:**

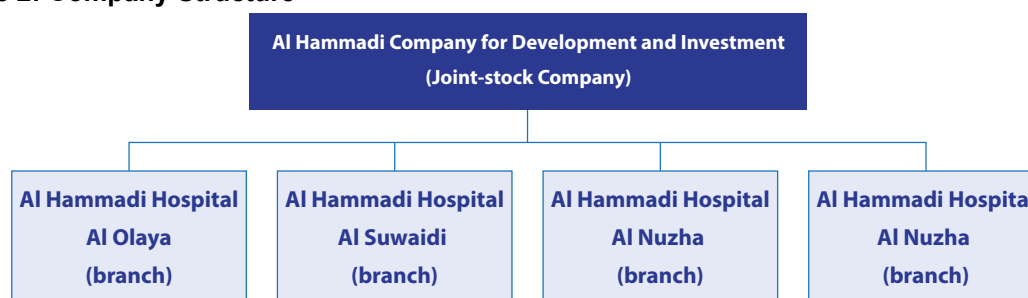
Name	Shares in Jadwa	Units in the Fund	Ownership in the Company's Shares
Mohammed Bin Ibrahim Al-Subaie	12,000,000	0	14.07%
Abdullah bin Ibrahim Al-Subaie	12,000,000	0	14.07%
Toby Investment	8,527,500	0	10.00%
His Royal Highness Prince Faisal bin Salman bin Abdulaziz	7,500,000	0	8.80%
Al-Bilad Investment	5,786,250	0	6.79%
Zamil Group Holding Company	4,500,000	0	5.28%
Tawazun Arabia for Commercial Investment Co. Ltd.	4,500,000	0	5.28%
Company Abdulrahman Saleh Al Rajhi & Partners Co. Ltd.	4,500,000	0	5.28%

Source: Jadwa Investment Company

## 4 - 7 Company Structure

The following chart illustrates the legal structure of the Company and its branches:

**Figure 2: Company Structure**



Source: The Company

The Company has no assets or activities outside the Kingdom of Saudi Arabia.

The Company does not currently undertake research and development activities. The Company has not undertaken any research and development activities in the three (3) years preceding the date of the Offering.

Furthermore, there has been no interruption to the Company's business which may affect or have a significant impact on the financial status of the Company during the last twelve months.

## 4 - 8 Significant Developments that Occurred in Al Hammadi Hospital - Al Olaya since its Establishment

Al Hammadi Hospital - Al Olaya commenced its operations in 1985G on a land owned by the Company with an area of 17,500 square meters, making it one of the largest private hospitals in the city of Riyadh at the time. Al Hammadi Hospital - Al Olaya offered in its early days medical services in various specialties in over 36 outpatient clinics. At that time, there were 7 beds for adult intensive care, 20 children's incubators, 20 beds for the neo-natal unit, 10 beds for operating theatres, 4 beds in the recovery rooms and 5 beds for delivery rooms. As for physiotherapy, there were 4 designated rooms which received patients over two shifts, two hours for women followed by two hours for men, in the mornings and evenings.





Throughout the past twenty eight (28) years, Al Hammadi Hospital - Al Olaya succeeded in expanding its operations and the various medical services offered by it. At present, Al Hammadi Hospital - Al Olaya has 300 beds.

Below is a summary of the most development milestones witnessed by Al Hammadi Hospital -Al Olaya:

Year	Developments
1985G	Establishment of Al Hammadi Hospital -Al Olaya by Saleh Bin Mohammad Al Hammadi
2001G	Establishment and allocation of a separate building for women and childbirth consisting of 3 sections for inpatients which include 76 rooms and suites distributed as follows: 25 rooms and suites in the first section, 23 rooms and suites in the second section and 28 rooms and suites in the third section. The delivery rooms and operating theatres were designed in a manner which takes into account the independence of the patients, and the number of private delivery rooms in this section reached 12 rooms. As for the ground floor, it was allocated to serve as obstetrics and gynaecology clinics as well as paediatric clinics, the total of which are 22 clinics.
2006G	Development and implementation of a healthcare information system at the hospital through one of the largest companies specialized in the installation of medical automated systems specifically developed for hospitals. This system covered all the departments of Al Hammadi Hospital - Al Olaya.
2007G	Establishment of a new pharmacy that contains 7 counters to serve patients with a waiting room which can accommodate 60 customers, along with a central drug warehouse that serves all the pharmacies, and a laboratory for the preparation of intravenous drugs equipped with state-of-the-art equipment used for pharmaceutical formulation, and a room for mixing sterile fluids and preparation of intravenous nutrition for premature babies and a special section for controlled drugs (narcotic drugs).
2007G	Modernization and renovation of admission departments in the main building and the paediatric department.
2008G	Expansion of the neo intensive care unit (NICU) and equipping it with the latest medical equipment and incubators in order for it to accommodate daily deliveries and new-born babies who are transferred from other hospitals. The capacity of this department increased from 14 beds to 25 beds.
2009G	Renovation of the physiotherapy and rehabilitation department and its expansion from 4 rooms to 20 rooms, and the division of the department into two separate units, one that serves women and the other that serves men.
2009G	Increasing the number of beds in the intensive care unit (ICU) from 9 to 17 beds, in order to satisfy the needs of Al Hammadi Hospital - Al Olaya patients as well as patients referred from other hospitals as well as providing this department with the latest resuscitation equipment, ventilators and other equipment needed for the care of patients.
2009G	In keeping with the Company's policy of continuous development, the management introduced the electronic system to the radiology department which covers all radiology equipment. The electronic system makes it easier for the patient and the doctor to access any information pertaining to the patient in the radiology department. It also saves time and effort of both the patient and the staff member, relieves the congestion of appointments and solves the problem of being unable to locate previous x-ray images and results.
2011G	Obtaining the certificate of the Saudi Central Board for Accreditation of Healthcare Institutions.
2011G	Redesigning and refurbishing the laboratory unit and equipping it with the latest equipment from around the world in order to provide higher accuracy and faster results while adhering to the highest standards of medical quality. The security and safety systems have also been developed at the laboratory unit while ensuring adherence to the relevant medical requirements.
2011G	Commencement of construction work on Al Hammadi Hospital - Al Suweidi.
2011G	Expansion and renovation of inpatient rooms in the paediatric inpatient department, and increasing the number of rooms in the same department from 24 rooms to 36 rooms and suites, including paediatric intermediate care rooms.

Year	Developments
2012G	Increasing the number of outpatient clinics to 74 clinics staffed by 102 doctors that operate on a daily basis (except Fridays) from 8:30 a.m. until 9:30 p.m.
2013G	Renovation of inpatient rooms in the obstetrics and gynaecology department as well as the paediatric department, in addition to the operating theatres.
2013G	Commencement of construction work for Al Hammadi Hospital - Al Nuzha.

Source: The Company

## 4 - 9 Description of Al Hammadi Hospital - Al Olaya

Al Hammadi Hospital - Al Olaya comprises 6 adjacent buildings that include wings for inpatients, operation rooms, laboratories, pharmacies and medical departments (such as intensive care, radiology, physiotherapy, outpatient clinics, administration offices and lecture halls). The capacity of Al Hammadi Hospital - Al Olaya is 300 beds and it contains 12 operation rooms.

Al Hammadi Hospital - Al Olaya is considered to be amongst the private hospitals that provide comprehensive and specialized health services in the city of Riyadh in the Kingdom of Saudi Arabia. It currently employs more than 976 employees; including 196 doctors of which 102 serve the 74 outpatient clinics, and a team of supporting medical staff consisting of 630 individuals to oversee the medical needs of patients.

Al Hammadi Hospital - Al Olaya provides a wide range of healthcare services in its outpatient clinics as well as its inpatient departments. These services include outpatients' clinics and inpatients divisions within 20 medical specialties, in addition to emergency services (ambulance), medical laboratory, and 3 external pharmacies.

Al Hammadi Hospital - Al Olaya aims at focusing on distinguishing the quality of medical services provided by it from other establishments operating in the same sector. The quality of medical services provided at a medical facility is considered a competitive advantage in the healthcare sector, and drives its continuous success in comparison with the other medical facilities competing with it.

The model of Al Hammadi Hospital - Al Olaya for care and treatment of patients is to provide the best available services to its customers by paying the utmost attention to maintaining the cleanliness and the good appearance of its medical facilities, simplifying the procedures for bookings and medical appointments in an efficient manner, providing the necessary healthcare services for the diagnosis and treatment of medical conditions, and having a friendly team of doctors, nurses, and operational staff.

Al Hammadi Hospital - Al Olaya uses modern medical technologies, and it has qualified medical team of doctors and nursing staff.

The Company dedicates a great deal of attention to the maintenance of its medical equipment. It is also highly concerned with upgrading its medical equipment as well as with providing all its departments with the best medical machinery and equipment which are regularly upgraded and maintained by the suppliers. The Company thereby aims to provide the best medical services to its patients, and to be able to compete with other companies within the same sector, and to attract the largest possible number of patients, as well as making sure that they use the latest equipment and techniques in order to succeed in achieving its operational and financial results targets.

The following table shows the number of in-patients and hospital beds in Al Hammadi Hospital - Al Olaya and its outpatient clinics:



**Table 31: Number of Patients and Hospital Beds in Al Hammadi Hospital - Al Olaya and its Outpatient Clinics from 2010G to 2013G.**

Year	Inpatients	Number of Hospital Beds	Outpatients	Number of Outpatient Clinics
2010G	24,249	280	389,961	74
2011G	24,012	285	428,340	74
2012G	26,268	300	499,386	74
2013G	25,038	300	552,393	74

Source: The Company

The following table shows the number of hospital beds and doctors in Al Hammadi Hospital - Al Olaya from 2010G to 2013G.

**Table 32: Number of Hospital Beds and Doctors in Al Hammadi Hospital - Al Olaya from 2010G to 2013G**

Year	Hospital Beds	Number of Clinic Doctors (Including Ambulance Doctors)	Total Number of Doctors (Including Doctors from Supporting Divisions <sup>8</sup> )
2010G	280	76	150
2011G	285	94	156
2012G	300	102	179
2013G	300	117	183

Source: The Company

### Services Provided by Al Hammadi Hospital - Al Olaya

Al Hammadi Hospital - Al Olaya provides a wide range of medical services in its outpatient clinics and its inpatients departments. The services of Al Hammadi Hospital - Al Olaya include outpatient clinics services and inpatients services within 20 specialties. In addition, there are emergency services (ambulance), medical laboratory, radiology, and 3 external pharmacies.

The table below shows the categories of services of the departments at Al Hammadi Hospital - Al Olaya according to inpatient hospital beds and outpatient clinics:

**Table 33: Categories of Services Provided by Al Hammadi Hospital - Al Olaya**

Specialization	Sub Specialization	
Surgery	General Surgery Orthopaedics Urology Plastic Surgery	Neurological Surgery Vascular Surgery ETN (Ear, Nose and Throat) Ophthalmology
Internal Medicine	Cardiology Dermatology Gastroenterology Psychiatry	Lungs Kidneys Neuropathology Thoracic
Paediatrics	Cardiology Neuropathology Paediatric Surgery General Paediatrics	Intensive Care Unit for Neonatal Nursery Paediatric Intensive Care Unit

<sup>8</sup> Doctors from supporting divisions are anaesthesiologists, and physicians from laboratory, radiology, intensive care, ambulance, and inpatient divisions

Specialization	Sub Specialization	
Obstetrics and Gynaecology	Natural Childbirth Caesarean sections Gynaecology Infertility Treatment	
Dentistry	Oral and Dental Surgery Orthodontics Permanent and Removable Dentures Gum Treatment Root Canal Treatment	
Emergency and Ambulance	Internal Medicine Paediatrics Surgery Obstetrics and Gynaecology	
Rehabilitation	Physiotherapy with physical exercises Electric physiotherapy Physiotherapy	Water Physiotherapy Fitness Rehabilitation Program
Other Services	Comprehensive Radiology and Medical Laboratory Internal 24 hours pharmacy	

Source: The Company

## Al Hammadi Hospital - Al Olaya Main Departments

### Department of Gynaecology, Obstetrics, and Gynaecological Surgery

The department of gynaecology, obstetrics and gynaecological surgery is considered one of the large, essential and distinctive departments of Al Hammadi Hospital - Al Olaya, where a separate building has been dedicated to the department that includes 76 rooms with hotel-like services including royal and executive suites where female patients would enjoy a high level of privacy, and where post-natal support and follow-up is provided, as well as diagnosing and treating all female medical conditions.

The department entails the following specialized units:

- 12 delivery and operating theatres, equipped with latest equipment to ease the delivery process and resuscitate the baby.
- Endoscopy Unit
- Laser Unit
- Diagnostic Radiology Unit, including ultrasonography imaging devices supervised by qualified and experienced female doctors.

The department provides the following services:

- Gynaecological surgeries, including endoscopy unit and laser equipment for treatment and diagnosis.
- Supervision and treatment of all pregnancy cases and delivery cases of all kinds, including delivery under Epidural Anaesthesia.
- Early diagnosis of ectopic pregnancies and haemorrhage during the first few weeks of gestation.
- Cervix endoscopy for early diagnosis of all cervical infection cases, and the early diagnosis and treatment of cervical cancer.
- Treatment and supervision of pregnant women suffering from diabetic, cardiac, respiratory, neurological problems, renal pregnancies where they can get special care.
- IVF and treatment of infertility.
- Encouraging breastfeeding under the supervision of a gynaecologist and a female paediatrician, and carrying out monthly workshops to promote breastfeeding.



### **Department of Orthopaedic Surgery and Prosthetic Joints**

The department of orthopaedic surgery and prosthetic joints provide services for the treatment and rehabilitation of injuries and health problems related to the musculoskeletal system, which consist of bones, joints, ligaments, tendons, muscles and nerves.

This department consist of the following specialized units:

- 8 specialized outpatient clinics.
- 7 surgical operating theatres
- Knee Arthroscopy Unit
- Prosthetic joints unit, considered one of the largest prosthetic joints centres in the private medical sector in the Kingdom, where a total of 247 joint replacement surgeries took place in the past three years.

This department offers medical services for the treatment of the following cases:

- All simple and comminuted fractures.
- All muscular and tendon injuries.
- Treatment of injured and inflamed joints.
- Knee injuries, cartilage and ligament injury.
- Sports injury.
- Hip joints fixation and artificial knees.
- Acquired deformities, congenital spinal deformities, disc herniation. The total spinal cord operations that took place during the past three years is 55.
- Hip dislocation of children.
- Congenital and acquired foot deformities.
- Post-Polio deformities.
- Arthroscopy.
- External fixation.
- Rehabilitation of patients post therapy.

### **Department of General Surgery and Laparoscopic Surgery**

This department admits surgical cases for patients of all age groups and kinds, offering one-day surgeries. Laparoscopic surgeries are considered one of the most important surgeries carried out at Al Hammadi Hospital - Al Olaya.

This department consist of laser surgery unit and endoscopy unit, and it provides the following services:

- Gastrointestinal surgery, surgery of the liver, gallbladder, bile ducts and pancreas.
- Laparoscopic Cholecystectomy, appendectomy, herniorrhaphy and abdominal adhesions release.
- Laser assisted surgery of all kinds.
- Carcinoma surgery.
- Thoracic surgery.
- Breast surgery and early detection of breast cancer.
- Endocrinology surgery.
- Vascular surgery.
- Paediatric surgery.

### **Department of Endoscopy**

The department of endoscopy have been provided with two high definition endoscopy units, and each unit contains endoscopes for:

- Large intestine (colon) and rectum.
- Biliary duct and pancreatic duct.
- Stomach, oesophagus and duodenum.
- Removal and fragmentation of kidney stones.
- Tonsillectomy and adenoidectomy.
- Removal of gallbladder juice and pancreatic stent.

### **Cardiac Surgery and Vascular Surgery Centre**

Al Hammadi Hospital - Al Olaya gives special attention to the cardiac surgery and vascular surgery, where an integrated centre has been assigned solely for cardiac surgery and vascular surgery, and it is considered one of the largest of its kind in the private sector. It also provides comprehensive care to the patients, where all cardiac and vascular cases are treated for all age groups under the supervision of highly specialized and experienced specialists. The centre has been equipped with the latest medical equipment to become one of the advanced centres.

From 2010G to 2013G, the Centre performed 1,335 diagnostic and treatment cardiac catheterizations, and 159 open heart surgeries and valve replacements. This department consist of the following specialized units:

- Intensive Cardiac Care Unit (cardiography, exercise ECG and Holter monitor, programming pace makers, Echo Doppler. Myocardial functions, perfusion at rest and after stress by using radioactive isotopes)
- Catheterization Department (diagnostic and treatment catheterization for peripheral vascular and valve issues, and pacemaker implants).
- Cardiac Surgery (this includes all open heart surgeries including peripheral vascular diseases, valves, and congenital defects of the heart).
- Department of Paediatric Cardiology (which includes ECG, Holter monitor and Echo Doppler for children, and X-regressive and Echo Doppler for foetus for early diagnosis of congenital heart defects, and paediatric cardiac surgery)

The following devices have been provided to the department:

- A cardiac catheterization device that is capable of performing cardiovascular diagnostic and treatment catheterization in a single operation.
- Ultrasound Eco device (screening echocardiography with ultrasound) that work with higher speed and better clarity of monitoring heart movements.

### **Department of Paediatrics and Neonatal**

Department of Paediatrics and Neonatal provides healthcare service from the time a child is born until the age of 14 years.

The department is specialized in the following units:

- Intensive Care Unit for new-born babies, premature babies, and delayed growth infants.
- Nursery which provides medical and laboratory services to new-born infants, and supervises their growth and health condition.
- Outpatient clinics including 15 consultation clinics.
- Inpatient ward to supervise patients, including 35 inpatient rooms and suites.
- Vaccination Unit
- Isolation facility for children with contagious diseases or immunity deficiency.
- Paediatric surgery unit where paediatric surgery procedures take place.

### **Department of Internal Medicine**

The department of internal medicine is considered to be one of the largest and most specialized departments in the diagnosis and treatment of different kinds of internal diseases, and it includes specialized units for diagnosing various diseases that require urgent healthcare service, and the cases that require intensive care, as well as diagnosing chronic diseases.

This department provides treatment to many medical cases, such as diabetes and its symptoms, high blood pressure and cholesterol, thyroid gland inflammation as well as pituitary and adrenal and other diseases like endocrine. This department also provides a variety of units specialized in measuring breath functions and rheumatism.

This department consists of the following specialized units:

- Gastroenterology and Liver Unit
- Respiratory and Asthma Unit
- Neurology Unit
- Endocrinology and Diabetes Unit
- Rheumatology and Immunology Unit



### **Department of Gastroenterology and Endoscopy**

The Gastroenterology and Endoscopy Department performs diagnosis and treatment of the stomach diseases such as acid reflux, irritable bowel syndrome (IBS), inflammatory colon, as well as cancers of the digestive system, Crohn's disease and ulcerative colitis, hepatitis, and pancreatic diseases.

This department provides modern diagnostic devices such as endoscopes and colonoscopies, and bile duct endoscopes which are considered an advanced digestive system endoscopes.

### **Department of Neurology**

The Department of Neurology provides specialized medical services for neurological diseases under the supervision of highly qualified specialists in neuropathology and secondary nerve problems.

This department provides treatment for different stages of epilepsy (migraine, headaches, psychological migraine, treating spinal cord inflammation and spinal cord problems) and treatment of muscular dystrophy, Parkinson's disease, brain strokes and bleeding, as well as cerebral infections, cranial and peripheral nerves, the seventh nerve, and the fifth nerve.

Furthermore, this department performs Electro Encephalograms (EEG), nerve conduction study (NCS), and electromyography (EMG).

### **Department of Psychiatry**

The Department of Psychiatry provides psychiatric counselling, and therapy for behavioural and psychological disorders, by treating patients with anxiety, fear, depression, panic attacks, obsessive-compulsive disorder, insomnia, as well as eating disorders like an increased or reduced appetite, and physical symptoms with no organic cause such as irritable bowel syndrome or migraine attacks.

This department also provides therapy for children suffering from psychological problems such as learning difficulties, hyperactivity, speech problems, involuntary urination, and mental disorders like schizophrenia, mood swings, bipolar, hallucinations, dementia and Alzheimer's.

### **Department of Thoracic**

Doctors in the Department of Thoracic perform diagnosis and treatment of lung diseases such as severe and chronic asthma (chronic bronchial asthma), lung infections such as tuberculosis, and different causes of breathing difficulties, as well as pleura diseases.

Consultants in Al Hammadi Hospital - Al Olaya use the latest chest endoscopy devices to diagnose a number of diseases and various lung tumours, cancerous and benign, as well as providing therapy for sleeping disorders and snoring.

### **Intensive Care Unit**

The Intensive Care Unit includes 17 hospital beds equipped with the latest medical devices and equipment, where patients of all age groups are admitted including children and adults, and it covers internal medicine and cardiac cases as well as all surgeries.

This department provides the following medical services and surgeries:

- Monitoring the heart's health condition.
- Monitoring and managing cases of respiratory failure and artificial respiration procedures.
- Monitoring and managing various neurological diseases like brain strokes and unconsciousness.
- Monitoring patients that require cardiac catheterization.
- Monitoring patients that require special care following major surgery.
- Advanced treatment of the nervous system.
- Supervising patients with kidney and liver failures.
- Treatment of patients who suffer from blood clotting problems.
- Treatment of blood poisoning cases.
- Treatment of acute respiratory distress syndrome.

### **Department of Urology and Reproductive Surgery**

The Department of Urology and Reproductive Surgery provides healthcare service to patients suffering from urinary or genital diseases, simple or complex, for all age groups including children and adults.

This department contains the following specialized units:

- Laser unit
- Lithotripsy
- Endoscopy Unit

This department offers the following medical services:

- Lithotripsy without surgery using electromagnetic waves.
- Lithotripsy without surgery by endoscopy.
- Endoscopic surgery for large and complex urethral stones.
- Endoscopic treatment for prostate, bladder and ureter diseases.
- Laparoscopic varicocele operations.
- Treatment of erectile dysfunction in men and other chronic prostate diseases and male infertility.
- Treatment and surgery of tumours in the urinary and reproductive systems.
- Classic surgery for kidney, bladder, prostate and reproductive system diseases.

### **Nephrology and Artificial Kidney Unit**

The Nephrology and Artificial Kidney Unit offers medical services for the diagnosis and treatment of all cases of kidney diseases, supervision and follow up on kidney transplant patients for laboratory tests, treatment process and kidney dialysis.

This department provides the following medical services:

- Required tests for kidney functions and problems.
- Continuous and systematic follow-up (clinically and laboratory) for patients who belong to families with genetic diseases of the kidneys, diabetes, hypertension and others, often accompanied by a defect in the kidney and the like.
- All types of Renal Replacement Therapy (RRT) from blood dialysis and britoana, to a regulated diet and providing required medication that supplements the program, as well as performing the required tests for patients that have received kidney implants inside the country or abroad.
- Required medical support to all different departments of Al Hammadi Hospital - Al Olaya, especially to the patients with multi-organ failure (MOF).

### **Department of Neurosurgery and Spinal Surgery**

The Department of Neurosurgery and Spinal Surgery provides the following medical services:

- All brain tumours and tumours of the spinal cord and nerves.
- All cases of acute Cerebrovascular (brain bleeding) resulting from hypertension.
- Treatment of arterial abnormalities and arterial venous malformations and aneurysm
- Congenital neurological malformations of the spinal cord and the fusion of skull bones.
- Tumours of the pituitary gland in cooperation with the ENT department.
- Brain haemorrhage cases.
- Expansion of the brain arteries.
- All types of head injuries in cooperation with the Surgery department and the department of maxillofacial surgery.
- Fractures and tumours of the eye.
- Brain edema cases.
- Cases of pressure and injuries of the terminal nerves.
- Fractures of the skull and skull tumours and tumours of the spine.
- Vertebral fractures (fractures of the bones of the neck) and fasten them surgically.
- Tumours of the spine.
- Fasten the lumbar and dorsal vertebrae in cooperation with the Department of Surgery.
- Vertebrae injection in cases of osteoporosis.
- Using micro-surgery in the treatment of disc.





### **Ear, Nose and Throat Department**

The Ear, Nose and Throat Department provides all diagnostic and treatment methods, whether it is medical or surgical to all cases of the ear, nose and throat. In addition, the surgery unit provides medical and surgical services to children and adult patients suffering from disorders of the ear, nose or throat. This includes all cases that require medical treatment or surgery, as well as emergency cases.

This department performs the following medical services:

- Tonsillectomy with laser.
- Eradication of nasal polyps with laser.
- Laser therapy for snoring.
- Vocal chords problems.
- Use of endoscopy for the cases of (adenoidectomy, sinus levelling operations, excreting foreign bodies from the ear, nose, throat or oesophagus)
- Diagnostic endoscopy for the nose, throat, larynx, lungs and oesophagus.
- Performing sensitive ear operations.
- Cosmetic surgery for ear pavilion and external hearing canal in cases of malformations.
- Diagnosis of severe hearing impairment in new-borns and young children, audiogram, hearing nerve gram and EEG.
- Microscopic Diagnosis of Otitis media under anaesthesia.
- Microscopic middle ear ventilation intubation.

### **Centre for Ophthalmology**

The Ophthalmology Centre provides eye surgery and vision correction with laser and latest LASIK vision correction device (VISX). This department offers iris scan system that accurately determines the areas that should be treated as well as determining the required treatment.

This department offers the following medical services:

- Treatment of myopia, deflection of the cornea (astigmatism), hypermetropia, and the removal of cloudy of the cornea.
- White water removal
- Phaco eye surgery for the removal of white water without stitches.
- Cornea transplant operation
- Surgery and treatment for patients with high intraocular pressure (glaucoma) as well as follow-ups.
- Surgery and treatment for patients with strabismus, lazy eye, and clogged tear ducts and lacrimal sac, as well as carrying follow-ups.
- Retinopathy treatment for diabetics with laser and injection of liquid glass.
- Retina examination with chromo therapy.
- Sight range examination by computer.
- Eye examination with x-ray to obtain optical print for best results in vision correction.

The department of ophthalmology was provided the following latest equipment:

- Laser device to correct vision defects, considered the latest generation of laser and LASIK eye devices with the following specifications:
- Extremely quick and excellent results for vision correction.
- Treating difficult cases that cannot be treated with other devices using iris scan and Wave Front technology.
- Measuring the mildest vision defects and treating them.
- Retinal tomography imaging device, and it is the first of its kind internationally where it combines confocal scanning laser ophthalmoscopy (CSLO) and spectral domain optical coherence tomography (SD-OCT), and this is through the following advantages:
- Infrared retinal imaging.
- The ability to examine and diagnose injuries in the centre of vision caused by aging.
- The ability to examine and diagnose the presence of new vessels in the base of the eye.

### **Department of Dentistry**

Department of Dentistry offers oral and dental medical services. This department comprises of the following specialized units:

- Oral surgery and jaws unit
- Dentures lab

The dental department offers the following medical services:

- Preventive treatment for tooth decay with fillings, and root canal treatment.
- Dentures, crowns and fixed bridges.
- Denture (complete kit, partial kits, plastic, metal).
- Child dental treatment under general or local anaesthesia.
- Treatment of periodontal diseases.
- Oral and maxillofacial surgery (fractures, tumours and malformations).
- Oral and maxillofacial surgery (emergency fractures and bruises to the face and jaws).
- Aches and disorders in the jaw joints.
- Treatment of special cases and disabilities under general and local anaesthesia.
- Maxillofacial surgery.
- Treatment of salivary glands disorder and dry mouth.
- Preventive measures to prevent tooth decay for both children and adults.
- Oral oncology.
- Treatment of oral lesions and infections.

### **Department of Plastic Surgery**

The Plastic Surgery Department performs medical services for reformation surgeries resulting from accidents or deformities, in addition to performing cosmetic surgery to delay aging and for body contouring:

This department provides the following medical services:

- Laser assisted cosmetic surgery.
- Deformities of ear, nose, eyelids, breast and abdominoplasty and facial cosmetic surgery.
- Reconstructive microsurgeries for hands as well as hand injuries and deformities.
- Cases of fire burns and deformities caused by them.
- Congenital deformities such as cleft palate and cleft lip.
- Liposuction and slimming procedures for all body parts.
- Hair transplant
- Skin plastic surgery (treatment of fossulae and various scars and freckles)
- Correction of distortions caused by accidents or previous surgeries.

### **Emergency Department and Ambulance Services**

The Emergency Department and ambulance services operate around the clock for all kinds of patients of all age groups. This department admits severe emergency cases and the patients gets examined by specialist doctors and nurses who are specially trained to determine the level of urgency in each case and to give priority to the urgent cases over the non-urgent ones.

The Emergency Department has been equipped with a medical team of specialists (surgery, internal medicine, paediatrics, gynaecological) as well as nursing staff certified for Advanced Life Support (ALS). This team is trained to provide a full range of healthcare services to patients of all age groups and of different medical conditions at various levels, in addition to a team of emergency specialists available on call 24 hours a day to deal with emergency cases and to perform urgent surgical procedures as fast as possible.

### **Pharmaceuticals Department**

The department of pharmaceuticals provides pharmaceutical services 24 hours a day to all inpatients and visiting patients. The department seeks to provide pharmaceutical care of the highest standards by abiding with safety measures and drug control, to ensure safety of patients and to work on improving the training system provided to the entire staff to ensure good quality.



This department includes the following specialized units:

- Central Pharmacy covers all the medical requirements and treatments of Al Hammadi Hospital - Al Olaya.
- Emergency Room Pharmacy operating 24 hours a day.
- Outpatient pharmacy.
- Drugs preparation unit
- Sedating and anaesthetic drugs unit that complies with and controls the regulations of the Kingdom of Saudi Arabia.
- Pharmaceutical Laboratories that prepares formulae that are not available in the market.

This department provides the following medical services:

- Serving outpatient clinics medical requirements, and providing them with precise medication, and providing all required information professionally in writing.
- Serving inpatients medical requirements that are determined by medical and surgical procedures, with all means of providing medication in a precise and scientific approach.
- Providing medical and pharmaceutical information to Al Hammadi Hospital - Al Olaya medical staff and others, and contributing to online doctors' services as well as other scientific activities.
- Preparations of sterile solutions and therapeutic drops.
- Monitoring the dispensing of restricted and controlled drugs.
- Contributing to provide international measures of drug safety for patients.

#### **Department of Medical Laboratories**

The department of medical laboratories provides its services with high quality under the supervision of consultants and specialists, and by using up-to-date technologies and devices including the latest analysis devices.

This department consists of the following specialized units:

- Diagnosis unit for contagious bacterial diseases.
- Special diagnosis unit for fungal and parasitic diseases.
- Unit for diagnosis and treatment of genetic blood disease (anaemia) and blood cancer, and a special unit for measuring blood coagulation factors.
- Diagnosis unit for viral diseases, AIDS, viral liver diseases and venereal diseases.
- Diagnosis unit for various immunity diseases and measuring hereditary immunity deficiency and acquired immunity diseases.
- Department of special chemistry, hormones and indications of cancerous tumours.
- Specialized department for tissue anatomy.
- Diagnosis unit for allergic diseases of all kinds.
- Department of clinical chemistry and routine diagnostics and overall examination.
- Andrology and InVitro Fertilization (IVF) laboratories
- Blood bank unit for providing patients with blood units.

#### **Diagnostic Radiology and CT Scans**

The Department of Diagnostic Radiology and CT Scans provide diagnostic and treatment services to all medical departments of Al Hammadi Hospital - Al Olaya and it aids in the diagnosis of diseases and the early diagnosis of communicable diseases. The department is equipped with the latest devices used by qualified medical staff.

This department includes the following specialized units:

- Radiological results analysis unit.
- Magnetic Resonance Imaging (MRI) unit.
- Arterialvenography unit.
- Gestational ultrasonography unit.
- Coloured Ultrasonography unit for arteries and veins.
- Computerized spiral CT scan and auto injection unit.
- Coloured imaging unit for the digestive system, urinary system, and reproductive system.
- X-ray Unit.
- Mammography Unit.
- Modern ultrasound imaging devices including 3D and 4D ultrasounds.
- Dental imaging devices (Panoramic).

The department has been provided with the following latest devices:

- Digital fluoroscopy device with the following specifications:
- Ability to produce images for overweight patients with accurate results.
- Ability to produce layered CT scan images for tissues and bones.
- Faster medical examinations and monitoring dyes in the digestive system.
- Ultrasound imaging devices with the following specifications:
- 3D and 4D imaging for any body part that result in a complete body image.
- Live and 4D fetal imaging and determination of any congenital malformations.
- Diagnosis of cancerous tumours affecting the breast, uterus and ovaries.
- Biopsy and examination of cancerous tumours.

#### **Department of Physiotherapy**

The Department of Physiotherapy provides medical services to assess the patient's condition, after being transferred from the specialist doctor, and to prepare and implement the treatment plan.

This department provides the following medical services:

- Musculoskeletal diseases and injuries such as muscle atrophy, cramps and muscle weakness.
- Diseases of the bone and sprain injuries such as spinal injuries and fractures and bone fractures operations.
- Nervous system diseases and injuries such as paralysis of all types and inflammation of the nerves and disc problems and spinal injuries.
- Diseases such as rheumatoid arthritis and cartilage erosion and joint stiffness.
- Internal diseases and heart diseases, such as: circulatory disorders and angina pectoris and after open-heart surgery. And also Respiratory diseases such as asthma and bronchitis.

#### **Department of Operations and Support**

Al Hammadi Hospital - Al Olaya developed a wide network of support services to ensure the uninterrupted operations of the medical aspect of the hospital, and to ensure the safety and comfort of its patients and employees. Al Hammadi Hospital - Al Olaya has improved the departments of support and administrative services under the direct supervision of the Company's management, where experienced professionals are recruited for each department.

#### **Procurement Department**

The Procurement Department receives all purchasing requests from all departments and it works to facilitate the purchasing process according to required specifications.

The Procurement Department provides the following services:

- Development of annual procurement plans in coordination with managers of all departments to secure the departments' supplies.
- Auditing each department's purchasing requests and comparing them with previous years to avoid missing any of the supplies.
- Obtaining offers from companies and accredited institutions that have technical qualifications, in order to secure orders when needed.
- Providing all medical and non-medical supplies all year long.
- Monitoring all purchased material and keeping track of validation and expiry dates.
- Following up on contracts for maintenance of medical devices and contracts as well as disposal of medical wastes.
- Contacting manufacturers outside the Kingdom when needed.
- Following up with suppliers and checking that what has been purchased matches the orders.

#### **Financial Department**

The responsibilities of the Financial Department of the Company are: to provide financial and administrative information to the Board of Directors and the Senior Management, including a discussion on finances and Company's business; to pay salaries; to manage accounts payable and accounts receivable; to develop budgeting systems; to maintain financial controls; to coordinate with the Internal Audit Department; to participate in the Company's strategic planning process; to operate the budgeting system for the departments of Al Hammadi Hospital - Al Olaya; to provide the Board of Directors and the Senior Management with all



the information and dealings of the Company in general; to present annual reports to the management on a regular basis; and to perform all accounting procedures.

#### **Human Resources and Administration**

The Human Resources and Administration Division provides support and development to the hospital employees and management, where its responsibilities entail recruitment, training and professional development. It also undertakes the responsibility of public relations, housing, security, transportation and management of salaries.

The division follows a policy of recruitment of trained and experienced medical staff to ensure highest quality of services for the patients.

This department provide the following services:

- Recruitment of qualified staff that are well trained and with good expertise in nursing and medical support, as well as recruitment of administrative employees.
- Preparation and periodic revisions of job descriptions for all categories of employees.
- Preparation of orientation programs for newly recruited employees.
- Conducting periodic assessments of performance.
- Ensuring that nurses have the required licenses to perform their professions.
- Ensuring compliance with the requirements of Saudization as stipulated by various governmental authorities.
- Maintaining the confidentiality of personal information of the employees.

The Company believes that the training it provides to its employees is suitable to inform the employees of the medical and technical issues, including malpractice and how to avoid it, which the employees should be aware of from time to time.

#### **Internal Audit Department**

The Internal Audit Department performs internal auditing. It operates independently as it is supervised by the Audit Committee yet it is organizationally under the Chief Executive Officer (who is the Managing Director). The Internal Audit Department is authorized to intervene in any department of Al Hammadi Hospital - Al Olaya.

This department offers the following services:

- Ensuring the development of policies and procedures of the Company, with focus on financial and administrative related issues.
- Participating in the modifications of policies and procedures.
- Daily review of accounting functions.
- Coordination with external auditors at the Company's level to complete auditing procedures.

#### **Information Technology Department**

The Information Technology Department provides the following services:

- System maintenance and the maintenance of servers and storage units, and the maintenance of the hospital's network.
- Providing and withdrawing permissions for users.
- Supplying hardware and software to meet the hospital's requirements.
- Supervising the administrative and technical departments that are associated with it, and coordinating with them to ensure the integration of their activities and achieve maximum benefit of its advantages.
- Supervision of the devices, networks and databases.
- Preparation of human resources required for the administration and maintenance of hardware and network databases.
- Preparation of technical specifications and feasibility studies required to provide the computers.
- Determining the hospital needs of computers, software, and information security, as well as providing them in accordance to the adopted instructions, procedures and standards.
- Linking administrative units in the hospital within an advanced network, and easing the flow of information.
- Supervising the hospital's online website, in addition to updating and maintaining it on a regular basis in coordination with administrative units in the hospital.

- Provision of the necessary proposals to modify and develop rules and regulations, instructions and decisions, and administrative procedures in relation to activities of the department in accordance with the business needs and latest changes.
- Supervising the identification, provision, and training of the human resources needs for the department and its related divisions.
- Supervision of the collection, classification and archiving of data and information required for the hospital operations, and regularly updating and archiving them for future reference.
- Studying, developing, and maintaining internal and external communication networks, and provision of a secure and wide network.
- According to belief and knowledge of the Board of Directors, the information systems owned by the Company currently are sufficient to run its business and to its requirements based on the normal course of business, as in this Prospectus.

#### **Warehouse Division**

This division supplies all the hospital internal departments' medical and non-medical needs, and it consists of three units:

- Medical Unit: located inside the hospital and it stores all medical supplies in 16 sub-warehouses that are equipped for the storage of medical supplies in terms of temperature and safety measures.
- Pharmaceuticals Storage Unit: this is located in the main pharmacy, and it provides the pharmacies with all the required medications and pharmaceutical supplies, as well as all the requirements of sterile solutions and medical supplies for all medical departments of the hospital.
- Non-medical Unit: located next to the hospital, and it has been prepared to store any kinds of non-medical items related to the hospital such as patient room supplies, stationary and hygiene tools, and special required items for the private hospital housing.

#### **Department of Development and Performance**

This department provides the following services:

- Supervising development activities and administrative planning, along with maintaining the high quality of healthcare services being provided, and improving it according to plan.
- Providing quality service throughout hospitals of the Company and achieving good standards.
- Achieving the set goals by providing and continuously improving performance development programs.
- Working on achieving best services by referring to different sources of information.
- Developing procedures for unified operations within the Company to raise the performance efficiency.
- Raising efficiency and effectiveness through the development of the Company's tasks and responsibilities structure.

It is worth mentioning that this department does not perform any research and development in the sector of medical supplies and services that the Company falls into. There are 9 employees working in this department.

#### **Department of Health and Environmental Safety**

This department has the responsibility of providing environment and safety related programs, and ensuring the implementation of safety standards. It aims to protect patients, visitors, staff, and hospital assets from all risks.

This department applies safety standards to prevent the dangers of hazardous and flammable materials, and implementing field safety rounds to deal with all emergencies and disasters, as well as carrying out periodical training sessions for the staff relating to safety, and ensuring the implementation of safety programs within all departments and taking safety measures when using the devices or performing maintenance works.

#### **Department of Engineering and Maintenance**

This department plays an essential role in the hospital, as it is responsible for all maintenance works in all hospital buildings. This department's responsibilities include the following:

- Performing medical and non-medical maintenance in the hospital.
- Conducting preventive maintenance on daily, monthly, semi-annual, and annual basis according to the Preventive Maintenance Table.



- Maintaining all medical and non-medical equipment for patient safety.
- Conducting an annual inventory of recurring failures of medical and non-medical devices, and reporting the same to the management.
- Ensuring 24 hours regulated room temperature and air conditioning.
- Ensuring maintenance and replacement of air conditioning filters to prevent transition of germs and viruses through them.
- Ensuring the operation of electric generators and conducting periodic checks in line with the instructions of the Civil Defence Department and the electricity company.

#### **Department of Housing Services**

The Department of Housing Services provides necessary furnished housing to different staff members including doctors and nurses, management, and other employees, as well as providing all utilities for the residents. The hospital currently has a total of 12 residential compounds that are divided into a total of 322 residential units as follows:

- 7 residential complexes privately owned by the hospital.
- 5 residential complexes rented by the hospital.

#### **Department of Transportation**

This department provides the following services:

- Transportation requirements of the hospital and its departments.
- Transportation for hospital employees from the hospital residential complexes and housing to the hospital and back.
- Transportation schedules for the department, including airport transportation as well as transportation for different shifts and external conferences.
- Supervising and maintenance of all vehicles and cars of the Company.

#### **Department of Hygiene and Laundry**

This department provides dry cleaning and laundry services to meet the hospital rooms' requirements including bed sheets, blankets, pillows, and other, as well as laundry services for doctors' and technicians' needs. Its main responsibilities are:

- Ensuring that clean bed sheets are separated from soiled ones.
- Maintenance of the laundry's machines.
- Washing, cleaning and pressing items required by house-keeping and the medical staff.
- Cleaning sheets and blankets according to the department's instructions to ensure that all contamination is treated.
- Providing tailoring services for uniforms and hospital room needs.
- Ensuring that the cleaning detergents used are adequate for the required level of hygiene.

#### **Department of Security Services**

The hospital staff are fully aware of all security and safety measures that should be taken in any case of fire or emergency, as they are trained on how to handle such emergency cases and how to protect the hospital, the patients, other staff and visitors from any danger.

This department provides the following services:

- Developing a plan based on a risk assessment of the hospital operations to reduce risk levels.
- Ensuring that all visitors are treated with mutual respect.
- Insuring the Company's facilities and reducing any losses resulting from patients, visitors, doctors, technicians and employees.
- Prohibiting the movement of any devices or equipment in or out of the site without an approved permit from the authorized party relating to the same.
- Helping any person suffering from sudden disease, loss of consciousness, or severe injury and call an ambulance for him/her.
- Professional intervention in the event of any brawl or disturbance of the public comfort atmosphere.
- In the case of finding a lost item, handing it over to a direct supervisor without tampering with it as well as reporting the same.
- Direct intervention in any case of danger on site, as the case may be.



### Catering Department

This department provides its services to all inpatients according to their choice chosen from a food menu, in addition to providing menus for patients with diabetes, kidney failure, and high or low blood pressure under the supervision of a nutritionist.

This department provides the following services:

- Preparing daily meals for patients and staff.
- Controlling the patients' diets on regular basis.
- Following up with patients and answering all their questions with the help of a nutritionist.
- Continuously reviewing inpatients' medical cases that require a specific diet during their hospital stay.
- Developing the department by participating in courses and seminars that are relevant to nutrition.

### Accreditations and Certificates

Amongst the Company's highest priorities is to abide by the highest standards of quality and safety. The Company and everyone related to it strive to apply all professional policies and procedures within the medical services. As such, Al Hammadi Hospital - Al Olaya has achieved local and international accreditations and certifications in the field of medical services. (Please refer to Table 39: **"Certificates and Accreditations obtained by Al Hammadi Hospital – Al Olaya"**).

Al Hammadi Hospital - Al Olaya is a member of a number of international organisations such as the British Safety Council and the US International Health Federation, which makes the Company credible as a healthcare service provider of high standards.

### Main Customers and Private Medical Centres

The Company's customers are divided into two main categories:

- Cash customers who pay in cash and direct contract: this category includes patients that pay their hospital bills directly or through their employer, and they represent 33% of the revenues as of 31 December 2013G.
- Insured customers with insurance coverage provided by an insurance company: this category includes patients who have insurance coverage to pay the cost of their treatments and medical services, and they represent 67% of the revenue as of 31 December 2013G.

The percentage of insured patients keeps increasing as a result of the Cooperative Health Insurance system that obligates all companies to provide health insurance to all their employees.

The Company currently has contracts with major insurance companies that provide cooperative health insurance services, in order to provide its services to those companies' customers. The revenues generated from such arrangement are around 64.2% in 2011G, 69.1% in 2012G, and 67% in 2013G. In addition, the Company has a contract with the Saudi Arabian Oil Company (Saudi ARAMCO) and revenues generated from this relationship were around 2.2% in 2011G, 2.1% in 2012G and 2.3% in 2013G.

## 4 - 10 The Company's Current Projects

The Company is currently constructing two new hospitals: Al Hammadi Hospital - Al Nuzha and Al Hammadi Hospital - Al Suweidi, and will own a total of (3) hospitals. The number of beds in the Company's hospitals is expected to gradually increase from 300 hospital beds to 728 hospital beds in 2014G following the completion of Al Hammadi Hospital - Al Suweidi project, which will be further increased to 1,156 hospital beds in 2015G (including beds in the intensive care units for children and adults and children's incubators) following the completion of Al Hammadi Hospital - Al Nuzha project. Additionally, the number of outpatient clinics number will gradually increase from 74 outpatient clinics to 138 clinics in 2014G following the completion of Al Hammadi Hospital - Al Suweidi project, which will be further increased to reach 202 outpatient clinics in 2015G following the completion of Al Hammadi Hospital - Al Nuzha project. The following table provides a summary of both Al Hammadi Hospital – Al Suweidi and Al Hammadi Hospital - Al Nuzha projects:





**Table 34: Summary of Al Hammadi Hospital - Al Suweidi and Al Hammadi Hospital - Al Nuzha Projects:**

	Al Hammadi Hospital - Al Suweidi	Al Hammadi Hospital - Al Nuzha
Capacity	428 beds 64 out-patient clinics 13 operation theatre	428 beds 64 out-patient clinics 13 operation theatre
Project's Land Area	44,664 square Meters	21,908 square Meters
Project's Buildings Area	95,000 square Meters	84,000 square Meters
Project's Value	SAR 715.0 Million	SAR 643.1 Million
Completion of Construction Work	Second quarter of 2014G	Second quarter of 2015G
Expected Commencement of Operations	Third quarter of 2014G	Third quarter of 2015G
Completion to Total Cost Percentage (Construction and Fittings)	98%	38%
Completion Percentage (Paid Value)	96%	35%
Licences	Building permit issued by the Riyadh Municipality Pre-approval to build the hospital from the Ministry of Health	Building permit issued by the Riyadh Municipality Pre-approval to build the hospital from the Ministry of Health
Project's Land Ownership	Owned by the Company	Owned by the Company
Related Party Transactions	Hospital construction contract	Hospital construction contract
Project's Finance	Loans from the Ministry of Finance and from local banks and the Company's operations	Offering proceeds, loans from local banks, and the Company's operations

Source: The Company

#### 4 - 10 - 1 Hammadi Hospital - Al Suweidi

Al Hammadi Hospital - Al Suweidi is located in Al Suweidi district in the south west of the city of Riyadh, on a 44,664 square meters land owned by the Company. This project includes the hospital's main building which consists 6 levels above the ground and three underground levels, in addition to 3 residential buildings for the employees with a total built up area of 95,000 square meters.

With regards to the legal form of the Al Hammadi Hospital - Al Suweidi, it has been established as a branch owned by the Company, and registered with the Ministry of Commerce and Industry under the number 1010374269 dated 02/07/1434H (corresponding to 12/05/2013G).

On 14/11/1432H (corresponding to 12/10/2011G) the construction work of Al Hammadi Hospital - Al Suweidi started and were completed in April 2014G. The Company expects that the commencement of the operations of the hospital with all its internal departments will take place within the third quarter of 2014G, noting that reaching full operational bed capacity will take place gradually and is expected to be achieved by the end of 2015G. The Company started recruiting the required medical and administrative staff to operate the said hospital, and it has recently signed a contract with the Human Resources Development Fund to recruit Saudi employees. The Company also obtained a total of 757 work permits to recruit non-Saudi employees in the hospital. It is also worth mentioning that 151 members of the medical staff have been recruited (including doctors, nurses, pharmacists and technicians) in addition to 83 administrative employees and others as of 31

January 2014G. However, the aforesaid employees are currently working and receiving training at Al Hammadi Hospital - Al Olaya and will commence work at Al Hammadi Hospital - Al Suweidi when the hospital commences its operations.

The total estimated cost of Al Hammadi Hospital - Al Suweidi project is SAR 715 million, inclusive of the value of the land on which it is built, and which is owned by the Company. As of 31/03/2014G, the total value of the project development cost was SAR 700.7 million, which includes the value of the land on which the project is built, representing 98% of the total cost of the project. As at 31/03/2014G, the Company has spent an amount of SAR 691.7 million which was paid through its internal operating cash flows as well as Shari'ah compliant loans obtained from local banks. The remaining expenditures required to complete the project is estimated at SAR 23.3 million and shall be financed through Shari'ah compliant loans obtained from local banks, in addition to a loan obtained by the Company from the Ministry of Finance of which SAR 88.2 million, out of a principal loan amount of SAR 149.1 million, has been utilized as of 31/03/2014G.

On 28/04/1432H (corresponding to 02/04/2011G), the Company entered into an Engineering and Consulting Services Agreement with Dar Al Mashorah Engineering Consultancy pursuant to which the said engineering firm has been appointed to supervise the work of the structure, finishing, and mechanical, electrical, and plumbing works of the project.

The following table details the total estimated cost for Al Hammadi Hospital - Al Suweidi project:

**Table 35: Analyses of the Estimated Costs of Al Hammadi Hospital - Al Suweidi project**

Numbers in Million SAR	Anticipated Cost
Land	87,000,000
Building inclusive of staff accommodation	493,000,000
Medical Equipment	120,000,000
Furniture	10,000,000
Vehicles	5,000,000
<b>Total estimated cost of the project</b>	<b>715,000,000</b>

Source: The Company

Al Hammadi Hospital - Al Suweidi comprises 300 inpatient rooms and suites, in addition to 128 intensive care beds for adults, children and child incubators, 64 outpatient clinics, 13 major operating theatres, as well as cardiac catheterization rooms, and 2 rooms to perform endoscopies and colonoscopies, and kidney and urethralithotripsies.

## Services provided and operational information for Al Hammadi Hospital - Al Suweidi

### Medical Services

The Company intends to provide the following medical services at Al Hammadi Hospital - Al Suweidi

#### Inpatients and Outpatient Clinics

The inpatient and outpatient clinics will provide the following medical specializations:

Cardiology and Cardiac Surgery	Cosmetology and Plastic Surgery	Dentistry
Dermatology	Digestive System Diseases	Ear, Nose and Throat
Emergency	Endocrinology and Diabetes	General Surgery
Internal Medicine	Kidney Diseases	Neurological Medicine and Surgery



Obstetrics and Gynaecology	Ophthalmology	Orthopaedics and Spinal Cord
Paediatric Medicine and Surgery	Psychiatry	Rheumatology
Thoracic Medicine	Urology	

### **Emergency Department**

The emergency department provides comprehensive healthcare service for situations that require evaluation and urgent medical intervention, and the department will be equipped with the required latest medical devices and tools. The emergency department will have 29 hospital beds in addition to an operating theatre, 2 recovery beds, and 2 dressing beds. The doctors in this department will examine and diagnose each of the emergency cases in coordination with specialist doctors from all the hospital's specialised departments, in addition to performing what is required to help stabilizing extremely urgent cases admitted and providing them with first aid. Extra healthcare services will be provided by admitting inpatients or by following up with them in the outpatient clinics, or by giving them additional appointments to follow up on their cases with the emergency department according to the case.

### **Physical Therapy and Medical Rehabilitation**

Physiotherapy is one of the essential branches of medicine that improves and maintains physical bodily movement. The Company will provide this department with 20 rooms equipped with medical tools used in physiotherapy and medical rehabilitation, including aqua therapy.

### **Kidney Dialysis**

The kidney dialysis department is vital department in the hospital, so the hospital management has provided this department with 12 kidney dialysis machines for kidney patients.

### **Operating Theatres**

The hospital will have 12 operating theatres equipped with devices that could perform a number of surgical operations.

### **Delivery Rooms**

The hospital will have 13 delivery rooms in addition to 2 operating theatres for performing caesarean sections and gynaecological operations.

### **Intensive Care Unit for Adults**

The intensive care unit is essential for providing care for patients suffering from dangerous diseases, and it has been equipped with 31 hospital beds as follows: 19 isolation wards, 12 hospital beds, in addition to supplying the department with the latest intensive care devices.

### **Radiology**

Given the importance of radiology in diagnosis and treatment, the Company has given high priority to this department and has provided it with the latest cutting-edge devices (MRI, CT Scan, Ultrasound and X-rays) in order to cover the needs of children, adults and elderly patients that are admitted to the hospital.

### **Paediatrics Intensive Care Unit**

The hospital will have 6 paediatric intensive care beds equipped with the latest devices.

### **Laboratory**

The Company's management emphasised on providing high standards in the design of laboratories and new medical devices that are to be supplied to the laboratory, which makes it a modern medical laboratory of high standards that is capable of performing all primary medical tests.



## **Al Hammadi Hospital - Al Suweidi Operational Information**

### **Coordination with Al Hammadi Hospital - Al Olaya**

The Company plans to take advantage of all existing departments and shall expand them to serve the Company's hospitals, including Al Hammadi Hospital - Al Suweidi. These departments include the following:

#### **Human Resources**

The human resources management of the Company embarked on attracting and recruiting the required medical staff and administration to operate this hospital, in addition to signing an agreement with the Human Resource Development Fund to recruit Saudi employees to work at the hospital. In addition, the Company obtained 757 working permits to recruit non-Saudi citizens in the hospital.

#### **Procurement**

The operations of procurement and warehousing shall be centralised within the Company in order for the Company to obtain more favourable contractual terms with the suppliers for all the Company's hospitals. The Company has a dedicated procurement team responsible for determining all required purchases for all hospitals.

#### **Financial Administration**

The existing financial administration team will manage the hospital's financial affairs. The management of the Company will increase the number of the financial administration staff members to accommodate for the increased work resulting from the new hospitals.

#### **Information Technology Management**

The Company intends to apply the system currently used in Al Hammadi Hospital - Al Olaya and to adopt it in all other Al Hammadi hospitals. The information technology management also supervises the recruitment of the IT staff for Al Hammadi Hospital - Al Suweidi.

#### **Internal Audit**

The Company will be responsible for the regulation and supervision of the internal audit process in Al Hammadi Hospital - Al Suweidi and the other hospitals of the Company.

#### **Quality Assurance**

The quality assurance processes will be centrally managed through the Company in order to benefit from the Company's expertise and previous experiences.

## **Al Hammadi Hospital - Al Suweidi Management**

### **Medical and Nursing Management**

The Company's management will assign an independent medical management team that will supervise the recruitment of medical staff and the management of the medical affairs of Al Hammadi Hospital - Al Suweidi.

### **Patient Services**

The Company shall assign a manager who will be responsible for patient services in Al Hammadi Hospital - Al Suweidi before it opens and commences operations.

## **4 - 10 - 2 Al Hammadi Hospital - Al Nuzha**

Al Hammadi Hospital - Al Nuzha project is located in Al Nuzha district in the north east of the city of Riyadh on a 21,908 square meter land owned by the Company. The hospital consists of 6 levels above ground and 2 underground levels, in addition to a multi-level parking building with a total built up area of around 84,000 square meters.



With regards to the legal description of Al Hammadi Hospital - Al Nuzha, this hospital has been established as a subsidiary branch, owned by the Company and registered with the Ministry of Commerce and Industry under number 1010374270 dated 02/07/1434H (corresponding to 12/05/2013G).

On 20/05/1434H (corresponding to 01/04/2013G) the Company started construction works of Al Hammadi Hospital - Al Nuzha, and the hospital is expected to commence operations in the third quarter of 2015G with all departments. However, full beds operations capacity will be gradually reached by end of 2016G.

The estimated cost of Al Hammadi Hospital - Al Nuzha project is SAR 643.1 million, which includes the value of the land on which it is being built which is owned by the Company. As of 31/03/2014G, the total value of the project development cost was SAR 287.2 million, including the value of the land on which it is being built, representing 44.7% of the total value of the project. As of 31/03/2014G, the Company has expended an amount of SAR 241.2 million through its internal operating cash flows as well as Shari'ah compliant loans obtained from local banks. The remaining cost expenditure for the project is estimated at SAR 402 million which shall be funded through part of the Offering proceeds (please refer to section 8 **"The Use of Proceeds"** of this Prospectus).

On 20/05/1434H (corresponding to 01/04/2013G), the Company entered into an Engineering and Consulting Services Agreement with Almusamem Al Arabi Architectural Engineering pursuant to which the said engineering firm was appointed to supervise the work of the structure, finishing, and mechanical, electrical, and plumbing works of the project.

Al Hammadi Hospital - Al Nuzha will provide a comprehensive range of healthcare services to the patients in addition to comprehensive and advanced medical facilities.

The project of Al Hammadi Hospital - Al Nuzha comprises 300 inpatient rooms and suites, in addition to 128 intensive care beds for children and adult patients including child incubators, 64 outpatient clinics, 13 major operating theatres, in addition to a cardiac catheterization room and two rooms for the performance of endoscopies and colonoscopies, as well as a room for lithotripsy of the kidney and urethra.

Al Hammadi Hospital - Al Nuzha will have technical, medical and administrative divisions that are identical to the divisions of Al Hammadi Hospital - Al Suweidi. For further details, please refer to section 4-7-1 **"Hammadi Hospital - Al Suweidi"** of this section.

The management of the human resources department in the Company will begin the process of recruiting the required medical and administrative staff to operate this hospital 6-7 months prior to the expected date of operation, in order to have sufficient time to find the best qualified individuals locally and to apply for employment visas for non-Saudi employees. The human resources department is expected to continue the process of attracting the required staff to operate the hospital well in advance before it commences operation.

#### 4 - 11 Employees

The number of employees in the Company and its branches according to the Nitaqat certificate dated 3/6/1435H (corresponding to 3/4/2014G) issued by the Ministry of Labour as follows:

**Table 36: Number of Employees According to Nitaqat Certificate Dated 3/6/1435H (corresponding to 3/4/2014G)**

	The Activity	Number of Employees	Saudi Nationals	Non-Saudi Nationals	Percentage of Saudi Employees	Category
The Company	Wholesale and Retail	21	6	15	34.12%	Platinum
Al Hammadi Hospital – Al Olaya Branch	Healthcare Services	997	246	751	23.33%	Low green (where the percentage of Saudization these braches reached 22.95%)
Al Hammadi Hospital - Al Suweidi Branch	Healthcare Services	39	6	33	13.16%	
Al Hammadi Hospital - Al Nuzha Branch	Healthcare Services	-	-	-	-	
Al Hammadi Maintenance and Operation (branch)	Construction, Maintenance and Cleaning	528	45	483	8.01%	Low green
<b>Total</b>		<b>1,585</b>	<b>303</b>	<b>1,282</b>	<b>-</b>	<b>-</b>

Source: The Company

The following table shows the number of employees in the Company during the period 05/02/1433 H (31/12/2011G) until 30/3/1435 H (31/3/2014G).

**Table 37: Number of Employees in the Company**

	31/12/2011G		31/12/2012G		31/12/2013G		31/03/2014G	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Saudi	239	%19.78	282	%21.63	273	%18.09	301	%19.01
Non-Saudi	969	%80.22	1,022	%78.37	1,236	%81.91	1,282	%80.99
<b>Total</b>	<b>1,208</b>	<b>%100.00</b>	<b>1,304</b>	<b>%100.00</b>	<b>1,509</b>	<b>%100.00</b>	<b>1,583</b>	<b>%100.00</b>

Source: The Company

The following table shows the number of employees in the Company according to their job categories:

**Table 38: Number of Employees in the Company According to Job Description**

	31/12/2011G		31/12/2012G		31/12/2013G		31/03/2014G	
	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi
Doctors	2	154	2	177	3	180	3	193
Nursing	2	343	3	361	2	365	1	399
Pharmacists	3	26	3	27	2	27	1	32
Technicians	19	66	20	71	21	95	15	82
Engineering Management	0	61	0	62	0	99	0	99
Finance and Administration	46	95	55	95	51	133	57	134
Purchasing and Warehouse	4	20	7	21	6	28	7	29
Safety and Security	50	4	58	4	54	8	64	8
Patient Services	88	51	98	53	98	89	112	92
Communications and Information Technology	6	24	8	24	8	35	8	35
Logistics services (housing and transportation)	17	22	24	23	24	37	29	38
Kitchen	1	27	2	27	2	42	2	43
Cleaning and laundry	1	76	2	77	2	98	2	98
<b>Total</b>	<b>239</b>	<b>969</b>	<b>282</b>	<b>1,022</b>	<b>273</b>	<b>1,236</b>	<b>301</b>	<b>1,282</b>

Source: The Company

The members of the Board of Directors confirm that the Company does not rely on doctors from the Ministry of Health.



## **4 - 12 Compliance with the Provisions of Islamic Shari'ah**

The "Shariyah Review Bureau" (an independent entity specialized in Shari'ah control and audit systems) was engaged by the Company to review the Company's compliance with the Shari'ah standards, criteria and principles determined by the Shari'ah board of the "Shariyah Review Bureau" in relation to companies. The said review included reviewing this Prospectus and the Company's financial statements for the periods 2011G, 2012G, and 2013G. The Shari'ah Board of the "Shariyah Review Bureau" indicated that the Company is compliant with such Shari'ah standards, criteria and principles.

## **4 - 13 Company's Vision, Mission and Strategy**

### **4 - 13 - 1 Company's Vision**

To position Al Hammadi Hospitals as one of the best healthcare services providers in the private sector in the Kingdom of Saudi Arabia.

### **4 - 13 - 2 Company's Mission**

Commitment to continuously improve the healthcare service quality standards to meet the healthcare needs of the Company's clients through efficient management team and qualified staff, and state of the art technology.

## **4 - 14 Competitive Advantages and Future Prospects**

### **4 - 14 - 1 Competitive Advantages**

The following are the competitive advantages that distinguish the Company from its competing healthcare service providers in the Kingdom of Saudi Arabia, and which also offer the Company great opportunities to develop and grow its operations:

#### **Position in the Healthcare Sector**

The Company enjoys long standing experience in the healthcare service field, which it has gained over the last twenty eight (28) years. It further benefits from its position, reputation and brand name, which it has built in the field of healthcare service in the Kingdom, due to the quality of the healthcare services which it offers to its clients, in addition to its operational efficiency, as the Company provides its services at competitive prices in comparison with its competitors operating in the same field. The Company focuses its operational strategy on providing its medical services to mid and high level income residents of Riyadh. Further, the Company diligently aims at hiring, recruiting and maintaining qualified doctors and nursing staff, in addition to its commitment to ethical standards and its pursuit in keeping up with the latest technologies in the field of medicine and healthcare (which are factors of its success), and the brand name and reputation it has presently achieved in the healthcare sector.

The Company aims at benefiting from the strong growth in the healthcare sector in the Kingdom of Saudi Arabia generally, and in Riyadh particularly. The Company also aims at benefiting from its pioneering position, brand name and reputation, in order to further expand its offering of primary medical services. For example, the Company has undergone, in the last few years, a number of expansions and improvement to its Al Hammadi Hospital - Al Olaya building, resulting in increasing the capacity of some of the departments of the said hospital, where the number of intensive care unit (ICU) beds was increased from 9 to 17. The neonatal intensive care unit has been expanded from 14 beds to 25 beds, in addition to expanding the children's inpatient suites from 32 beds to 35 beds and increasing the number of beds in the children's intensive care unit (ICU) from 3 beds to 6 beds. Furthermore, the Company has renovated the inpatient rooms of the department of Gynaecology and Obstetrics, as well as the operating theatres in the hospital.

## A Wide Range of Healthcare services and Specializations

Al Hammadi Hospital –Al Olaya provides a wide range of healthcare services that include the following:

Cardiology and Cardiac Surgery	Cosmetology and Plastic Surgery	Dentistry
Dermatology	Digestive System Diseases	Ear, Nose and Throat
Emergency	Endocrinology and Diabetes	General Surgery
Internal Medicine	Kidney Diseases	Neurological Medicine and Surgery
Obstetrics and Gynaecology	Ophthalmology	Orthopaedics and Spinal Cord
Paediatric Medicine and Surgery	Psychiatry	Rheumatology
Thoracic Medicine	Urology	

In addition to the specializations listed above, Al Hammadi Hospital - Al Olaya provides supporting medical services, including for example pharmaceutical services, radiology and laboratories, which are available at all times. Furthermore, the Company constantly ensures to add new specializations and medical services when the Company finds that there is demand for such services and where there is a shortage in meeting such demand by the medical service providers in Riyadh.

Al Hammadi Hospital - Al Suweidi and Al Hammadi Hospital - Al Nuzha will both provide the same healthcare services and specializations mentioned above.

## Quality in the healthcare services

The Company seeks to provide high quality healthcare services, which are demonstrated through the number of prestigious certificates and accreditations it has achieved through the Al Hammadi Hospital - Al Olaya. Al Hammadi Hospital - Al Olaya has received the following certificates and accreditations:





**Table 39: Certificates and Accreditations obtained by Al Hammadi Hospital – Al Olaya**

Body	Details	Accreditation Period
Accreditation Canada	Accreditation Canada is an international accreditation organization which is accredited by the International Society for Quality in Healthcare, and which assists and guides health care institutions around the world in examining and improving the quality of the healthcare services provided according to international norms and standards.	Safar 1434H (November 2012G) until Muharram 1437H (November 2015G)
The Australian Council on Healthcare Standards International (ACHSI)	ACHSI is an independent, non-governmental and non-profit body. It is considered one of the most important global bodies that develop the quality of healthcare services and the safety of medical practice. The majority of the services provided by Al Hammadi Hospital - Al Olaya have received high scores (Extensive Achievement) from the representatives of this council.	Safar 1432 A.H. (December 2010G) until Jamadi Awwal 1436 A.H. (February 2015G)
Joint Commission International (JCI) Certificate	JCI is one of the most important international organizations that specialize in providing innovative leadership solutions which help healthcare institutions worldwide in improving the level of patient safety and the quality of healthcare services.	Dhu Al Qa'da 1432H (November 2011G) until Muharram 1436H (November 2014G)
Certificate of the Saudi Central Board for Accreditation of Healthcare Institutions	The Central Board for Accreditation of Healthcare Institutions was created according to ministerial resolution dated 01/09/1426H (corresponding to 04/10/2005G) under number 11/144187, and which is a part of the Health Services Council in the Kingdom of Saudi Arabia, in order to adopt and monitor the implementation of quality standards by all healthcare sector across the Kingdom, thereby aiming to improve the healthcare services provided and to improve the safety level thereof. The Health Services Council issued resolution number 8/58 dated 09/01/1433H (corresponding to 05/12/2011G) which emphasizes the necessity of obtaining the accreditation of the Central Board for Accreditations of Healthcare Institution by all private and public health facilities. This certificate is valid until November 2014G.	Dhu Al Qa'da 1432H (November 2011G) until Safar 1436H (November 2014G)
International Organization for Standardization ISO 90001:2008 QMS	Al Hammadi Hospital - Al Olaya earned this certificate through adopting the standards of quality management for the following services: inpatients, outpatient clinics and ambulance services which include internal diseases, paediatrics, surgery, orthopaedics, obstetrics and gynaecology, dentistry, as well as all other ancillary medical services such as the pharmacy, laboratory, radiology and physical therapy.	Safar 1433H (December 2011G) until Muharram 1435H (December 2013G) and was recently renewed for a new term ending in December 2014G.
The Saudi Heart Association Certificates	The Company received two accreditation certificates from the Saudi Heart Association, the first on 27/10/2011G in the field of basic life support, and the second on 03/03/2012G in the field of advanced heart support.	These certificates expire on 25/11/2014G and 24/03/2015G respectively.

The Company has not lost any of the certificates and accreditations already obtained.

In addition, Al Hammadi Hospital - Al Olaya is a member of several international institutions, including the British Safety Council, the American Hospital Association and the International Hospital Foundation (IHF), which further reinforces its position as a high quality provider of medical services.

It is worth mentioning that with the exception of the Certificate of the Saudi Central Board for Accreditation of Healthcare Institutions mentioned in the table above, the accreditations and certifications mentioned in the said table are not mandatory and whether they are obtained or not will affect the ability of Al Hammadi Hospital - Olaya to continue its operations in accordance with the relevant laws and regulations.

## **Qualified Medical Staff**

The Company believes that the main driver of its success in providing high quality healthcare services lies in the expertise of its doctors. The Company further finds that the essence of effective execution of its vision arises from recruiting surgeons and doctors who have developed personal reputation through their excellence in their respective medical fields of specializations. In this regard, it is worth noting that the heads of the departments in Al Hammadi Hospital - Al Olaya have an average of over 23 years of experience in their respective fields of specializations.

Moreover, all the consultant doctors working at Al Hammadi Hospital - Al Olaya have obtained board certificates or equivalent medical specialization certificates.

## **Financial Position and Positive Financial Results**

A notable increase in the Company's revenues, which are derived exclusively from Al Hammadi Hospital - Al Olaya, has been recorded in the last few years, where the compound annual growth rate reached 12.9% during the period between 2010G and 2013G. Furthermore, the net income increased at a compound annual growth rate of 11.8% during the said period. This further affirms the effective implementation of the Company's policy, aimed at optimising its medical resources.

## **Relationship with Medical Insurance Companies**

The Company enjoys a good relationships with all medical insurance companies in the Kingdom of Saudi Arabia, which enable it to meet the medical needs of a large segment of the population, and the Company has a special department that is dedicated to the insurance companies affairs. The revenues from the main insurance companies formed 67% of the total revenues during 2013G.

## **Contracts with Main Customers and Private Medical Centres**

The Company has entered an agreement with each of the Saudi Arabian Oil Company (Saudi ARAMCO) and Saudi Electricity Company (which started in January 2014G), in addition to agreements with a number of private medical centres that employ a large number of employees. Al Hammadi Hospital - Al Olaya also provides healthcare services to the employees of the companies mentioned, which provides the Company with a stable and constant income.

## **Prime Location**

Al Hammadi Hospital - Al Olaya is located in Al Olaya area, north of Riyadh, which is one of the most populated areas of Riyadh. This strategic location of the hospital places it in close proximity to residents of over 1 million persons in Riyadh, which enables Al Hammadi Hospital - Al Olaya to provide its medical services to the largest number of the mentioned residents. In addition to the residents of Al Olaya area, Al Hammadi Hospital - Al Olaya targets clients from other areas and districts, given its easy access via a number of main roads, including King Fahad Road, and Al Olaya main street. In addition, in March 2013G, an extension to Al Orouba Street was opened, which increased the accessibility to Al Hammadi Hospital - Al Olaya for persons coming from the eastern area of Riyadh. The Company has chosen the location of Al Hammadi Hospital - Al Suweidi project to be located in the south-west of Riyadh, which is expected to start receiving patients in the third quarter of 2014G in Al Suweidi, based on its strategic location since there is a shortage in healthcare services provided. This places Al Hammadi Hospital in a favourable location to gain market share in the Al Suweidi district and the neighbouring areas.

## **4 - 14 - 2 Future Prospects**

The Company aims, at all times, at developing its operations and improving its financial position. It further aims at continuously improving the quality of its services. The following are the main strategies which the Company utilises in order to achieve its goals:

### **Growth through the Establishment of Hospitals in New Areas**

The growth strategy of the Company includes the establishment of new hospitals in the city of Riyadh, which will enable it to reach a greater demographic percentage of residents which will, in turn, further reinforces its



position and reputation in the healthcare services field, by taking advantage of the increasing gap between supply and demand factors in the field of healthcare in service Riyadh, as well as participating in meeting the growing demand for medical services in Riyadh.

In addition to Al Hammadi Hospital - Al Suweidi, southwest of the city of Riyadh, the construction of which has been completed, which is expected to begin accepting patients during the third quarter of 2014G, with a total capacity reaching 428 beds and 64 outpatient clinics (Please refer to section 4 **"Company Background And The Nature Of Its Business"** and section 8 **"The Use of Proceeds"** of this Prospectus), the Company is currently establishing Al Hammadi Hospital - Al Nuzha northeast of the city of Riyadh, which is a general hospital with a total capacity of 428 beds and 64 outpatient clinics (Please refer to section 4 **"Company Background And The Nature Of Its Business"** and section 8 **"The Use of Proceeds"** of this Prospectus).

In light of the foregoing, there is an expected increase in the number of beds in the hospitals owned by the Company from 300 beds to 728 beds in 2014G after the completion of Al Hammadi Hospital - Al Suweidi project, then a further increase to 1,156 beds in 2015G (including the intensive care unit beds for children and adults as well as child incubators) after the completion of the Al Hammadi Hospital - Al Nuzha project.

The Board of Directors acknowledges that there is no intention to make any material change to the nature of the Company's activities.

## 5. Organizational Structure of the Company

### 5 - 1 Corporate Structure

The Company is managed by a Board of Directors consisting of (9) Directors, 6 out of 9 non-executive Directors, and three (3) of whom are independent Directors. The Directors possess extensive experience and qualifications required to manage the Company.

The current Board of Directors was appointed by the Company's Ordinary and Extraordinary General Assembly convened on 08/08/1434H (corresponding to 7/06/2013G). Pursuant to Article 17 of the Company's By-laws, the term of the Board of Directors is for three (3) Hijri years which commenced on 16/09/1434H (corresponding to 24/7/2013G) and shall end on 15/09/1437H (corresponding to 20/7/2016G).

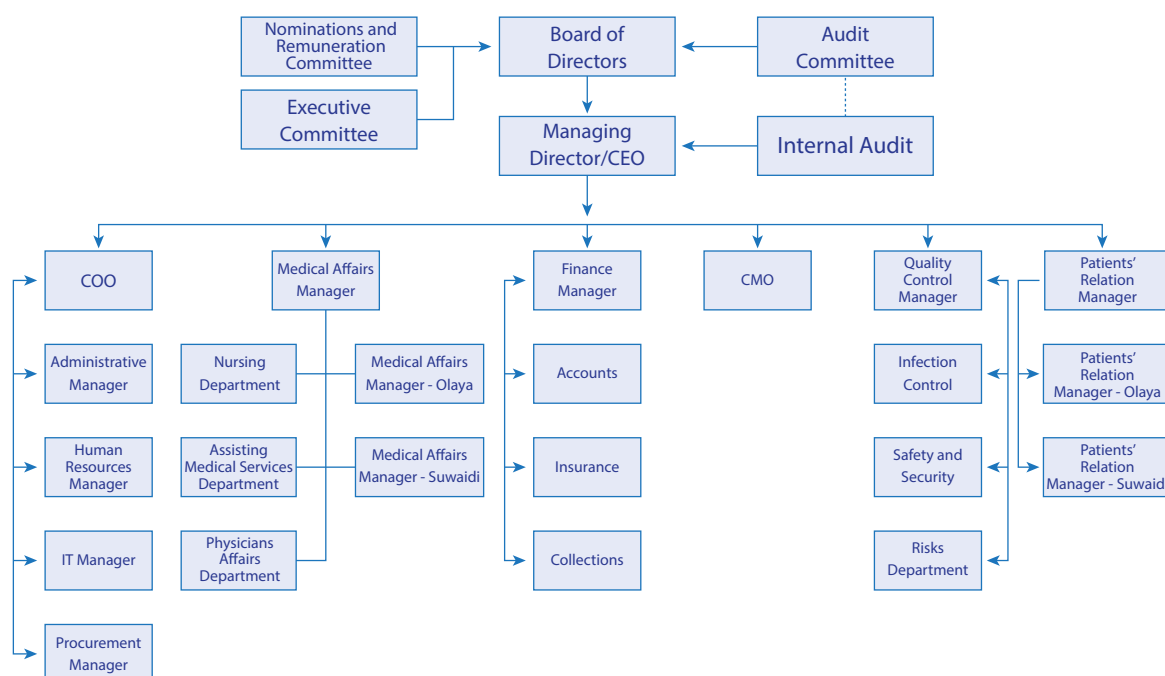
The Board of Directors has established a number of sub-committees which are: the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee. The committees have duly adopted rules and regulations, which comprise a part of the Company's Corporate Governance Manual, which set the tasks and responsibilities assigned to such committees. The committees submit their reports and recommendations to the Board of Directors. The Board of Directors reviews the committees' charters on an annual basis upon their recommendations.

The Company's senior management consists of a team with extensive expertise and skills to manage the Company efficiently and competently within the framework of the guidelines issued by the Board of Directors. The Chief Executive Officer manages the Company's daily affairs in accordance with the guidelines and policies set by the Board of Directors to ensure that the Company achieves its objectives as determined by the Board of Directors.

### 5 - 2 Organizational Structure

The following figure illustrates the organizational structure of the Company.

**Figure (2): The Company's organizational structure**



Source: The Company



## 5 - 3 The Board of Directors

The Company is managed by a Board of Directors consisting of (9) Directors, 6 out of 9 non-executive Directors, and three (3) of whom are independent Directors. These Directors possess the extensive experience and qualifications required to manage the Company's affairs. Pursuant to Article 17 of the Company's By-laws, the term of the Board of Directors is for three (3) Hijri years which commenced on 16/09/1434H (corresponding to 24/7/2013G) and shall end on 15/09/1437H (corresponding to 20/7/2016G).

**Table 40: Members of the Board of Directors**

No	Name	Position	Representing	Nationality	Age	Status	Direct Ownership	Indirect Ownership	Membership date
1.	Saleh bin Mohammad Al Hammadi	Chairman	Personal capacity	Saudi	72	Non-executive / non-independent	14.286%	None	24/7/2013G
2.	Dr. Abdulaziz bin Mohammad Al Hammadi	Director	Personal capacity	Saudi	61	Non-executive / non-independent	14.286%	None	24/7/2013G
3.	Mohammad bin Saleh Al Hammadi	Managing Director	Personal capacity	Saudi	43	Executive- non-independent	7.000%	None	24/7/2013G
4.	Dr. Abdulaziz bin Saleh Al Hammadi	Member	Personal capacity	Saudi	38	Executive/ non-independent	7.000%	None	24/7/2013G
5.	Dr. Sami bin Abdullah Al Saeed	Member	Personal capacity	Saudi	48	Non-executive/ independent	0.002%	None	24/7/2013G
6.	Abdulaziz bin Abdulrahman Al Faryan*	Member	Personal capacity	Saudi	37	Non-executive/ independent	None	None	24/7/2013G
7.	Tariq bin Ziad Al Sudairy*	Member	Jadwa Healthcare Opportunities Company	Saudi	38	Non-executive / non-independent	None	None	24/7/2013G
8.	Kareem Haidar Madi*	Member	Jadwa Healthcare Opportunities Company	Jordanian	36	Non-executive / non-independent	None	None	2/12/2013G
9.	Abdulaziz bin Saleh Al Rebdi *	Member	Personal capacity	Saudi	52	Non- executive/ Independent	None	None	24/7/2013G

Source: The Company

\* Pursuant to the Company's By-laws and the Companies regulations, every Board member shall own shares totalling at least SAR 10,000 in value ("Qualification Shares"). Such shares shall be deposited with a local bank and shall be transferred after the Offering.

The Board of Directors' secretary is Mr. Munir Abdulaeem Al Sayyed who was appointed in his current position on 2/12/2013G. He does not own any shares in the Company as of the date of this Prospectus. His resume can be viewed in the section titled "**Brief Profile of the Members and Secretary of the Board of Directors**".

### 5 - 3 - 1 Brief Profile of the Members and Secretary of the Board of Directors

Below is a brief profile of the members and secretary of the current Board of Directors:

Name	Saleh Bin Mohammad Al Hammadi
Age	72
Nationality	Saudi
Position	Chairman

Name	Saleh Bin Mohammad Al Hammadi
Qualifications	<ul style="list-style-type: none"> <li>High School</li> </ul>
Professional experience	<ul style="list-style-type: none"> <li>Chairman of the Company from 1984G to date.</li> </ul>
Other positions	<ul style="list-style-type: none"> <li>Chairman of Aziz Contracting and Industrial Investment Company, a closed joint stock company operating in the field of contracting, since 1967 to date.</li> </ul>

Name	Dr. Abdulaziz bin Mohammad Al Hammadi
Age	61
Nationality	Saudi
Position	Director
Qualifications	<ul style="list-style-type: none"> <li>Bachelor's Degree in medicine from Kasr Al Ainy School of Medicine, Cairo University in 1979G.</li> <li>Licensed to practice medicine in Saudi Arabia from the Saudi Council.</li> </ul>
Professional experience	<ul style="list-style-type: none"> <li>Al Riyadh Central Hospital from 1979G - 1982G.</li> </ul>
Other positions	A partner in Riyadh Development Company, a limited liability company operating in the contracting field, since 2004G.

Name	Mohammad bin Saleh Al Hammadi
Age	43
Nationality	Saudi
Position	Managing Director and Chief Executive Officer
Qualifications	<ul style="list-style-type: none"> <li>Bachelor's Degree in Business Administration with a major in marketing from Webber International University, USA, in 1996G.</li> <li>Member of the Saudi Economic Association since 2012G to date.</li> <li>Member of the Saudi Organization for Certified Accountants (SOCPA)</li> </ul>
Professional experience	<ul style="list-style-type: none"> <li>17 years of experience in Business Administration.</li> <li>The Chief Executive Officer and the Managing Director of the Company since 1996G – to date.</li> <li>The Chairman of the Board of Directors of the Saudi Company for Automobile and Equipment Services (SASCO), a public joint stock company operating in the transportation sector, from 2006G - 2009G.</li> <li>A member of the Board of Directors of the Saudi Chemical Company, a public joint stock company operating in the field of civil explosives manufacturing, from 2007G - 2009G.</li> </ul>
Other positions	<ul style="list-style-type: none"> <li>The owner of Al Hammadi Information Technology Establishment, a sole proprietorship operating in the field of information technology, from 2009G- to date.</li> <li>The owner of the Al Hammadi Contracting Establishment, a sole proprietorship operating in the field of contracting, from 1991G – to date.</li> <li>A member of the board of directors of Al Baha Investment &amp; Development Company, a public joint stock company operating in the field of multi-investments, from 2013G- to date.</li> </ul>



Name	Dr. Abdulaziz bin Saleh Al Hammadi
Age	38
Nationality	Saudi
Position	Director and Chief Operating Officer of the Company
Qualifications	<ul style="list-style-type: none"> <li>• Bachelor's Degree in Medicine with specialty in surgery from Al Azhar University - the Arab Republic of Egypt in 2003G.</li> <li>• Licensed to practice medicine in Saudi Arabia from the Saudi Council.</li> </ul>
Professional experience	<ul style="list-style-type: none"> <li>• 9 years of experience in the field of healthcare.</li> <li>• Operations Director of the Company since 2014G - to date.</li> <li>• Medical Director of the Hammadi Hospital - Al Olaya since 2008G- to 2014G.</li> <li>• Has worked in the King Saud Hospital for Chest Diseases in Riyadh, Kingdom of Saudi Arabia from 2005G – 2008G.</li> <li>• Has worked in the King Khaled University Hospital in Riyadh, Kingdom of Saudi Arabia from 2004G – 2005G.</li> </ul>
Other positions	<ul style="list-style-type: none"> <li>• A member of the board of directors of Al Baha Investment &amp; Development Company, a public joint stock company operating in the field of multi-investments, from 2013G- to date.</li> </ul>
Name	Dr. Sami bin Abdullah Al Saeed
Age	48
Nationality	Saudi
Position	Director
Qualifications	<ul style="list-style-type: none"> <li>• American Board for Paediatric Dentistry in 2003G.</li> <li>• Masters in Paediatric Dentistry from New York University in 2001G.</li> <li>• Diploma in dental nerve therapy from New York University in 2000G.</li> <li>• Diploma in Orthodontics, New York University in 1999G.</li> <li>• Higher Diploma in Paediatric Dentistry, New York University, 1998G.</li> <li>• Bachelor's Degree in Dental Surgery, King Saud University, 1992G.</li> <li>• Member of the American Association for Paediatric Dentistry since 1999G.</li> <li>• Member of the American Academy for Paediatric Dentistry since 1996G.</li> <li>• Member of the Saudi Association for Paediatric Dentistry since 1994G.</li> </ul>
Professional experience	<ul style="list-style-type: none"> <li>• Chief executive officer of Rawan for Development and Investment Company, a limited liability company operating in the field of real estate investment, from 2007G – 2012G.</li> <li>• Member of the board of directors of The National Shipping Company of Saudi Arabia, a public joint stock company operating in the field of maritime transportation, from 2008G -2010G.</li> <li>• Member of the board of directors of the Saudi Association for Paediatric Dentistry from 2005G-2007G.</li> <li>• A member of the lecturing team at the Prince Abdul Rahman Institution for Dentistry from 2001G – 2007G.</li> <li>• Clinical trainer and pre-clinical supervisor, New York University from 1999G – 2000G.</li> <li>• Consultant in Paediatric Dentistry at the Military Hospital from 1992G – 2007G.</li> </ul>
Other positions	<ul style="list-style-type: none"> <li>• None.</li> </ul>

Name	Abdulaziz bin Abdulrahman Al Frayan
Age	37
Nationality	Saudi
Position	Director
Qualifications	<ul style="list-style-type: none"> <li>• Ph.D. student in Shari'ah Policies, Higher Judicial Institute, Imam Muhammad ibn Saud Islamic University (thesis level)</li> <li>• Masters in Law from Naif Arab University for Security Sciences in 2006G.</li> <li>• Bachelor's Degree in Shari'ah from Imam Mohammad Bin Saud Islamic University in 1999G.</li> <li>• Member of the Saudi Jurisprudence Association.</li> <li>• Member of the Saudi Scientific Judiciary Society.</li> <li>• Member of the Arab Association for International Arbitration.</li> <li>• Member of Dubai International Arbitration Centre.</li> <li>• Member of the British Chartered Institute of International Arbitrators.</li> </ul>
Professional experience	<ul style="list-style-type: none"> <li>• Worked in the General Court in Riyadh in 1416H.</li> <li>• Member of the Board of Trustees, previous general supervisor for Sheikh Abdulrahman bin Abdullah Al-Frayan Charity Association, from 1432H.</li> <li>• Member of the executive board and legal advisor for Ibn Jebrain Charity Association from 1431H to date.</li> <li>• Worked as the head of the Litigation Department at Mohammad Al Dhabaan &amp; Partners' Office – Lawyers &amp; Legal Consultants, a professional company, from 1430H to 1432H, and as legal consultant since 1430H to date.</li> </ul>
Other positions	<ul style="list-style-type: none"> <li>• Partner and member of the board of directors of Al Qeemah Al Dawliyah Company, a limited liability company working in the real estate sector, from 1422H to date.</li> </ul>

Name	Tariq bin Ziad Al-Sudairy
Age	38
Nationality	Saudi
Position	Director
Qualifications	<ul style="list-style-type: none"> <li>• Master of Business Administration degree from Harvard Business School in 2005G.</li> <li>• Bachelor's Degree with honours in Economics from Williams College in 1999G.</li> </ul>
Professional experience	<ul style="list-style-type: none"> <li>• Managing Director and CEO of Jadwa Investment Company, a closed joint stock company licensed by the CMA, Riyadh, Kingdom of Saudi Arabia, from May 2014G - to date.</li> <li>• Managing Director of the Private Equity and Investment Banking Department at Jadwa Investment Company from 2011G- to April 2014G.</li> <li>• Vice President for Amwal Al-Khaleej Company, a limited liability company operating in the field of multi-investments, from 2008G to 2010G.</li> <li>• Consultant in at the management consultancy division of McKinsey &amp; Company, a financial and management consultancy company, from 2005G to 2008G.</li> <li>• Economic consultant at the economic consultancy division of Lexicon Consulting Inc., a financial and management consultancy company, from 1999G to 2003G.</li> </ul>





Name	Tariq bin Ziad Al-Sudairy
Other positions	<ul style="list-style-type: none"> <li>• A member of the board of directors of Abdulmohsen Al Hokair Group for Tourism and Development, a Saudi closed joint stock company operating in the field of hospitality and entertainment, from 2012G – to date.</li> <li>• Shareholder and member of the management committee of Al Ibtikarat Al Rakamiye for Information Technology, a limited liability company operating in the field of information technology. He has been member of the management committee since 2012G to date and a shareholder since 2013G – to date.</li> <li>• Member of the board of directors of Al Zamil Industrial and Trading Company, a limited liability company operating in the field of building materials, from 2012G – to date.</li> <li>• Member of the board of directors of United Matbuli Group, a limited liability company operating in the field of distribution, from 2011G – to date.</li> <li>• Member of the Board of Directors of Gulf Union Foods Company, a closed joint stock company operating in the field of industrial manufacturing, from 2011G – to date.</li> <li>• Member of the Board of Directors of Jadwa Investment Company from May 2014G - to date.</li> </ul>

Name	Kareem Haidar Madi
Age	36
Nationality	Jordanian
Position	Director
Credentials	<ul style="list-style-type: none"> <li>• Graduate Certificate in Leadership Management from McGill University, Montréal Canada in 2002G.</li> <li>• Bachelor's Degree of Commerce with a major in Finance and minor in Economics from Concordia University, Montréal Canada in 2000G.</li> <li>• License to market stocks and mutual funds from the Canadian Securities Institute, Montréal, Canada, 2001G.</li> <li>• License to market health insurance and life insurance from Institute of Financial Services, Montréal, Canada, 2001G.</li> </ul>
Professional experience	<ul style="list-style-type: none"> <li>• Director in the Private Equity and Investment Banking department at Jadwa Investment Company, a closed joint stock company licensed by the CMA, Riyadh, Kingdom of Saudi Arabia, from 2012G to date.</li> <li>• Director in the Investment Banking department at HSBC, a limited liability company licensed by the CMA, Kingdom of Saudi Arabia, from 2006G to 2012G.</li> <li>• Senior consultant at Deloitte &amp; Touche, Amman from 2003G to 2006G.</li> <li>• Financial Advisor at Investors Group, Montréal from 2000G to 2002G.</li> </ul>
Other positions	<ul style="list-style-type: none"> <li>• A Member of the board of directors of Al Zamil Industrial and Trading Company, a limited liability company operating in the field of building materials, from 2012G to date.</li> </ul>

Name	Abdulaziz bin Saleh Al-Rebdi
Age	52
Nationality	Saudi
Position	Director

Name	Abdulaziz bin Saleh Al-Rebdi
Credentials	<ul style="list-style-type: none"> <li>• Bachelor's Degree of Science in Industrial Management, College of Industrial Management, King Fahd University of Petroleum and Minerals 1985G.</li> <li>• A member of the Saudi Economic Association</li> <li>• Member of Association of Boards GCC BDI</li> <li>• Participated in several training courses and programs in various areas.</li> </ul>
Professional experience	<ul style="list-style-type: none"> <li>• Managing Director of National Agriculture Development Company (NADEC), a public joint stock company operating in the field of agriculture and food industries, from 2000G to 2003G.</li> <li>• General Manager of L'Azurde Industrial Investments Group, formerly a sole proprietorship which was converted into a closed joint stock company operating in the field of manufacturing and trading in jewellery, from 1996G to 1999G.</li> <li>• Head of lending unit – project management - Saudi Industrial Development Fund from 1993G to 1995G.</li> <li>• Economic Advisor at the Kingdom of Saudi Arabia Consulate in Dubai, United Arab Emirates in 2002G.</li> <li>• Project manager- Project management- Saudi Industrial Development Fund from 1989G to 1991G.</li> <li>• Project analyst - Saudi Industrial Development Fund from 1987G to 1989G.</li> </ul>
Other positions	<ul style="list-style-type: none"> <li>• Chief executive officer at Abdulaziz Saleh Al Rebdi for Financial Investments, a sole proprietorship operating in the field of management and financial consultancy services, since 2003G to date.</li> <li>• Board member in Obaikan Glass Factory, a closed joint-stock company operating in the industrial sector, since 2008G to date.</li> <li>• Board member in Saudi United Cooperative Insurance Company – Walaa, a public joint stock company operating in the field of cooperative insurance since 2009G to date.</li> <li>• Board member in Abdullah Al Othaim Markets, a public joint stock company operating in the retail sector, since 2012G to date.</li> <li>• Board member in Takween Advanced Industries Company, a public joint stock company operating in the industrial sector, from 2012G to date.</li> <li>• Board member in Abdulmohsen Al-Hokair Group for Tourism and Development, a closed joint-stock company operating in the field of hospitality and entertainment, from 2013G to date.</li> </ul>

Name	Munir Abdulaleem Al Sayyed
Age	49
Nationality	Egyptian
Position	Board Secretary
Qualifications	<ul style="list-style-type: none"> <li>• Diploma in Business from the College of Cooperative Studies in Egypt, 1983G.</li> <li>• Bachelor's degree from the Higher Institute of Cooperative Studies in Egypt, 1991G.</li> </ul>



Name	Munir Abdulaleem Al Sayyed
Professional experience	<ul style="list-style-type: none"> <li>Public Relations Officer at the Company.</li> <li>Inpatient Services Administrator at the Al Hammadi Hospital.</li> <li>Central Supervisor at the Appointments Department and at the Al Hammadi Hospital.</li> <li>Chief Executive Officer's secretary of the Company from 1996G to date.</li> <li>Secretary to the board of directors of Saudi Company for Automobile and Equipment Services (SASCO), a public joint stock company operating in the field of transportation from 2006G to 2009G.</li> <li>Secretary to the chairman of the board of directors of Aziz Contracting and Industrial Investment Company, a closed joint stock company operating in the field of contracting, 1994G.</li> <li>Secretary to the chairman of the board of directors of Silos and Storage Company in Egypt, from 1988G to 1993G</li> </ul>
Other positions	<ul style="list-style-type: none"> <li>Secretary to the board of directors of Al Baha Investment &amp; Development Company, a public joint stock company operating in the field of multi-investments, from 2013G to date.</li> </ul>

## 5 - 4 Executive Management

The Executive Management of the Company consists of a team whose significant experience and skills enable them to manage the Company efficiently and effectively within the framework of the guidelines and directives laid down by the Board of Directors. The Chief Executive Officer carries out the day-to-day management of the Company in accordance with the directives and policies issued by the Board of Directors to ensure the achievement of the Company's objectives set by the Board of Directors.

The following sets out the details of the members of the Company's Executive Management:

**Table 41: Company's Executive Management**

Name	Position	Nationality	Age	Date of joining the company	Ownership prior to Offering	Ownership post Offering
Mohammad bin Saleh Al Hammadi	Managing Director & CEO	Saudi	43	24/01/1996G	3,675,000	3,675,000
Dr. Abdulaziz Bin Saleh Al Hammadi	Chief Operating Officer	Saudi	38	01/11/2008G	3,675,000	3,675,000
Dr. Reema' Bint Saleh Al Hammadi	Medical Affairs Manager of the Company and Obstetricians & Gynaecology Consultant at Al Hammadi Hospital - Al Olaya	Saudi	43	01/08/2002G	none	none
Maria Zenin Rebay	Quality Control Manager	Philippines	42	04/12/2004G	none	none
Atef Mohammad Abdo Zahran	Finance Manager	Egyptian	59	02/06/2000G	none	none
Dr. Waleed Fathi Al Kawamleh	CMO	Jordanian	59	01/03/1985G	none	none

Name	Position	Nationality	Age	Date of joining the company	Ownership prior to Offering	Ownership post Offering
Ibrahim Abdullah bin Saif	Patient Relations Manager and Administrative Manager	Saudi	27	01/01/2013G	none	none
Majed Salem Al Nahdi	Human Resources Manager	Saudi	42	06/03/1999G	none	none
Sa'ad Mohammad Al Nami	Procurement Manager	Saudi	61	01/08/1985G	none	none
Hani Ibrahim Ahmed Ikraim	IT Manager	Palestinian	34	15/04/2006G	none	none
Bandar Mohammad Abdulaziz Al Mahmoud	Patient Relations Manager (Al Hammadi Hospital - Al Olaya)	Saudi	36	28/06/1999G	none	none
Dr. Hossam Ahmed Rammah Mohammad	Medical Affairs Manager (Al Hammadi Hospital - Al Olaya)	Egyptian	51	12/05/2003G	none	none
Abdullah Ibrahim Almarhoom	Patient Relations Manager (Al Hammadi Hospital - Al Suweidi)	Saudi	34	06/09/2003G	none	none
Dr. Safaa Issa Al-Issa	Medical Affairs Manager (Al Hammadi Hospital - Al Suweidi)	British	61	29/09/1992G	none	none

Source: The Company

#### Brief Profile of the Executive Management Members:

Name	Mohammad Bin Saleh Al Hammadi
Position	Managing Director & CEO
Resume	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)
Name	Dr. Abdulaziz Bin Saleh Al Hammadi
Position	Chief Operating Officer
Resume	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)



Name	Dr. Reema' Bint Saleh Al Hammadi
Age	43
Nationality	Saudi
Position	Medical Affairs Director at the Company and Obstetrics & Gynaecology Consultant at Al Hammadi Hospital - Al Olaya.
Qualifications	<ul style="list-style-type: none"> <li>• Bachelor's degree in Medicine and Surgery from King Saud University in Riyadh on 1993G.</li> <li>• Certificate of Specialization in Obstetrics and Gynaecology from the Saudi Commission for Health Specialties, 2002G.</li> <li>• Certified trainer from the American Heart Association in CPR.</li> <li>• Certified trainer in advanced recovery in Obstetrics and Gynaecology.</li> <li>• Committee member of the Australian Accreditation of Health Facilities since 2011G.</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>• Medical Affairs Manager in Al Hammadi Hospital - Al Olaya from 2014G - to date.</li> <li>• Obstetricians &amp; Gynaecology Consultant in Al Hammadi Hospital - Al Olaya since 2004G - 2014G.</li> <li>• Medical Manager in Al Hammadi Hospital - Al Olaya from 2002G to 2004G.</li> <li>• Obstetricians &amp; Gynaecology specialist in Al Yamama Hospital from 1998G to 2001G.</li> <li>• Obstetricians &amp; Gynaecology resident in Al Riyadh Medical Complex (previously known as Al Shumeisi Hospital) from 1994G to 1998G.</li> <li>• Awarded the year of Excellence award from 1993G to 1994G.</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>• None</li> </ul>

Name	Maria Zenin Rebay
Age	42
Nationality	Philippines
Position	Quality Control Manager
Qualifications	<ul style="list-style-type: none"> <li>• Master's in Business Administration, Polytechnic University, the Philippines 1995G.</li> <li>• Bachelor in Applied Statistics, Polytechnic University, the Philippines 1992G.</li> <li>• Certificate of Profession in Health Care Quality (CPHQ), 2011G.</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>• 8 years in health care quality control management.</li> <li>• Quality control manager at Al Hammadi Hospital - Al Olaya since 2008G to date.</li> <li>• Statistics specialist and quality control coordinator at Al Hammadi Hospital-Al Olaya from 2004G to 2008G.</li> <li>• Human Resources coordinator at Al Hammadi Hospital - Al Olaya from 2006G to 2008G.</li> <li>• Laboratory manager at AGB Philippines Inc., the Philippines from 1999G to 2004G.</li> <li>• Executive assistant to the Chairman and Human Resources manager at Serious Fun Development Corp. (the Philippines) from 1996G to 1999G.</li> <li>• Human Resources Manager at Peter World Realty Management Corp. (the Philippines) from 1997G to 1999G.</li> <li>• Mavry Aisional Insurance Corporation (the Philippines) from 1994G to 1996G.</li> <li>• Statistics employee at Warn Manufacturing Corp. (the Philippines) from 1992G to 1994G.</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>• None</li> </ul>

Name	Atef Mohammad Abdo Zahran
Age	59
Nationality	Egyptian
Position	Finance Manager
Qualifications	<ul style="list-style-type: none"> <li>Bachelor of Commerce , Cairo University, Egypt 1977G</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>34 years' experience in finance.</li> <li>Financial Manager at the Company from 2000G - to date.</li> <li>Financial Controller at Hilwan Commerce and Engineering, Egypt from 1999G to 2000G.</li> <li>Chief Accountant at Binwi Group, Jeddah, Kingdom of Saudi Arabia, 1992G to 1998G.</li> <li>Accountant at Abdullatif Jamil, Jeddah, Kingdom of Saudi Arabia, 1989G to 1992G.</li> <li>Auditor at Abdul Majeed Muhandes Office, legal Auditors and accountants, Kingdom of Saudi Arabia, from 1982G to 1989G.</li> <li>Auditor at Hazem Hassan Audit Office, Egypt, 1979G to 1982G.</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>None</li> </ul>

Name	Dr. Waleed Fathi Al Kawamleh
Age	59
Nationality	Jordanian
Position	Chief Marketing Officer
Qualifications	<ul style="list-style-type: none"> <li>Bachelor in Medicine and Surgery from the University of Rome, Italy, 1980G.</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>28 years of healthcare work at Al Hammadi Hospital - Al Olaya.</li> <li>Business Development Manager since 2014G - to date.</li> <li>Business Centre Manager since 2008G - to 2014G.</li> <li>Emergency Department Manager from 1985G to 1990G.</li> <li>Manager of External Relations Department/Forensic Relations since 1990G to date.</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>None</li> </ul>

Name	Ibrahim Abdullah bin Saif
Age	27
Nationality	Saudi
Position	Patient Relations Manager and Administrative Manager
Qualifications	<ul style="list-style-type: none"> <li>Bachelor's degree in of Health Information Systems Management from the Saudi Electronic University (member).</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>Patient Affairs Manager from 2013G - to date.</li> <li>Patient Affairs Assistant Manager at Sultan Bin Abdulaziz Humanitarian City 2004G to 2012G.</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>None</li> </ul>



Name	Majed Salem Al Nahdi
Age	42
Nationality	Saudi
Position	Human Resources Manager
Qualifications	<ul style="list-style-type: none"> <li>Bachelor's Degree in Business Administration from King Saud University, Kingdom of Saudi Arabia, 1998G.</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>19 years in the management field.</li> <li>Human Resources Manager from 2009G to date.</li> <li>Deputy Human Resources Manager from 2003G to 2006G.</li> <li>Recruitment Supervisor from 2003G to 2006G.</li> <li>Government Relations Department Supervisor from 2001G to 2003G.</li> <li>Government Relations Officer at the Company from 1999G to 2001G.</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>None</li> </ul>

Name	Sa'ad Mohammad Al Nimi
Age	61
Nationality	Saudi
Position	Procurement Manager
Qualifications	
Professional Experience	<ul style="list-style-type: none"> <li>Procurement Manager at the Company since 1992G.</li> <li>Store Officer with the National Guard from 1976 to 1992G.</li> <li>Pharmaceutical technician at the Ministry of Health from 1974G to 1976G.</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>None</li> </ul>

Name	Hani Ibrahim Ahmed Ikraim
Age	34
Nationality	Palestinian
Position	IT manager
Qualifications	<ul style="list-style-type: none"> <li>PHD in Project Management (distant learning) from Cornell University, New York, United States of America, 2009G.</li> <li>Master's Degree in Information Technology Sciences (distant learning) from New York University, 2007G.</li> <li>Bachelor's Degree in Technical Sciences from Western Pacific University, USA, 2001G.</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>13 years in the field of Information Technology inclusive of the Masters and PHD study period.</li> <li>IT Manager with the Company from 2004G to date.</li> <li>Information Technology Project Manager at Ibrahim Ikraim Establishment for Technical Projects and Services, an sole entrepreneurship operating in the field of information technology, from 2005G to 2006G</li> <li>System Administrator at Al Otaishan Group Engineering Consultancy from 2002G to 2004G.</li> <li>System Administrator for Fawaz Abdulaziz Al Hokair &amp; Brothers Company, a public joint stock company operating in the field of retail, Kingdom of Saudi Arabia from 2001G to 2002G.</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>None</li> </ul>

Name	Bandar Mohammad Abdulaziz Al Mahmoud
Age	36
Nationality	Saudi
Position	Patient Relations Manager (Al Hammadi Hospital - Al Olaya)
Qualifications	<ul style="list-style-type: none"> <li>Associate degree from the Faculty of Technology Management in Riyadh (Financial Accounting) in 2001G.</li> <li>Bachelor of Psychology of the University of King Abdulaziz in 2011G.</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>Patient Relations Manager (Al Hammadi Hospital – Al Olaya) from 2014G to date.</li> <li>Manager at Al Hammadi Hospital – Al Olaya from 2011G to 2014G</li> <li>Manager of Outpatient Al Hammadi Hospital - Al Olaya from 2007G to 2011G</li> <li>Manager of Obstetrics and Gynaecology Clinics and Paediatrics Al Hammadi Hospital - Al Olaya from 2003G to 2007G</li> <li>Patients services employee at Al Hammadi Hospital - Al Olaya from 1999G to 2003G</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>None</li> </ul>

Name	Dr. Safaa Issa Al-Issa
Age	61
Nationality	British
Position	Medical Affairs Manager (Al Hammadi Hospital - Al Suweidi)
Qualifications	<ul style="list-style-type: none"> <li>Honorary associate of the Royal College of Surgeons of Edinburgh, United Kingdom , 2001G</li> <li>Associate of the Royal College of Paediatrics, United Kingdom, 2001G</li> <li>Associate of the Royal College of Doctors, Edinburgh, United Kingdom, 1994G</li> <li>Bachelor of Surgery, Faculty of Medicine, Basra , Iraq, 1976G</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>Medical Affairs Manager (Al Hammadi Hospital - Al Suweidi) from 2014G till date</li> <li>Manager of the Department of Continued Medical Education in the Company from 2010G to date</li> <li>Head of Paediatrics Al Hammadi Hospital - Al Suweidi from 1993G</li> <li>Lecturer at the University of Edinburgh and the Royal College from 1984G to 1992G</li> <li>Consultant paediatrics and neonatology at the University of Edinburgh in 1984G</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>None</li> </ul>

Name	D. Hossam Ahmed Rammah Mohammad
Age	51
Nationality	Egyptian
Position	Medical Affairs Manager (Al Hammadi Hospital - Al Olaya)
Qualifications	<ul style="list-style-type: none"> <li>Ph.D. in heart disease and blood vessels, Toyama Medical and Pharmaceutical University Hospital, Japan in 1999G</li> <li>Master in heart disease from the Faculty of Medicine, University of Tanta, Egypt, in 1991G</li> <li>Bachelor of Medicine from the University of Tanta, Egypt, 1986G</li> </ul>





Name	D. Hossam Ahmed Rammah Mohammad
Professional Experience	<ul style="list-style-type: none"> <li>• Medical Affairs Manager (Al Hammadi Hospital - Al Olaya) from 2014G to date</li> <li>• Senior doctor at Al Hammadi Hospital - Al Olaya from 2011G to 2014G</li> <li>• Manager of Medical Affairs at Al Hammadi Hospital - Al Olaya from 2004G to 2011G</li> <li>• Consultant Cardiologist and blood vessels, 2003G</li> <li>• Clinical researcher at the Faculty of Medicine, Toyama Medical and Pharmaceutical University Hospital, Japan from 1993G to 1999G</li> <li>• Assistant lecturing professor, Faculty of Medicine, University of Tanta, Heart Department from 1987G to 1993G</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>• None</li> </ul>

Name	Abdullah Ibrahim Almarhoom
Age	34
Nationality	Saudi
Position	Patient Relations Manager (Al Hammadi Hospital - Al Suweidi)
Qualifications	<ul style="list-style-type: none"> <li>• Computer Diploma of from the Vocational Training Centre with excellent grade 2004G</li> <li>• Medical Secretarial Diploma from King Saud University in 2008G</li> </ul>
Professional Experience	<ul style="list-style-type: none"> <li>• Manager Patient Relations (Al Hammadi Hospital - Al Suweidi) from 2014G to date</li> <li>• Deputy Manager of Patient Services from 2012G to 2014G</li> <li>• Manager of Outpatient Clinics from 2011G to 2012G</li> <li>• Deputy Manager of Outpatient Clinics from 2006G to 2011G</li> <li>• Patients Services Administrator from 2003G to 2006G</li> <li>• Administrative Officer at Outpatient Clinics Al Hammadi Hospital - Al Suweidi in 2003G</li> </ul>
Other Job Titles	<ul style="list-style-type: none"> <li>• None</li> </ul>

## 5 - 5 Decelerations in respect of Bankruptcy and Direct Interests by members of the Board of Directors and Executive Managers

The Directors, Chief Executive Officer, financial manager, Board Secretary and members of the Executive Management declare that:

- They have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- They have not been appointed over the five past years at an administrative or supervision position in an insolvent company;
- Except for Mohammad Saleh Al Hammadi (the Managing Director and Chief Executive Officer) and Abdulaziz Saleh Al Hammadi (member of the Board of Directors and the Operations Manager), none of the Board Directors, the Management, or the Board's secretary are currently members of other companies' boards of directors, or have been previously appointed to such a position;
- Except as disclosed in section 4-2-2 of section 4 of this Prospectus under "Background on the Company and the Nature of its Business", neither they nor any of their relatives or affiliates, have a direct or an indirect interest in the Shares of the Company;
- Except as disclosed under "**Related Party Transaction**" in section 8 under "**Legal Information**", they do not themselves, nor do any relatives or affiliates, have any material interest in any written or verbal contract or arrangement. in effect or contemplated, at the date of the Prospectus which is significant in relation to the business of the Company;
- They will comply with the provisions of Articles 69 and 70 of the Companies Regulations as well as the relevant provisions Corporate Governance Regulations.
- Neither a Director nor a senior executive may vote on a contract or proposal in which he has a material interest.

- They do not have any right to borrow from the Company.
- There has been no material adverse change in the financial or commercial position of the Company during the three years immediately preceding the date of submission of the listing application and acceptance of such listing, and in the period between the end of the period covered by the auditor's report and the date of the approval of this Prospectus.
- There is no intention to implement a material change to the Company's activities and there has been no interruption in the Company's business that may affect or have a significant impact on its financial situation during the period of twelve (12) months preceding the date of this Prospectus.
- There is no existing scheme to allocate shares to the Company's employees before the Company has applied for the listing on the Stock Exchange.
- There are no other arrangements enabling the Company's employees to participate in the Company's share capital.

## 5 - 6 Remuneration and Compensation of the Board of Directors and Executive Management

Pursuant to the Company's By-Laws, remuneration of the members of the Board of Directors, if any, shall be determined by the Ordinary General Assembly Meeting in accordance with the official resolutions and instructions issued in the regard, within the limits of the provisions of the Companies Regulations and the laws or regulations complementary thereto. Directors may, in addition, be paid an attendance and transportation allowance as determined by the Board of Directors and the regulations and resolutions issued by the competent authorities in the Kingdom of Saudi Arabia in this respect.

Pursuant to Ministerial Resolution No. 1071 dated 02/11/1412H (corresponding to 5/5/1992G) issued by the Minister of Commerce and Industry, the maximum amount of annual remuneration of any one member of the Board of Directors of the Company shall not exceed SAR 200,000, in addition to SAR 3,000 for each meeting of the Board of Directors. The Company complies with the mentioned ministerial resolution stipulating the maximum annual remuneration which the General Assembly determines upon the recommendation of the Board of Directors.

The remuneration and compensation of the Board of Directors must be approved in the meetings of the General Assembly, taking into account that members of the Board of Directors are not entitled to vote on decisions pertaining to their own remuneration. In addition, the members of the Board of Directors and the Executive Management of the Company do not receive any in kind remuneration or compensation. Below is a breakdown of the remuneration received by the members of the Board of Directors and members of the Executive Management listed in Table 41: including the Chief Executive Officer and the financial manager, during the three years preceding the Offering:

**Table 42: Remuneration and Compensation of the Board of Directors and Executive Management for the Period between (2011G – 2013G)**

Statement	2011G	2012G	2013G
Members of Board of Directors	None	1,060,000	None
Audit Committee	None	None	None
Nomination and Remuneration Committee	None	None	None
Senior Executives including the CEO and Finance Manager	4,910,628	5,570,385	7,946,486
<b>Total</b>	<b>4,910,628</b>	<b>6,630,385</b>	<b>7,946,486</b>

Source: The Company

## 5 - 7 Appointment of Members of the Board of Directors

The members of the Board of Directors are appointed by the Ordinary General Assembly by the cumulative voting method. The Companies Regulations, the Corporate Governance Regulations, the Company's By-laws and the Company's Corporate Governance Manual determine the functions and responsibilities of the Board of Directors. The following is a summary of the functions and responsibilities of the members of the Board of Directors, the Chief Executive Officer and the financial manager.



### **5 - 7 - 1 Chairman of the Board of Directors**

The duties and responsibilities of the Chairman of the Board of Directors are as follows:

- Represent the Company before third parties and all government and private entities, as well as exercise the powers granted to him under the By-laws of the Company.
- Manage the affairs of the Board of Directors.
- Arrange the dates of the Board of Directors' meetings and the invitations to such meeting; prepare the agenda and chair the Board of Directors' meetings and the management of the process of voting on proposed resolutions.
- Provide appropriate atmosphere for open discussion and exchange of ideas between all Directors in relation to topics included in the agenda of the Board of Directors' meetings.
- Prepare and sign minutes of meetings.
- Ensure that the proposed candidate for the Managing Director position is qualified for the said position.
- Chairing the General Assembly of the shareholders or nominating another director to chair the said meetings.
- Supervise the drafting of the Board of Directors annual report pertaining to its activities.
- Remuneration of the Chairman of the Board

The Chairman of the Board receives, in his capacity as a member of the Board of Directors, an annual remuneration as determined by the Ordinary General Assembly. This amount represents a fixed remuneration to be paid annually. The Chairman of the Board receives an attendance allowance of SAR 3,000 for each Board meeting of the Board of Directors attended by him, in addition to compensation for any out- of- pocket expenses.

### **The Term of the Chairman of the Board**

Pursuant to the Company's By-laws, the term of membership of the members of the Board of Directors, including the Chairman of the Board, is three (3) years.

### **5 - 7 - 2 Board of Directors**

The duties and responsibilities of the members of the Board of Directors are as follows:

- Guide, set, follow-up on the Company's comprehensive strategy and main objectives, which include the annual financial and operating plans of the Company, and in the light of recommendations made by the executives of the Company.
- Appoint the Managing Director of the Company and monitor his performance.
- Develop, guide and review the Risk Management Policy.
- Determine the optimal capital structure of the Company, its strategies and financial objectives as well as approve annual financial statements.
- Supervision of the Company's material capital expenditures and to purchase and dispose of assets.
- Establish key performance indicators and monitor the compliance and overall performance of the Company.
- Periodic review of the organizational and functional structures in the Company and adopting same.
- Set a written policy governing conflict of interest and to resolve potential scenarios of conflict of interest relating to each of the members of the Board of Directors, the Executive Management and Shareholders. This includes any misuse of Company's assets and facilities as well as any misconduct resulting from any dealings with relevant persons.
- Ensure the security of the financial and accounting programs, including programs relevant to the preparation of financial reports.
- Ensure the implementation of control systems suitable for risk management, through identifying the general perception of potential risks that may face the Company and to present the same with transparency.
- Conduct an annual review in respect of the effectiveness of the Company's internal monitoring procedures.

### **Remuneration of the Members of the Board Directors**

The members of the Board of Directors receive an annual remuneration as determined by the Ordinary General Assembly provided however that such remuneration shall not exceed SAR 200,000 for each member. Each member of Board receives an attendance allowance amounting to SAR 3,000 for each meeting of the Board of Directors attended by him.

The members of the Board of Directors and Executive Management as well as the Chief Executive Officer and senior executive may not vote on decisions relating to their own remuneration or for any decisions issued by the Company's General Assembly in this regard. Board members and the executive management do not have any right to borrow from the Company.

## **5 - 8 Chief Executive Officer**

The duties and responsibilities of the Chief Executive Officer include the following:

- Setting the strategic direction of the Company which shall be reviewed and adopted by the Board of Directors.
- Preparing an annual plan and financial budget which shall be reviewed and adopted by the Board of Directors.
- Planning and coordinating with other departments in order to meet their budget goals.
- Assessing the issues and trends that may affect the achievement of the Company's objectives.
- Setting an environment attractive for qualified professionals and retaining them.
- Recruiting, training and developing professionals to achieve the short and long term objectives of the Company.
- Monitoring the Company's activities and providing administrative and technical support to the Executive Management.
- Supporting quality control activities and to enhance the culture of quality-approach.

### **Remuneration of the Chief Executive Officer**

The Chief Executive Officer receives a monthly salary in addition to housing and travel allowances in accordance with the provisions of his employment contract.

### **The Chief Executive Officer's Duration of Service**

The duration of service of the Chief Executive is set by virtue of an annual employment contract which shall be subject to automatic renewal by the Company.

## **5 - 9 Financial Manager**

The duties and responsibilities of the financial manager include the following:

1. To set and implement the financial strategy of the Company in the short and long terms.
2. To assist the Chief Executive Officer of the Company in developing a strategic plan for each department.
3. To supervise the preparation of all financial statements and reports, including the income statement, statement of financial position and reports submitted to the shareholders and governmental entities.
4. To review reports for the purpose of analysing the actual income, expenses and profits compared to the figures proposed and to set operational plans.
5. To supervise the preparation of the budget and the audit.
6. To estimate the capital, land and equipment requirements and develop a plan for the optimal financing.
7. To participate in creating new business opportunities.
8. To ensure the adequacy of cash flows to meet the needs of the Company.

### **Remuneration of the Financial Manager**

The financial manager receives a monthly salary in addition to housing and travel allowances.

### **Duration of Service of the Financial Manager**

The financial manager's duration of service has been set by virtue of an annual employment contract which commenced on 15/02/1434 (corresponding to 28/12/2012G). His employment contract is subject to automatic renewal for another calendar year by the Company unless the financial manager notifies the Company in writing three (3) months prior to the expiry of his contract of his intention not to renew the same. In such case, the Company is entitled to continue the employment of the financial manager for a period not exceeding sixty days following the expiry of his contract until a substitute is found, with the contract remaining in force.



The Board of Directors, Secretary of the Board and members of Senior Management acknowledge and declare that save as set out in section “**Related Parties Transactions**” in section 11 “**Legal Information**” of this Prospectus, there is no contract or arrangement in effect or planned to be concluded at the date of this Prospectus in which they, or any of their relatives have interest in with relation to the business of the Company.

## 5 - 10 Committees of the Board and their Respective Responsibilities

In order to ensure optimum performance of the Company’s management, the Board of Directors formed the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee. Such committees have pre-approved rules defining their roles and responsibilities. The committees present reports and proposals to the Board of Directors. The Board of Directors conducts an annual review of the rules governing such committees according to their recommendations.

The committees have been formed pursuant to the Board of Directors’ resolution No. 4 of 2013G held on 29/01/1453H (corresponding to 02/12/2003G). The Company’s Corporate Governance Manual has set an amount of SAR 5,000 for each meeting attended by a member of the Audit Committee and the Nomination and Remuneration Committee. As for the Executive Committee, its members do not receive any remuneration for their membership of the committee or for attending its meetings.

### 5 - 10 - 1 Audit Committee

The Audit Committee has the following roles and responsibilities:

- Provides assistance in the preparation of the financial statements and financial reports in order to ensure the accuracy, transparency and the integrity of the financial information disclosed by the Company.
- Ensures preparation of the financial statements in accordance with the accounting policies adopted by the Company.
- Identifies and reviews the accounting problems that affect the financial reporting process and understands the extent of their impact on the accuracy of those reports.
- Supervises the preparation of the quarterly and annual financial statements which are prepared by the management and it reviews such reports prior to their publication.
- Prepares recommendations to the Board of Directors regarding the suitability of applicable accounting policies with the nature of the Company, and its assessment of the financial reports issued by the Company and its review process.
- Prepares recommendations to the Board of Directors with respect to the annual report of the Company prior to its adoption by the Board.
- Identifies the main financial, operational and legal risks faced by the Company and reviews the policies applied by the management in respect of the identification, assessment and mitigation of such risks.
- Prepares recommendations regarding the establishment, improvement and dissemination of the structure of control within the Company.
- Prepares an evaluation of control systems and internal risk, including specified budgets for them and for individuals responsible of same, and also the degree of management response to the remarks expressed by internal and external auditors.
- Makes recommendations on the methods for selecting the Company’s auditors, which includes the committee’s review of the professionalism and independence of the auditors and the potential risks of having a conflict of interest with the auditors as well as their remuneration.
- Conducts an annual review of the performance of the auditors and makes recommendations in respect of the appointment and re-appointment thereof by the Company or termination of the Company’s contract with them.
- Coordinates with the auditors in the preparation of the auditing plans and procedures for the current year, taking into consideration the Company’s current circumstances and any changes that have occurred to the conditions which the regulatory authorities require.
- Endeavour to solve the problems that may face the auditor during the auditing conducted by him including any difficulty in obtaining required information.
- Discussing important findings and recommendations concluded by the auditor and the degree of management’s response and also the corrective actions taken in response to such recommendations.
- Preparing private meetings with the auditors to discuss important issues which might be raised by the committee or the auditors away from the Company’s management and ensuring full accessibility of the auditor to the chairman of the Audit Committee at any time.

- Preparing recommendations in relation to the Company's policy in respect of services performed by the auditor, whether regular or irregular audit services, which include consulting and training programs and similar activities which might affect his independence in performing his regular audit services.
- Preparing recommendations for the appointment of individuals from the auditor's office to leadership positions in the Company following the auditor's completion of the Company's audit review.
- Preparing recommendations in relation to the Company's policy in respect of determining the required period for replacing the auditor.
- Preparing recommendations in respect of establishing internal audit management in the Company and the Company's budget and choosing the head of the department and also the degree of independence of the internal auditors.
- Preparing an assessment of the performance of the internal audit management to include the objectives and authorities of the management as well as the reports prepared by them and their auditing plan for the coming year in addition to the findings during the current year, and preparing the necessary recommendations to improve their effectiveness.
- Discussing the deviations and errors included in the monthly reports prepared by the internal audit department and ensuring that the management is taking the appropriate corrective actions.
- Establishing procedures for reviewing complaints regarding the internal control procedures, and preparing financial and external audit reports.
- Setting the procedures that enable staff to submit confidential complaints and review the process of disclosing any deviations or violations related to the management or any of the Company's employees.

The Audit Committee comprises the following members:

**Table 43: Members of the Audit Committee**

Kareem Haidar Madi	Chairman
Abdulaziz Saleh Al Rebdi	Member
Abdulaziz bin Abdulrahman Al Frayyan	Member

Source: The Company

The following is a brief overview of the members of the Audit Committee:

Name	Kareem Haidar Madi
Position	Member
Curriculum vitae	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)

Name	Abdulaziz Bin Saleh Al Rebdi
Position	Member
Curriculum vitae	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)

Name	Abdulaziz Bin Abdularahman Al Frayyan
Position	Member
Curriculum vitae	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)

## 5 - 10 - 2 Nomination and Remuneration Committee

The Nominations and Remuneration Committee has the following roles and responsibilities:

- Annual review of the skills required for membership of the Board of Directors.
- Describing and preparing an annual audit of the requirements, abilities and qualifications required for membership of the Board of Directors, including the time that is required to be devoted by each member of the Board of Directors to the Board's affairs.
- Reviewing the structure of the Board of Directors and presenting recommendations on changes that can be made.
- Identifying the weaknesses and strengths of the Board of Directors and suggesting remedial actions which can serve in the interest of the Company.
- Setting criteria for determining the independence of a member of the Board of Directors and an appropriate mechanism to inform shareholders about any changes which may lead to the loss of independence of the member and ensuring that no conflict of interest arises out of a Directors membership of another company's board of directors.
- Preparing guidance and induction programs for the new independent and non-executive members of the Board of Directors in relation to the nature of the Company's business and setting out detailed description of their duties as members of the Board of Directors.
- Developing recommendations which determine certain criteria for selecting people for the position of Managing Director and heads of the main departments of the Company.
- Preparing a preliminary assessment of the nominated individuals for the position of Managing Director and heads of departments and units of the Company.
- Preparing the job description as well as the terms of employment for the Managing Director and heads of department and units of the Company.
- Setting standards and procedures appropriate to evaluate the performance of the Managing Director and heads of departments and units of the Company.
- Conducting a periodic evaluation of the activities of the Managing Director and heads of departments and units of the Company.
- Organize training programs for the executives in relation to the corporate governance of the Company and the Company's code of ethics.
- Preparing policies related to continuous improvement of the performance of staff in the senior management levels.
- Developing a policy of rewards and incentives for the Board Members and executives of the Company which aims to increase the value of the Company and which is based on the personal efforts of each member of the Board of Directors and the executive director in the implementation of the Company's strategic goals.
- Setting criteria for rewards to enable the Company to get an outstanding performance without influencing the independence of the members.
- Setting criteria for the fixed annual salaries and changing bonuses based on a system of evaluating financial and non-financial performance and the system of long-term incentives to link the interests of the Directors with the interests of the shareholders of the Company and reviewing the same on an annual basis.
- To regularly review the compatibility of the Company bonus criteria according to the performance of the Company and its financial position, as well as the underlying market trends.
- Following up on the implementation of the resolutions passed by the General Assembly of the shareholders concerning the remuneration of the Board of Directors and Senior Executives of the Company and how such rewards are disclosed in the Company's annual report.

The Nomination and Remuneration Committee consists of the following members:

**Table 44: Nomination and Remuneration Committee members:**

Name	Position
Dr. Sami Bin Abdullah Al Saeed	Chairman
Mohammad Ovais Yousuf	Member
Kareem Haidar Madi	Member

Source: The Company



The following is a brief overview of the members of the Nomination and Remuneration Committee:

Name	Dr. Sami Bin Abdullah Al Saeed
Position	Chairman
Curriculum vitae	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)

Name	Mohammad Ovais Yousuf
Age	34
Position	Member
Nationality	Pakistani
Qualification	Masters in Economics, Pakistan, 2004G. Holds a Fellowship Association of chartered Certified Accountants, UK, 2002G.
Professional experience	Director of consulting services, mergers and acquisitions at Ernest & Young, a limited liability company operating in the financial consultancy sector, from 2006G-2010G. Senior Analyst for transaction advisory services at PricewaterhouseCoopers (Abu Dhabi), a partnership working in the auditing sector, in 2006G. Supervisor at Ernst & Young, a limited liability company operating in the financial consultancy sector, from 2003G-2005G.
Other Job Titles	Assistant Director of the Private Equity and Investment Banking at Jadwa Investment Company, a closed joint stock company licensed by the CMA, from 2010G to date

Name	Kareem Haidar Madi
Position	Member
Curriculum vitae	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)

### 5 - 10 - 3 Executive Committee

The Executive Committee performs the following tasks:

- Discussing and making decisions on urgent matters that require urgent decisions.
- Making decisions relating to the Company's daily affairs.
- Reviewing the procedures and processes pertaining to the Company's strategic planning in collaboration with the Company's Chief Executive Officer.
- Ensuring full implementation of the strategic plans that contribute to achieving the Company's goals.
- Reviewing the recommendations of the Chief Executive Officer regarding distribution of the Company's resources, which aim to achieve compatibility between strategic plans of the Company and its long term operational goals.
- Revising periodically the strategic plans and the operational goals of the Company and its subsidiaries (if any) to make sure that they are compatible with the Company's goal.
- Making recommendations to the Board of Directors regarding the Company's operational priorities and the strategies adopted in order to realize the same.
- Preparing and reviewing the goals and the annual long term financial strategies and presenting the necessary recommendations to the Board of Directors.
- Reviewing the financial aspects of the Company, in collaboration with the Company's Executive and the Review Committees.





- Preparing and reviewing dividend policies and their implementation, and making recommendations regarding the same to the Board of Directors.
- Periodically revising the actual capital expenditures and comparing the same with the budgets approved by the Board of Directors.
- Reviewing and preparing the necessary recommendations to the Board of Directors regarding the productivity of the Company and its impact on the Company's future and its ability to achieve the desired goals in order to improve the quality of products and services offered by it.

The Executive Committee consists of the following members:

**Table 45: The Executive Committee members:**

Name	Position
Mohammad Saleh Al Hammadi	Chairman
Dr. Abdulaziz Saleh Al Hammadi	Member
Kareem Haidar Madi	Member
Mohammad Ovais Yousuf	Member

Source: The Company

The following is a brief profile of the members of the Executive Committee:

Name	Mohammad Saleh Al Hammadi
Position	Chairman
Curriculum vitae	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)

Name	Dr. Abdulaziz Saleh Al Hammadi
Position	Member
Curriculum vitae	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)

Name	Kareem Haidar Madi
Position	Member
Curriculum vitae	Please refer to section 5.3 (Brief Profile of the Members and Secretary of the Board of Directors of this section)

Name	Mohammad Ovais Yousuf
Position	Member
Curriculum vitae	Please refer to subsection 5.10.2 (Nomination and Remuneration Committee) of this section.

## 5 - 11 Corporate Governance

The Company is committed to the highest standards of corporate governance and believes that commitment is an essential factor for its success.

The Company has adopted a corporate governance manual and internal governance policies pursuant to the Board of Directors resolution dated 16/10/1430H (corresponding to 5/10/2009G) and amended by the of Directors resolutions dated 29/01/1435H (corresponding to 02/12/2013G AD) and 23/4/1435H (corresponding to 23/02/2014G) (hereinafter referred to as the (“**Corporate Governance Manual**”). The Corporate Governance Manual has been prepared in accordance with paragraph (c) of Article 10 of the Corporate Governance Regulations issued by the CMA pursuant to resolution No. 1-2012G-2006G dated 21/10/1427H (corresponding to 12/11/2006G), the Companies Regulations, the Listing Rules and the Company’s By-laws.

The Corporate Governance Manual and its internal governance policies consist of the following:

- The Company’s Corporate Governance Manual
- The General Assembly of Shareholders Policy
- The Audit Committee Policy
- The Nomination and Remuneration Committee Policy
- The Transparency and Disclosure Policy
- The Company’s Internal Control System Policy
- The Company’s Risk Management Policy
- The Company’s Dividend Policy
- The Company’s Code of Ethics and Relationship with the Stakeholders
- The Company’s Conflicts of Interest Policy

The Corporate Governance Manual aims at improving and organizing the Company’s governance and achieving a high degree of transparency in order to ensure the Company’s compliance with the Corporate Governance Regulations through the development of the following:

- Managerial performance based on increasing the value of the Company and the possibility of holding it accountable.
- Effective supervisory role, in cooperation with the executives in order to achieve the interests of the Company and its shareholders, including the small investors, in addition to seeking to increase shareholders’ equity in appropriate ways.
- Disclosing information and suitable transparency, in addition to the introduction of an effective internal control and risk management system.
- The Company has satisfied all the mandatory requirements stipulated in the Corporate Governance Regulations issued by the CMA, with the exception of the following requirements:
- The policies, standards and procedures for the membership of the Board of Directors included in the Board of Directors Policy which forms part of the Corporate Governance Manual of the Company in accordance with Article 10.(D) of the Corporate Governance Regulations have not yet been adopted by the Ordinary General Assembly.
- The rules for the appointment of the members of the Audit Committee and the duration of their term and the Committee’s method for carrying out its responsibilities which are set out the Audit Committee Policy, which forms part of the Company’s Corporate Governance Manual, have not yet been adopted by the General Assembly of the Company in accordance with Article 14 of the Corporate Governance Regulations.
- The rules for appointment of the members of the Nomination and Remuneration Committee and the duration of their term and the Committee’s method for carrying out its responsibilities which are set out in the Nomination and Remuneration Committee Policy, which forms part of the Company’s Corporate Governance Manual, have not yet been adopted by the General Assembly of the Company in accordance with Article 15 of the Corporate Governance Regulations.

In addition to the aforementioned, the Company has complied with most of the non-binding requirements contained in the Corporate Governance Regulations issued by the CMA as further detailed in Form 8 which was completed and submitted to the CMA.

The Company will submit its Corporate Governance Manual to the General Assembly of the Company for approval within a period not exceeding 180 days from the date of listing.

The Board of Directors believes that the internal governance policy and the internal policies and procedures applied in the Company are sufficient to ensure compliance with corporate governance practices included in the list of mandatory provisions of the Corporate Governance Regulations. The Board of Directors also believes that all members of the internal committees following the Board of Directors are qualified to perform the functions and responsibilities assigned to them in this regard.



## 5 - 12 Commitment to Saudization

The Company is committed to employing Saudi nationals in its various departments in order to maintain the prescribed statutory Saudization ratios imposed on public institutions in the Kingdom of Saudi Arabia, including the Company, in respect of appointing and retaining a certain number of Saudi employees. The new Saudi employees are trained during the course of their work or in designated classrooms, as may be necessary to ensure the company's success in attracting and retaining qualified personnel. The continuing challenge in recruiting Saudi nationals is embedded in attracting and retaining qualified staff. This may represent a risk to the continuing compliance to the Saudization policies.

A program, "Nitaqat", was adopted to encourage institutions to comply with the Saudization requirements pursuant to Ministerial Resolution No. (4040) dated 12/10/1432H (corresponding to 10/09/2011G), which is based on the decision of the Council of Ministers No. (50) dated 21/05/1415H (corresponding to 27/10/1994G) and which came into force on 12/10/1432H (corresponding to 10/09/2011G). The Ministry introduced Nitaqat program to encourage compliance with Saudization and evaluate such compliance, which is based on specified bands: platinum, green (which is divided into light green, mid-green and dark green), yellow, and red; this rewards institutions achieving a platinum and green band which have the highest levels of Saudization, while dealing firmly with those achieving a red band and allowing further time for enterprises achieving a yellow band to adjust their positions. The Nitaqat classifies institutions based on their affiliated branches; accordingly an institution operating in two different fields, such as healthcare services and retail, the Ministry of Labour would treat that institution as if it were two separate entities regardless of the field of operations of the head office or the number of branches. The Ministry of Labour considers an institution and its branches that are collectively classified under one business sector as one entity.

The Ministry of Labour has classified the head office of the Company as an institution operating in the wholesale and retail sector, while each of Al Hammadi Hospital - Olaya, Al Hammadi Hospital - Suweidi and Al Hammadi Hospital - Al Nuzha (all are branches of the Company) are classified as operating in the field of healthcare service, and Al Hammadi Maintenance and Operation (branch) (a branch of the Company) as maintenance, cleaning and operational contracting services.

Pursuant to the Nitaqat Guidelines issued by the Ministry of Labour under Publication No. (1/1435H), institutions operating in the wholesale and retail sector, the healthcare sector and the maintenance and operation sector are required to achieve the Saudisation ratios set out in the table below in order to be classified under the "green" band.

The following is a summary of the classification of institutions operating in the fields of wholesale and retail, health services and maintenance and operation in accordance with each band of Nitaqat bands:

Wholesale and Retail Sector												
Employees		Distribution Ranges by Saudization Ratios as they are Declared by the Ministry of Labour										
From	To	Red		Yellow		Low Green		Med Green		High Green		Platinum
10	49	0%	4%	5%	9%	10%	15%	16%	21%	22%	26%	27%
50	499	0%	4%	5%	16%	17%	22%	23%	28%	29%	33%	34%
500	2999	0%	9%	10%	23%	24%	27%	28%	31%	32%	34%	35%
3000	-	0%	9%	10%	24%	25%	28%	29%	32%	33%	36%	37%
.Healthcare Sector												
Employees		Distribution Ranges by Saudization Ratios as they are Declared by the Ministry of Labour										
From	To	Red		Yellow		Low Green		Med Green		High Green		Platinum
10	49	0%	4%	5%	13%	18%	18%	19%	23%	24%	29%	30%
50	499	0%	9%	10%	15%	16%	20%	21%	25%	26%	29%	30%
500	2999	0%	9%	10%	19%	20%	24%	25%	29%	30%	34%	35%
3000	-	0%	9%	10%	19%	20%	24%	25%	29%	30%	34%	35%

Maintenance, Cleaning, and Operational Contracting Sector												
Employees		Distribution Ranges by Saudization Ratios as they are Declared by the Ministry of Labour										
From	To	Red		Yellow		Low Green		Med Green		High Green		Platinum
10	49	0%	1%	2%	4%	5%	11%	12%	18%	19%	24%	25%
50	499	0%	2%	3%	5%	6%	13%	13%	19%	20%	27%	28%
500	2999	0%	3%	4%	6%	7%	14%	15%	22%	23%	30%	31%
3000	-	0%	3%	4%	6%	7%	14%	15%	22%	23%	30%	31%

The “platinum” band provides several incentives for the employer, the most significant of which may be summarized as follows: issuing new visas for any profession the employer requests, issuing additional visas, the ability to change the profession of labourers who work for the employer to other professions (except those excluded by resolutions of the Council of Ministers or by Royal decrees), the ability to renew work permits for expatriate labourers who work for the employer.

The “green” band provides several incentives for the employer, the most significant of which may be summarized as follows: the application to approve new visas and to change the profession of labourers who work for the employer and grant the company replacement visas to replace the labourers leaving on a final exit visa from the Kingdom and the ability to renew work permits for expatriate labourers who work for the employer.

There are several implications resulting from falling under the “yellow” band, the most significant of which are: rejecting applications for new visas, denying the transfer of expatriate labourers, denying the change of expatriate labourers’ professions, denying the renewal of work permits for expatriate labourers who work for the employer and who spent a total of six (6) years or more in the Kingdom and denying the issuance of work permits for new expatriate labourers. However, the employer may renew the work permits for expatriate labourers who work for the employer if the remaining time on the labourers residency permit (Iqama) is not more than three (3) months at the time of renewal.

As for the “red” band, the most significant implications of falling under this category are: denying the change of professions for expatriate labourers’ who work for the employer, denying the transfer of expatriate labourers, rejecting applications for new visas, denying work permits for new expatriate labourers, not allowing the opening of a file for a new entity or new branch, denying the renewal of work permits for labourers who work for the employer.

According to the Nitaqat certificate issued by the Ministry of Labour on 03/06/1435H (corresponding to 03/04/2014G), the number of employees working at the Company and its branches and the Saudization percentage are as follows:



**Table 46: Number of employees according to Nitaqat certificate dated 3\6\1435H (corresponding to 3\4\2014G)**

	The Activity	Number of Employees	Saudi Nationals	Non-Saudi Nationals	Percentage of Saudi Employees	Category
The Company	Wholesale and Retail	21	6	15	34.12%	Platinum
Al Hammadi Hospital Olaya Branch	Health Care Services	997	246	751	23.33%	Low green (where the percentage of Saudization these branches reached 22.95%)
Al Hammadi Hospital - Al Suweidi Branch	Health Care Services	39	6	33	13.16%	
Al Hammadi Hospital - Al Nuzha Branch	Health Care Services	0	0	0	0%	
Al Hammadi Maintenance and Operation (branch)	Construction and Maintenance and Cleaning	528	45	483	8.01%	Low green
<b>Total</b>		<b>1,585</b>	<b>303</b>	<b>1,282</b>	<b>-</b>	<b>-</b>

Source: The Company

The Company notes that the corrective campaign carried out by Governmental entities to rectify the situation of expatriate labourers in the Kingdom during the second half of 2013G did not have any impact on the Company.

In addition to the abovementioned, the Ministry of Labour has issued new instructions to enforce the Council of Ministers resolution no. (353) dated 25/12/1432H (corresponding to 22/11/2011G) which stipulates that a monthly remuneration of SAR 200 per month and an annual remuneration of SAR 2,400 shall be collected from all establishments in the private sector for the benefit of the Human Resources Fund for every expatriate in excess of the average number of national employment in such establishments. The mentioned amounts shall be payable on an annual basis when issuing or renewing the work permit.

## 5 - 13 Company's Undertakings Post Listing

The Company undertakes to carry out the following the Listing:

- To present the Corporate Governance Manual (including other charters and policies that require the ratification of the General Assembly of the Company in accordance with the Corporate Governance Regulations) for ratification by the Ordinary General Assembly within a period of 180 days subsequent to the Listing.
- To provide the Corporate Governance Department with the Company's Corporate Governance Manual and the Committees' policies after they have been approved.
- To publish to the public, on a quarterly basis, the developments on the use of proceeds from the Offering.
- To provide the Corporate Governance Department with the date of the upcoming General Assembly meeting which shall be held by the Company following the Listing, in order for the Department to arrange for the attendance of such meeting.
- Compliance with all mandatory articles of the Corporate Governance Regulations issued by the CMA within a period of (6) months from the date of listing.
- To disclose any contracts entered into by the Company with Related Parties on the financial market (Tadawul) according to the Listing Rules and to obtain an approval from the Ordinary General Assembly of the Company to be renewed annually for each of the contracts with Related Parties which are subject to the provisions of Article (69) of the Companies Regulations and Article (18) of the Corporate Governance Regulations.

## 6. Financial Information and Management's Discussion and Analysis

This "**Financial Information and Management's Discussion and Analysis**" section represents an analytical review of the operational performance of Al Hammadi Company for Development and Investment, and its financial position through the fiscal years ending on 31 December of 2010G, 2011G, 2012G and 2013G. This section should be read in conjunction with the Company's audited financial statements for the financial years ending on 31 December 2010G, 2011G, 2012G and 2013G respectively, and the notes thereto that have been prepared by the Company's Auditors "PricewaterhouseCoopers", all of which are included in this Prospectus. Prospective investors should read this Prospectus in full and should not rely solely on the information contained in this section.

Neither PricewaterhouseCoopers, nor any of its subsidiaries or affiliates have any ownership or interest of any kind in the Company. PricewaterhouseCoopers have also given its written consent to be referred to in this Prospectus in relation to their role as the Company's auditors for the fiscal years ending on 31 December 2010G, 2011G, 2012G and 2013G respectively. The Auditors have not withdrawn the consents mentioned above.

This section may also include information and data relating to the future which may contain risks and unconfirmed estimates. The Company's actual results may be substantially differ from such estimates due to a number of factors; including those discussed below and in other sections of this Prospectus, especially those contained in section 2 "**Risk Factors**" of this Prospectus.

### 6 - 1 Confirmation by the Board of Directors of its Responsibility for the Financial Statements

The members of the Board of Directors declare that the financial information provided in this Prospectus has been extracted without material change from the audited financial statements of the Company, and that the audited financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia, issued by the Saudi Organization for Certified Public Accountant ("**SOCPA**").

The Board of Directors declares that there has been no material adverse change in the financial or commercial status of Al Hammadi Company for Development and Investment during 2010G, 2011G, 2012G and 2013G, and until the date of this Prospectus.

The Board of Directors also acknowledges that the Company has sufficient working capital for the 12 months immediately following the date of this Prospectus.

The Board of Directors also acknowledges that with the exception of what is mentioned in section 11 of this Prospectus "**Legal Information**", the Company does not have any real estate mortgages or any rights in rem, on the properties of the Company at the date of this Prospectus.

### 6 - 2 Main Accounting Policies

The Company's main accounting policies have been explained in the notes attached with the audited financial statements of the Company set forth in section 18 "**Auditor's Financial Report**" of this Prospectus.

## Revenues and Expenses Analysis

**Table 47: Income Statement**

Currency: Thousand SAR	2010G	2011G	2012G	2013G	CAGR
Net Revenues	301,549	330,661	378,684	434,076	12.9%
Cost of Revenues	(165,153)	(183,012)	(215,575)	(248,914)	14.7%
Gross Profit	136,396	147,650	163,109	185,162	10.7%
General and Administrative Costs	(48,522)	(55,501)	(70,770)	(73,067)	14.6%



Currency: Thousand SAR	2010G	2011G	2012G	2013G	CAGR
Income from Operations	87,874	92,149	92,339	112,095	8.5%
Financial Charges	(5,365)	(1,613)	(1,657)	(320)	%(60.9)
Other Income (net)	1,383	1,340	6,088	3,927	41.6%
Income (before Zakat)	83,893	91,875	96,770	115,703	11.3%
Zakat (net)	(4,023)	(1,934)	(2,500)	(4,200)	1.4%
Net Income	79,869	89,941	94,270	111,503	11.8%

Source: Audited Financial Statements

**Table 48: Financial Performance Indicators**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Annual Growth in Revenues		9.7%	14.5%	14.6%
Annual Growth in Net Income		12.6%	4.8%	18.3%
Earnings before financing costs, taxes, depreciation, and amortization (EBITDA)	101,703	105,113	105,937	125,709
Gross Profit Margin	45.2%	44.7%	43.1%	42.7%
Profit Margin before financing costs and taxes	29.1%	27.9%	24.4%	25.8%
Earnings margin before financing costs, taxes, depreciation, and amortization (EBITDA Margin)	33.7%	31.8%	28.0%	29.0%
Net Income Margin	26.5%	27.2%	24.9%	25.7%
Liquidity ratio	3.9x	2.0x	3.7x	3.6x
Return on Assets	16.3%	15.9%	11.2%	9.0%
Return on Equity	18.0%	19.0%	16.6%	19.0%

Source: The Audited Financial Report, the Company

## Income Statement Overview

The Company has witnessed an increase in revenues at a CAGR of 12.9% from 2010G to 2013G, driven by a growing number of outpatients, which increased at a CAGR of 14.7%, as well as an increase in the number of inpatients at a CAGR of 1.4% in the same period. On average, the cost of revenues formed 56.1% of the total revenues during 2010G 2013G period, and the cost of revenues has increased at a CAGR of 14.7% during the same period. The increase in the cost of revenues is primarily a result of the increase in medical costs, salaries and related expenses. The general and administrative costs on average formed a 17.1% of the total revenues for 2010G to 2013G, and it mainly comprises of salaries and other benefits, as well as provision for doubtful debts, and costs of non-medical materials. The general and administrative costs increased at a CAGR of 14.6% for the period 2010G to 2013G, mainly influenced by an increase in provision for doubtful debts and expenses, as well as an increase in salaries and other benefits due to increase in patients and in revenues.

## Revenues by Type of Service

The following table describes the revenues by type of service for the fiscal years ending on 31 December of 2010G, 2011G, 2012G and 2013G.

**Table 49: Revenues by Type of Service**

Currency: Thousand SAR	2010G	2011G	2012G	2013G	CAGR
Total Inpatient Revenues	209,378	220,354	240,564	265,677	8.3%
Number of Inpatients (Patient)	24,249	24,012	26,266	25,270	1.4%
Total Outpatient Revenues	140,727	161,533	204,502	231,666	18.1%
Number of Outpatients (Patient)	389,961	428,340	499,386	552,393	12.6%
Emergency Department	6,967	6,923	7,226	7,357	1.8%
Discounts	(55,523)	(58,149)	(73,608)	(70,624)	8.3%
<b>Total</b>	<b>301,549</b>	<b>330,661</b>	<b>378,684</b>	<b>434,076</b>	<b>12.9%</b>

Source: Audited Financial Statements and the Company.

## Revenues from Inpatients

Revenues from inpatients increased at a CAGR of 8.3%, rising from SAR 209.4 million in 2010G to SAR 265.7 million in 2013G, due to the increase in the number of inpatients from 24,249 patients in 2010G to 25,270 patients in 2013G. The revenues from surgical operations rose from SAR 50.1 million in 2010G to SAR 64.8 million in 2013G due to the increased number of major surgeries, such as heart and spinal surgeries, as well as joint replacements.

The revenues of inpatients include the revenues coming from other medical services like x-rays, pharmaceuticals, physiotherapy, and room charges, where the revenue rose from SAR 104.7 million in 2010G to SAR 132.6 million in 2013G.

## Revenues from Outpatients

Revenues from outpatients increased at a CAGR of 18.1%, rising from SAR 140.7 million in 2010G to SAR 231.7 million in 2013G, due to the increased number of outpatients from 389,961 patients in 2010G to 556,983 patients in 2013G, in addition to revising the list of prices in 2012G, in line with the increase in costs and competitors' prices. The main factor for the increased number of inpatients is that companies in Saudi Arabia are obliged to provide health insurance coverage to their employees. Furthermore, the company is aiming to increase the efficiency and effectiveness of the outpatient clinics by adding a third working shift during the working day as of 2012G, in addition to providing medical services that were not offered earlier at Al Hammadi Hospital - Al Olaya.

## Discounts

Discounts represent the discounts that have been offered mainly to insurance companies, as well as discounts offered to some inpatients and outpatients. The discounts are determined contractually by the insurance company and the Company itself, and the discount terms and conditions vary from one company to another depending on the agreement in place. Discounts for inpatients and outpatients are determined in accordance to what the management considers appropriate. The director of outpatients may grant a discount of up to 5% and the directors of inpatient services may grant a discount of up to 7%. The Chief Executive Officer of the Company is entitled to grant discounts without an upper limit.





## Revenues by Department

The following table shows the revenues by departments for the fiscal years ending on 31 December of 2010G, 2011G, 2012G, and 2013G.

**Table 50: Revenues by Department**

Currency: Thousand SAR	2010G	2011G	2012G	2013G	CAGR
Internal Medicine	17,306	20,824	21,171	28,398	17.9%
Obstetrics and Gynaecology	28,584	29,388	34,168	35,916	7.9%
Paediatrics	21,938	24,255	26,218	29,267	10.1%
Nephrology and Haemodialysis (Artificial Kidney Unit – AKU)	4,981	5,470	6,088	7,061	12.3%
Orthopaedic	9,480	9,167	9,434	12,315	9.1%
Ophthalmology	4,163	3,878	5,679	7,185	20.0%
Ear, Nose and Throat	6,866	8,907	10,382	10,485	15.2%
Dental	3,957	7,167	9,734	9,433	33.6%
Dermatology and Venereal Diseases	2,479	2,724	2,644	3,370	10.8%
General Surgery	13,607	14,918	16,215	13,715	0.3%
Neurosurgery	5,811	5,044	3,865	4,772	(6.4%)
Psychiatry	785	699	642	729	(2.4%)
Plastic Surgery	3,692	3,550	3,347	5,333	13.0%
Cardiology	15,496	16,661	16,386	20,208	9.3%
Infertility (IVF)	1,407	6	—	—	(100.0%)
Total revenue across medical departments	140,552	152,658	165,973	188,187	10.2%
Emergency department	6,967	6,923	7,226	7,357	1.8%
Room fees	37,176	37,784	44,244	46,576	%7.8
Laboratory	56,826	63,268	79,107	90,041	%16.6
Radiology	34,617	38,206	47,290	52,256	%14.7
Pharmacy	77,496	86,332	103,782	117,111	%14.8
Physical Therapy	3,438	3,639	4,668	3,172	(2.6%)
Less: Discounts	(55,523)	(58,149)	(73,608)	(70,624)	8.3%
Net Revenue	301,549	330,661	378,684	434,076	12.9%

Source: The Company

## Internal Medicine

Revenues from internal medicine have increased by CAGR of 17.9%, where it increased from SAR 17.3 million in 2010G, to SAR 28.4 million in 2013G. This is due to the increase in the number of doctors from 10 to 18 doctors during the same period, resulting in a higher number of patients in that department from 53,000 patients in 2010G to 97,000 patients in 2013G. The average revenue per patient has decreased from SAR 414 in 2010G to SAR 362 in 2013G. This is due to the decreasing average revenues from small outpatient procedures, such as biopsies and taking samples from the spinal cord.

## Obstetrics and Gynaecology

For this department the revenue grew at a CAGR of 7.9%, rising from SAR 28.6 million in 2010G to SAR 35.9 million in 2013G. The reason for this increase is due to the increase in number of patients in that department from 53,000 patients in 2010G to 73,000 patients in 2013G at a CAGR of 10.9%. The number of doctors increased from 12 to 16 doctors during the same period. The average number of Obstetrics and Gynaecology patients per doctor was 4,479 in 2010G, and it became 4,584 patients per doctor in 2013G, due to working additional hours during the day. The average revenue per patient fell from SAR 558 in 2010G to SAR 490 in 2013G due to promotional offers.

## Paediatrics

Paediatric revenues increased at a CAGR of 10.1%, rising from SAR 21.9 million in 2010G to SAR 29.3 million in 2013G, due to the increase in the number of patients from 85,000 patients in 2010G to 117,000 patients in 2013G. The increase in the number of paediatrics patients was a result of the extension for the paediatrics department constructed in 2011G, which allowed the number of hospital beds to rise from 24 beds to 36 beds, in addition to an increase in the number of doctors from 12 doctors in 2010G to 18 doctors in 2013G.

## Nephrology and Haemodialysis (Artificial Kidney Unit – AKU)

Nephrology and Haemodialysis (Artificial Kidney Unit – AKU) revenues increased at a CAGR of 12.3% rising from SAR 4.9 million in 2010G to SAR 7.1 million in 2013G due to the increase in number of patients from 12,000 patients in 2010G to 17,000 patients in 2013G, which occurred as a result of working additional hours during the day and addition of a new doctor within the department in 2013G.

## Orthopaedics

Orthopaedic revenues increased at a CAGR of 9.1%, rising from SAR 9.4 million in 2010G to SAR 12.3 million in 2013G, due to the increase in the number of major surgeries during the same period. The recovery period for major surgeries require a longer stay than that for less complex surgeries which results in a higher cost. The hospital carried out 92 joint replacement surgeries in 2013G compared to 40 joint replacement surgeries in 2010G. Further, the number of spinal cord surgeries in the department went from 21 surgeries in 2010G to 19 surgeries in 2013G.

## Ophthalmology

Department of Ophthalmology revenues increased at a CAGR of 20.0%, rising from SAR 4.2 million in 2010G to SAR 7.2 million in 2013G. This increase in revenue is attributed to the installation of modern equipment in the department in 2011G, which contributed to a more efficient department with an increased number of patients from 15,000 in 2010G to 21,000 patients in 2013G, at a CAGR of 10.1%. The average revenue per patient went from SAR 263 in 2010G to SAR 339 in 2013G, and this is due to conducting medical procedures in 2012G and 2013G which had not been carried out by the hospital in the past.

## Ear, Nose, and Throat

Revenues from this department increased at a CAGR of 15.2%, rising from SAR 6.9 million in 2010G to SAR 10.5 million in 2013G due to an increase in the number of patients from 31,000 patients in 2010G to 44,000 patients in 2013G at a CAGR of 11.2%. The average revenue per patient increased from SAR 220 in 2010G to SAR 236 per patient in 2013G, where the number of doctors in this department went from 5 doctors in 2010G to 7 doctors in 2011G, returning to 5 doctors in 2012G. The Company recruited a new doctor in 2013G to increase the number of doctors in the department to 6.



## **Dentistry**

Revenues increased in this department at a CAGR of 33.6%, rising from SAR 4 million in 2010G to SAR 9.4 million in 2013G. This is due to the increase in the average revenue per patient from SAR 287 in 2010G to SAR 327 per patient in 2013G. In the same period there was an increase in the number of patients from 13,000 in 2010G to 28,000 in 2013G, which resulted from increasing the number of dentists from 4 in 2010G to 11 dentists in 2013G.

## **Dermatology**

Revenues of this department increased at a CAGR of 10.8%, rising from SAR 2.5 million in 2010G to SAR 3.4 million in 2013G due to a rise in the number of patients from 19,000 patients in 2010G to 24,000 patients in 2013G. The increased number of patients is a result of having a new dermatologist joining in 2013G.

## **General Surgery**

The revenues of this department increased slightly at a CAGR of 0.3% between 2010G and 2013G, and this is also due to an increase in the number of patients from 16,000 patients in 2010G to 17,000 patients in 2013G. This had a limited impact on the revenues as the average revenue per patient went down from SAR 837 per patient in 2010G to SAR 808 per patient in 2013G. Such decrease is due to a surgeon leaving the department.

## **Neurosurgery**

There was a decrease in the revenues of this department at a CAGR of 6.4% between 2010G and 2013G. This is due to a decline in revenues from SAR 5.8 million in 2010G to SAR 4.8 million in 2013G. The reason for such decrease is the departure of one of the neurologists in 2013G, which caused the average revenue per patient to drop from SAR 556 in 2010G to SAR 331 in 2013G.

## **Psychiatry**

Revenues of this department decreased at a CAGR of 2.4% between 2010G and 2013G, from SAR 785 in 2010G to SAR 729 in 2013G, due to the decrease in the average revenue per patient from SAR 256 in 2010G to SAR 241 in 2013G.

## **Plastic Surgery**

Revenues of the plastic surgery department increased at a CAGR of 13.0%, rising from SAR 3.7 million in 2010G to SAR 5.3 million in 2013G due to the increase in the number of patients from 1,496 patients in 2010G to 1,934 patients in 2013G, due to having a new plastic surgeon join the department in 2013G. Revenues of this department increased from SAR 3.7 million in 2010G to SAR 5.3 million in 2013G, due to the increase in the average revenue per patient from SAR 2,468 in 2010G to SAR 2,758 in 2013G, which came as a result of higher fees for some services and procedures provided by this department.

## **Cardiology**

Revenues of the cardiology department increased at a CAGR of 9.3% from SAR 15.5 million in 2010G to SAR 20.2 million in 2013G, with such increase being attributed to the greater number of major surgeries, where the Company began to conduct open-heart surgeries and started to implant pacemakers in 2010G. It is noteworthy that the hospital carried 130 surgeries of that kind from 2010G to 2013G. In addition, the increased number of 14,000 patients in 2010G to 23,000 patients in 2013G contributed towards the increase in departmental revenues, where the number of cardiologists went from 3 in 2010G to 4 cardiologists in 2013G.

## **Infertility (IVF)**

The revenues of this department fell at a CAGR of 100.0% between 2010G and 2013G. The reason for this decline is attributable to the Company's decision to terminate this department at the end of 2010G. Revenues dropped from SAR 1.4 million in 2010G to non-existent in 2012G.

## **Emergency Department**

The revenues of the emergency department rose at a CAGR of 1.8%, rising from SAR 7.0 million in 2010G to SAR 7.4 million in 2013G. This was mainly due to higher average revenues from patients, rising from SAR 116 in 2010G to SAR 121 in 2013G.

## **Room Fees**

Revenues from rooms rose at a CAGR of 7.8% from SAR 37.2 million in 2010G to SAR 46.6 million in 2013G, mainly attributable to higher average room fees, rising from SAR 613 in 2010G to SAR 659 in 2013G. This was due to an increase in the average links of stay during this period.

## **Laboratory**

Revenues from the laboratory increased at a CAGR of 16.6% from SAR 56.8 million in 2010G to SAR 90 million in 2013G due to the high number of patients in the hospital and the higher average test fee from SAR 117 in 2010G to SAR 126 in 2013G; mainly due to new medical services and processes provided by the hospital such as open-heart surgeries and pacemakers installations during the period.

## **Radiology**

Revenues from the radiology department rose at a CAGR of 14.7%, rising from SAR 34.6 million in 2010G to SAR 52.6 million in 2013G. This was mainly attributable to the increase in the total number of patients from 413,000 in 2010G to 577,000 in 2013G, and increase in the average radiology fees from SAR 431 in 2010G to SAR 483 in 2013G; mainly due to new medical services and processes provided by the hospital such as joints replacements and spinal operations during the period.

## **Pharmacy**

Revenues from the pharmaceutical division rose at a CAGR of 14.8%, rising from SAR 77.5 million in 2010G to SAR 117.1 million in 2013G, mainly due to the increase in the total number of patients at the hospital, from 413,000 in 2010G to 577,000 in 2013G. It should be noted that the Company does not set the prices of drugs sold and that the revenues of the department are affected by number of patients at the hospital and the quantity of drugs and type of drugs sold.

## **Physiotherapy**

Revenues from this department decreased at a CAGR of 2.6%, dropping from SAR 3.4 million in 2010G to SAR 3.2 million in 2013G. This was mainly due to lower average revenues per patient, falling from SAR 1,222 in 2010G to SAR 969 in 2013G.

## **Discounts**

This represents discounts given in favour of insurance companies, which form the largest portion of this category, as well as discounts to certain inpatients and outpatients determined by contractual provisions and which vary from one agreement to the other.

## **Costs of Revenues**

The following table shows the cost of revenues for the fiscal years ending 31 December of 2010G, 2011G, 2012G and 2013G.



**Table 51: Cost of Revenues**

Currency: Thousand SAR	2010G	2011G	2012G	2013G	CAGR
Medical Costs	78,637	85,684	102,372	115,693	13.7%
Salaries and Extras	67,060	80,511	96,699	115,221	19.8%
Depreciation	11,062	10,372	10,435	10,429	(1.9%)
Maintenance and Repair	4,672	3,373	2,486	4,128	(4.0%)
Utility Services	3,720	3,071	3,583	3,444	(2.5%)
<b>Total</b>	<b>165,151</b>	<b>183,011</b>	<b>215,575</b>	<b>248,914</b>	<b>14.7%</b>

Source: Audited Financial Statements

### Medical Costs

This includes the costs of medical supplies, medical disposables, medicines, and the cost of tests and x-rays in the hospital or other medical centres, internally or externally. Medical costs have increased at a CAGR of 13.7% to SAR 115.7 million in 2013G, as opposed to SAR 78.6 million in 2010G. The increase in medical costs comes as a result of an increased number of patients. Medical costs cover the largest portion of the total cost of revenues at 46.8% in 2011G, 47.5% in 2012G, and 46.5% in 2013G. It should also be noted that the Company managed to negotiate better terms and conditions of purchase and supply, managing to obtain medicines and other supplies at competitive prices.

### Salaries and Related Extras

The increase in the cost of salaries amounted to SAR 115.2 million in 2013G compared to a cost of SAR 67.1 million in 2010G, mainly due to the raise in the salaries of the staff as well as the bonuses being paid out. In addition, the number of doctors increased from 150 doctors in 2010G to 177 doctors in 2013G, as well as a rise in numbers of nurses and support staff. The reason for the increase in the number of doctors and other staff was to meet the growing demand reflected by the increase in the number of patients, in addition to the introduction of a third daily work shift in 2012G. Furthermore, this increase also relates to the costs of health insurance for hospital employees, the cost of which has increased with the increase in the number of employees between 2010G and 2013G. The increase in the cost of salaries and the extra expenses in 2013G is partially due to the joining of approximately 230 medical personnel relating to Al Hammadi Hospital - Al Suweidi throughout the year, in order to receive training (at work as well as conducting training sessions) at Al Hammadi Hospital - Al Olaya prior to the opening of the Al Hammadi Hospital - Al Suweidi, which is expected to begin operations in the third quarter of 2014G.

### Maintenance

Maintenance costs represent an average of 1.9% of the average total cost of revenue between 2010G and 2013G. The increased maintenance and repair costs during 2010G was a result of the expansion and renovation works of the intensive care units for cardiology and paediatrics, neonatal intensive care units, and physiotherapy unit. The cost of maintenance and repair has increased to SAR 4.1 million in 2013G compared to SAR 2.5 million in 2012G, and this is as a result of the refurbishment and maintenance works of three isolation wards.

### Utility Services

Utility services represent an average of 1.7% of the average total cost of revenue between 2010G and 2013G, where this item includes the costs of electricity, telephone, water and fuel. The increase in the cost of utility services in 2010G to 2012G is attributed to the increase in electricity costs.

## General and Administrative Expenses

The following table shows general and administrative expenses for the fiscal years ending on 31 December of 2010G, 2011G, 2012G, and 2013G.

**Table 52: General and Administrative Expenses**

Currency: Thousand SAR	2010G	2011G	2012G	2013G	CAGR
Provision for doubtful debts	16,000	18,363	25,861	22,964	12.8%
Salaries and Benefits	14,687	16,272	19,929	27,128	22.8%
Non-medical Supplies	5,199	6,251	4,889	5,293	0.6%
Rents	2,488	2,587	3,695	3,399	11.0%
Depreciation	2,766	2,593	3,163	3,185	4.8%
Maintenance and Repairs	897	1,383	1,760	1,553	20.1%
Other	6,485	8,052	11,473	9,544	13.6%
<b>Total</b>	<b>48,522</b>	<b>55,501</b>	<b>70,770</b>	<b>73,067</b>	<b>14.6%</b>

Source: Audited Financial Statements

### Provision for Doubtful Debts

The Management of the Company decided in 2011G to increase the allocated amounts for doubtful debts up to SAR 18.4 million, which represents the amounts that are expected to be rejected by insurance companies. In 2012G, the Company followed a policy of providing the equivalent of 8% of the value of unpaid claims from insurance companies.

Allowances for doubtful debts amounted to SAR 22.9 million at the end of 2013G. The Company began to implement the following policy as approved by the Management and the Internal Audit Department to the allotment of doubtful debts, as of 2013G:

- Insurance companies claims: 8% of the monthly outstanding claims.
- Ministry of Health claims: 25% of the amount of outstanding claims in the second year, 50% of the amount of outstanding claims in the third year, and 100% of the outstanding claims upon the lapse of 4 years since the claim.
- Other claims: 25% of the amount of outstanding claims after one year of maturity, 50% of the amount after two years, and 100% of the outstanding amount requested after three years.

The Company also adopted a policy of collection of accounts receivable since 2005G. This policy includes procedures for customer billing and payment terms, and late accounts receivable reports, as well as collection procedures.

### Salaries and Benefits

The salaries and benefits increased from SAR 14.7 million in 2010G to SAR 27.2 million in 2013G as a result of an increase in the number of administrative staff from 426 to 675 employees during that period, and an increase in their salaries. The percentage of these expenses increased from 30.3% of the total general and administrative costs in 2010G to 37.7% in 2013G as these expenses are primarily related to the size of operations of the Company in general.

### Non-Medical Supplies

The cost of non-medical supplies, which include electric tools and equipment, water desalination, and air conditioning, decreased at the end of December 2012G to SAR 4.9 million, compared to an amount of SAR 6.3



million in 2011G. This decrease is due to the completion of maintenance works in 2012G. Such costs incurred a slight increase in 2013G, reaching SAR 5.3 million compared to SAR 4.9 million in 2012G due to routine maintenance works at the hospital.

## Rents

This cost relates to the lease of the residential buildings rented for employees of Al Hammadi Company for Development and Investment, which came to a total of 7 buildings by the end of 2013G, in addition to the cost of renting furnished apartments for doctors who have recently joined the Company. The cost of rents increased from SAR 2.5 million in 2010G to SAR 3.4 million in 2013G, where four new residential buildings were rented for employees during this period. The cost of rent dropped from SAR 3.7 million in 2012G to SAR 3.4 million in 2013G as a result of changes in the accounting treatment for rents during 2013G, where rent paid is recorded for a period of 6 months or a year as an expense paid in advance in the statement of financial position, instead of being recorded as an expense in the income statement where it would be recorded as it accrues.

## Other Costs

Other costs increased in 2012G due to the cost of damages paid for a legal case worth SAR 1.7 million. Also the expenses of marketing and public relations increased by 228% in 2012G compared to 2011G, to SAR 786,000 as a result of increased costs of advertising material, in addition to increasing the quantity and quality of magazines and printed publications addressed to patients. The Company also advertises through local newspapers, publications, and leaflets within the hospital building. In 2013G, such other costs decreased to SAR 9.5 million as the Company was advertising less in local newspapers and publications. Other costs include consultation, non-medical insurance (such as car, building and medical equipment insurance) and medical malpractice insurance, and recruitment fees, employee recreational trips, and the expenses of accreditation certificates and international quality standards. The following table sets out the most important items constituting other costs for the years ended December 31 for 2010G, 2011G, 2012G and 2013G, respectively:

The Saudi Commission for Health Specialties requires a doctor or a dentist to hold an insurance against medical malpractice to work at the relevant health facility in the Kingdom. The Company obtains insurance for each doctor or dentist individually from the insurance company.

**Table 53: Other Costs**

Thousand SAR	2010G	2011G	2012G	2013G	CAGR
Service facilities	656.5	767.8	895.7	861.1	%9.5
Insurance	477.8	633.0	834.2	856.3	%21.5
Donations and subsidies	82.9	450.6	486.9	749.5	%108.3
Advertising and PR	601.0	846.7	1,093.7	970.0	%17.3
Stationery	89.2	75.9	93.7	87.1	(%0.8)
Licenses and Certificates	2,144.4	1,707.0	886.4	638.1	(%33.2)
Expenses for business trips	-	175.0	260.0	325.2	%36.3
Consultancy fees and commissions	617.8	863.4	2,731.1	2,705.9	%63.6
Various staff expenses	174.0	848.3	977.0	1,044.4	%81.7
Shipping and mail expenses	165.4	139.8	87.3	50.4	(%32.7)
Sales and Marketing	-	590.0	263.0	571.6	(%1.6)
Other miscellaneous	1,476.8	953.1	2,863.2	684.3	(%22.6)
<b>Total</b>	<b>6,485</b>	<b>8,052</b>	<b>11,473</b>	<b>9,544</b>	<b>%13.6</b>

Source: The Company

## Financial Charges

Financial charges represent commissions paid to banks on loans and letters of credit that comply with the principles of Islamic Shari'ah. The Company paid SAR 5.4 million in 2010G to fully repay a SAR 98.2 million loan obtained from the Arab National Bank, as the loan term expires in 2012G. In 2011G, the Company paid SAR 1.6 million, to repay a short-term loan from Saudi British Bank. In 2012G, the Company paid the Arab National Bank SAR 1.7 million against obtaining a short-term loan of SAR 22.8 million which was fully repaid. However, in 2013G the Company had to pay SAR 0.3 million in financing costs. It should be noted that the cost of financing the Company's projects, the value of which amount to SAR 16.3 million and SAR 2.4 million for 2013G and 2012G, respectively, have been capitalized as part of the cost of these projects.

## Other Revenues

The following table shows other revenues as of 31 December of 2010G, 2011G, 2012G and 2013G.

**Table 54: Other Revenues**

Thousand SAR	2010G	2011G	2012G	2013G	CAGR
Rents	907	1,098	1,017	857	(1.9%)
Supplies	303	264	268	231	(8.6%)
Outpatients	38	43	12		(100.0%)
Insurance	—	—	6		—
Communications	15	7	4	9	(15.7%)
Amendments to previous year adjustments	—	(362)	—	—	—
Other	120	290	4,781	2,830	186.8%
Total	1,383	1,340	6,088	3,927	41.6%

Source: The Company

## Rents

The rent represents on average 46.5% of the total other revenues between 2010G and 2013G. Such rents include two florist shops, four cafes, and a beauty centre. The revenue from rent was reduced from SAR 1.0 million in 2010G to SAR 0.9 million in 2013G as a result of restoration works at one of the sites during 2013G.

## Outpatient Clinics Services

This item represents the Company's revenue from its clinic at one of the private companies that are treating the employees of the company. This clinic has been the closed in 2013G.

## Other

This item represents the main reason for the rise in the value of other revenues to SAR 4.8 million in 2012G from SAR 0.1 million in 2010G, due to the recovery of doubtful debts worth SAR 4.0 million from VIPs and the Ministry of Health. This item reached SAR 2.8 million in 2013G.

## Zakat

The Company is subject to the rules and regulations of the Department of Zakat and Income Tax. Zakat is paid according to the guidelines provided by the mentioned department. The Company received the final assessment for the financial years up to December 31, 2007G and also received the final assessment for the financial period ending on 30/9/2008G which is the date of the Company's conversion from a limited liability company to a closed joint stock company. Based on these assessments, there are no differences in Zakat imposed on the Company.





The Company has submitted representations to the Department of Zakat and Income Tax for the period ended 31 December 2009G and for the financial years ended 31 December 2010G and until 31 December 2013G for repayment of sums due in respect of Zakat in a timely manner, and in accordance with the instructions of the Department of Zakat and Income Tax. The Company received the Zakat certificates, however, the Company did not receive any Zakat statement for the mentioned years until 31 December 2013G. There are no estimates of any additional amounts expected to be claimed by the Department of Zakat and Income Tax. Consequently, there is no Zakat provision in the accompanying financial statements.

**Table 55: Zakat**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Beginning Period Balance	5,662	9,685	4,200	3,463
Net Additions	4,023	1,934	2,500	4,200
Payment of Zakat	—	7,420	3,237	4,055
Ending Period Balance	9,685	4,200	3,463	3,609

## 6 - 3 Financial Position

The following table shows a summary of the Company's financial position as on 31 December of 2010G, 2011G, 2012G and 2013G.

**Table 56: Summary of Financial Positions**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Current Asset	174,317	166,395	193,453	208,700
Non-current Assets	317,138	397,949	649,875	1,027,640
Total Assets	491,454	564,344	843,328	1,236,340
Current Liabilities	44,352	84,472	52,440	57,913
Non-current Liabilities	2,723	5,552	222,298	592,835
Shareholder's Equity	444,379	474,319	568,590	585,593
Total Liabilities and Shareholder's Equity	491,454	564,344	843,328	1,236,340

Source: Audited Financial Statements

### 6 - 3 - 1 Current Assets

The following table shows the current assets as on 31 December 2010G, 2011G, 2012G and 2013G.

**Table 57: Current Assets**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Cash and Cash Equivalents	20,756	35,164	63,438	42,199
Accounts Receivable (Net)	132,935	110,564	107,938	136,461
Due From related parties	818	28	71	350

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Inventory	11,597	15,214	15,376	15,560
Prepaid Expenses and Other Assets	8,211	5,425	6,630	14,130
<b>Total Current Assets</b>	<b>174,316</b>	<b>166,395</b>	<b>193,453</b>	<b>208,700</b>

Source: Audited Financial Statements

## Cash and Cash Equivalents

The Cash and Cash Equivalents consist of petty cash and cash accounts with banks as of the date of the financial statements. The increase under this item is mainly represented by the cash available from the banking facilities which the Company obtained in 2011G, 2012G and 2013G for the purpose of financing the new hospital projects. In addition, note that items in cash and bank balances include advance payments to the Department of Labour amounting to SAR 2.8 million, SAR 2.5 million, SAR 1.7 million and SAR 1.7 million paid on 31 December for 2010G, 2011G, 2012G and 2013G, respectively.

## Accounts Receivable

Accounts receivable comprise of the customers' commercial accounts after deducting the bad debt provision. Accounts receivable formed the largest component of current assets during the period of 2010G to 2013G. The number of days to collect accounts receivable in Al Hammadi Hospital were reduced from 161 days in 2010G to 122 days in 2011G, where the shareholders settled non-performing debts worth SAR 33 million in 2011G from the profit dividends, and the Company improved the mechanism for collecting receivables. Accounts receivable increased from SAR 107.9 million in 2012G to SAR 136.5 million in 2013G due to increased revenues from insurance companies and the Ministry of Health.

As of 31 December 2013G, the Company's cumulative accounts receivable were as follows:

- From 1-30 Days: SAR 36.9 million, representing 26% of Trade Receivables.
- From 31-60 Days: SAR 21.2 million, representing 15% of Trade Receivables.
- From 61-90 Days: SAR 11.4 million, representing 8% of Trade Receivables.
- From 90 Days to 1 year: SAR 42.4 million, representing 29% of Trade Receivables.
- More than 1 year: SAR 32.9 million, representing 22% of Trade Receivables.

The Company applies its policy on doubtful debts on these receivables.

## Due From related parties

This includes the required balance from related parties, which are mainly medical services provided to related parties. The balance required from related parties was SAR 350,000 in 2013G.

## Inventory

Inventories are stated at cost or net realizable value, whichever is less. The inventory mainly entails pharmaceuticals, medical supplies and consumables. Inventory formed an average of 7.8% of the total current assets between 2010G and 2013G, and the value of stocks increased from SAR 11.6 million in 2010G to SAR 15.6 million in 2013G, mainly due to the increased number of admitted patients in that period. Inventory days maintained the same level between 2010G and 2013G, where it reached an average of 26 days.

In 2013G, drugs accounted for 62.8% of the total inventory in Al Hammadi Hospital, and the medical supplies and consumables accounted for 29.2% of the total stock.

The Company's inventory consists primarily from medicines and medical supplies. According to the agreements with the suppliers of the Company, any drugs or medical supplies about to expire shall be collected by the supplier and replaced with longer validity medicines. Therefore, the Company does not need to set up a provision for expired inventory.



## Prepaid Expenses and Other Assets

This mainly consists of expenses that have been paid in advance and the amounts which have been prepaid to suppliers, and this forms an average of 4.5% of the current assets available between 2010G and 2013G. This item increased in 2010G due to increased pre-paid expenses for establishing Al Hammadi Hospital - Al Suweidi, and in 2011G the balance was classified as projects under construction. However, in 2013G, the value of prepaid expenses and other assets increased to SAR 14.1 million from SAR 7.6 million in 2012G mainly as a result of high upfront payments to suppliers of SAR 2.9 million and financial consultancy expenses costing SAR 3.3 million.

### 6 - 3 - 2 Non-current Assets

The following table shows the non-current assets as at 31 December 2010G, 2011G, 2012G and 2013G.

**Table 58: Non-current Assets**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Property and Equipment (Net)	317,138	345,592	370,346	362,568
Projects under construction	—	52,357	279,529	665,071
<b>Total Non-current Assets</b>	<b>317,138</b>	<b>397,949</b>	<b>649,875</b>	<b>1,027,640</b>

Source: Audited Financial Statements

## Property and Equipment

**Table 59: Assets and Equipment**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Land	195,719	232,278	262,396	262,397
Buildings	85,072	79,163	73,247	67,337
Medical Equipment and Devices	26,150	22,127	23,580	21,665
Furniture, Fixtures and Office Equipment	10,027	11,227	9,870	9,530
Vehicles	171	796	1,252	1,639
<b>Total</b>	<b>317,138</b>	<b>345,592</b>	<b>370,346</b>	<b>362,568</b>

Source: Audited Financial Statements

Property and equipment consist of land, buildings, medical equipment, furniture, vehicles and software, which accounted for 29.3% of the total assets at the end of 2013G. The value of assets in this item increased from SAR 317.1 million in 2010G to SAR 362.6 million in 2013G, due to acquiring new land for constructing the new hospitals.

In line with the Company's strategy to expand by opening new hospitals, plots of land were purchased for a value of SAR 153.7 million between 2009G and 2013G, which was used to build the Al Hammadi Hospital - Al Suweidi and Al Hammadi Hospital - Al Nuzha. Al Hammadi Hospital - Al Suweidi comprises a 44,664 square meter area of land and situated in the Suweidi area, while an area of land comprising 22,360 square meters was used to build Al Hammadi Hospital - Al Nuzha.

Medical Equipment comprise mainly of radiology equipment, surgery, outpatient clinics, intensive care unit and laboratories.

Property and Equipment are stated at cost after discounting accumulated depreciation. Maintenance and Repair expenses are considered as cost of sales, however, the costs of renovation falls under capitalized expenses. The depreciation is calculated according to the life expectancy of the item, using the straight line method. Estimated productive life spans of main items are as listed below:

Buildings: 33 Years

Medical Equipment: 10 Years

Furniture and Office Equipment: 6-10 Years

Vehicles: 4 Years

## Projects under Construction

**Table 60: Projects under Construction**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Al Hammadi Hospital - Al Suweidi	—	47,542	267,976	534,840
Staff Housing	—	4,815	4,959	30,149
Al Hammadi Hospital - Al Nuzha	—	—	6,594	100,083
Other	—	—	256	0
<b>Total</b>	<b>—</b>	<b>52,357</b>	<b>279,529</b>	<b>665,072</b>

Source: The Company

The total amount of projects under construction increased from SAR 52.4 million in 2011G to SAR 665.0 million in 2013G due to construction works for Al Hammadi Hospitals in Al Suweidi and Al Nuzha. The Company commenced construction for Al Hammadi Hospital in Al Suweidi in 2011G, where an amount of SAR 47.5 million was paid for preparing the construction site and for building a part of that hospital. The construction costs for Al Hammadi Hospital in Al Suweidi reached SAR 267.0 million in 2013G. (For further details about the Al Hammadi Hospital in Al Suweidi, please refer to section 4 **“Company Background And The Nature Of Its Business”** of this Prospectus). Also, an amount of SAR 6.6 million was paid in the second half of 2012G for excavation works and site preparations for the Al Hammadi Hospital in Al Nuzha, followed by an amount of SAR 93.5 million in 2013G paid for construction works for that hospital. (For further details about the Al Hammadi Hospital - Al Nuzha, please refer to section 4 **“Company Background And The Nature Of Its Business”** and section 6 **“The Use of Proceeds”** of this Prospectus).

This also includes staff housing amounting to SAR 5 million, which has almost been constructed, and will house staff working at the Al Hammadi Olaya Hospital; the construction commenced in 2011G, but work was stopped in January 2012G in order to obtain a new license which allows for a greater scope of construction. Construction work is currently still on hold, but the Company intends to complete the work under the initial license, in case it is unable to obtain a new license before the end of 2015G.

## 6 - 3 - 3 Current Liabilities

**Table 61: Current Liabilities**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Accounts payables	21,843	27,629	32,740	32,172
Overdraft	—	—	—	1,873
Short-term loan	—	40,000	—	—



Currency: Thousand SAR	2010G	2011G	2012G	2013G
Due to related parties	1,104	806	997	706
Accrued expenses and other liabilities	11,720	11,838	15,240	19,553
Zakat provision	9,685	4,200	3,463	3,609
<b>Total current liabilities</b>	<b>44,352</b>	<b>84,473</b>	<b>52,440</b>	<b>57,913</b>

Source: Audited Financial Statements

## Accounts Payable

Trade Payables represented 46%, 31%, 12%, and 5.0% of the total liabilities of 2010G, 2011G, 2012G, and 2013G respectively. Accounts payable have increased from SAR 21.8 million in 2010G to SAR 32.2 million in 2013G, due to the increase in the costs of revenues during the same period, in line with the growth in the Company's revenues.

## Overdraft Facility and Short-Term Loan

This includes the credit facilities obtained from several commercial banks which carry finance commissions based on the rates prevailing in the market, which primarily depend on the average prevailing commission amongst Saudi banks (SIBOR) plus a certain profit margin. A short-term loan has been obtained which consists of an overdraft facility of SAR 1.9 million as of 31/12/2013G.

## Related Party Liabilities

The Company has dealings with Mohammad Al Hammadi Company for Information Technology which provided the Company with accounting information technology systems in 2010G. The mentioned company provides computers, printers and other IT equipment, as well as maintenance services for such equipment. Moreover, ACTEL (owned by one of the shareholders, Hind Fahad Al Dakheel, the wife of a member of the Board of Directors) provides some medical supplies, food, and cleaning tools and supplies.

## Accrued Expenses and Other Liabilities

This item primarily entails advanced payments from customers, employee benefits, and accrued expenses as shown in the following table

**Table 62: Accrued Expenses and Other Payables**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Employee Benefits	3,737	4,540	5,366	6,110
Advanced Payments from Customers	4,776	4,137	5,384	5,621
Medical Education Fund	1,599	2,018	2,715	3,519
Accrued Interests	-	-	-	1,823
Amounts Due for Outpatient Medical Services	423	482	922	1,417
Social Insurance	199	215	281	356
Other	986	446	572	707
<b>Total</b>	<b>11,720</b>	<b>11,838</b>	<b>15,240</b>	<b>19,553</b>

Source: Audited Financial Statements

Employee benefits have increased from SAR 3.7 million in 2010G to SAR 6.1 million in 2013G, due to the increased number of doctors and staff members. This item mainly comprises of vacations and employees' travel tickets.

Advanced payments from patients increased from SAR 4.8 million in 2010G to SAR 5.6 million in 2013G, and this is primarily a result of advance payments from patients dating back to 2010G and 2011G, as the relevant patients had received insurance coverage from the Ministry of Health or other insurance companies to cover the costs of treatment for these patients, but such due amounts have not yet been received by the hospital. Such amounts will remain owed to the patients until collection from the concerned authority.

The Medical Education Fund is comprised from grants provided by medical companies for the purpose of providing lectures and training courses in the name of Al Hammadi Hospital. This item has increased from SAR 1.6 million in 2010G to SAR 3.5 million in 2013G, as amounts received have not yet been used to hold lectures and training courses.

The balance of the other expenses item, under accrued expenses and other liabilities was reduced from SAR 986 thousand in 2010G to SAR 707 thousand in 2013G. This item mainly entails profits of some of the shareholders that have not yet been distributed.

### 6 - 3 - 4 Non-current Liabilities

The following table shows non-current liabilities for the years ending on 31 December 2010G, 2011G, 2012G and 2013G.

**Table 63: Non-current Liabilities**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
End of Service Benefits for Employees	2,723	5,552	9,660	14,805
Long-Term Loans	-	-	212,638	578,029
<b>Total Non-current Liabilities</b>	<b>2,723</b>	<b>5,552</b>	<b>222,298</b>	<b>592,834</b>

Source: Audited Financial Statements

In line with the provisions of the Saudi employment system, the Company allocated a budget to provide end of service benefits for employees leaving employment with the Company. The reason for the increase in this item from SAR 2.7 million in 2010G to SAR 14.8 million in 2013G is the change in the employees' benefits policy so that employees now receive their benefits at their time of resignation or retirement, as opposed to the Company paying the employee his or her share of the end of service benefit on an annual basis, as had been the case until 2010G.

### Long-Term Loans

Long-Term Loans are comprised of Shari'ah compliant credit facilities and loans from local banks, to the value of SAR 502.1 million in addition to the partial draw-down on the loan provided by the Ministry of Finance amounting to SAR 75.9 million by 31 December 2013G. These loans and facilities were used to finance the construction of Al Hammadi Hospitals in Al Suweidi and Al Nuzha. The total facilities granted to the Company comprised SAR 1.1 billion (including facilities in the amount of SAR 300 million to protect against fluctuations in the cost of financing), in addition to the loan of SAR 149.1 million provided by the Ministry of Finance. For further details about loans and other credit facilities, including guarantees and mortgages, please refer to section "Credit Facilities and Loans" of section 11 "Legal Information" of this Prospectus.

The Company has entered into a number of credit facility agreements with local banks to obtain various credit facilities and loans in Saudi Riyals, based on variable rates prevailing in the market. These agreements include facilities, as of 31 December 2013G, credit facilities of SAR 1.1 billion from local banks as well as a long-term cash loan of SAR 150 million to be repaid over a period of three years, payable on a quarterly basis with a grace period of two years, the first payment of which is due on 31 March 2015G. In addition, the Company obtained a long-term loan in the form of letters of credit worth SAR 147.8 million to be paid over a period of three years, payable on a quarterly basis, with a grace period of three years, the first payment of which is due on 30 June 2015G.



The facilities also include a long-term cash loan worth SAR 150 million to be paid over a period of five years, payable on a semi-annual basis, the first payment of which is due on 20 October 2015G. Facilities also include long-term loans amounting to SAR 300 million, repayable over a period of 3 years with a 2 year grace period, payable on 5 June 2016G. (For more information about the loans, including guarantees, please refer to section 11 “**Legal Information**” of this Prospectus.)

On another note, the Company received a loan amounting to SAR 149.1 million from the Saudi Ministry of Finance to finance the construction of the Al Hammadi Hospital - Al Suweidi hospital, SAR 75.9 million of which was utilized by 31 December 2013G. annual payment is determined in light of what is actually utilized from the loan at the end of the implementation period specified in that contract, after dividing the total amount spent over twenty annual instalments. The first instalment is due five years after the contract date, which was signed on 13/11/1434 (corresponding to 18 September 2013G). This loan is secured by the property, medical equipment and tools of the Al Hammadi Hospital - Al Suweidi hospital, and it does not include any financing commissions. The table below shows details of the facilities available and utilized as at December 31, 2013G.

**Table 64: Details of Facilities Available and Unutilized as at December 31, 2013G:**

Bank	Facility Type	Credit Limit	Utilized Portion
Arab National Bank	Letters of credit / refinance	147,810,000	132,833,322
	Long-Term Loans	150,000,000	150,000,000
Saudi British Bank	Letters of credit / refinance	150,000,000	1,970,000
	Short-Term Loans	40,000,000	-
	Long-Term Loans	150,000,000	67,318,728
	Facilities protecting against fluctuations in costs of financing	300,000,000	-
Samba Financial Group	Long-Term Loans	150,000,000	150,000,000
Total Commercial Banking Facilities		1,087,810,000	502,122,050
Ministry of Finance	Long-Term Loans	149,145,000	75,907,200
<b>Total</b>		<b>1,236,955,000</b>	<b>578,029,250</b>

The following table shows a summary of the loan due amounts of the Company's long-term loans:

**Table 65: Long Term Dues**

Year	Amounts due from long-term loans
2014G	0
2015G	97.8
2016G	173.1
2017G	170.6
2018G	60.6
After	75.9
<b>Total</b>	<b>578.1</b>

Source: Audited Financial Statements

The following is a table which shows the due amounts of long term loans of the Company for each bank, in addition to the relevant guarantees.

**Table 66: Dues of long-term loans and guarantees**

One Million SAR	Guarantees	2014G	2015G	2016G	2017G	2018G	Total
Arab Bank	Promissory Note in the amount SAR 308,810,000.	-	35.31	50	47.5	-	132.8
Arab Bank	Formal relinquishment of projects revenue for the benefit of the Arab National Bank  A commitment to deposit no less than 50% of the revenues and accruals of Al Hammadi Hospital - Al Olaya and 100% of the revenues and accruals of Al Hammadi Hospital - Al Suweidi in a bank account at the Arab National Bank  With the exception of the safeguards mentioned above, the agreement does not provide for the company to extend any other guarantees	-	37.5	50.0	50.0	12.5	150.0
Saudi British Bank	Promissory Note in the amount of SAR 365 million signed by the Company to be released upon the completion of the public offering of the Company shares.  Two joint and several guarantees from each of Saleh Al Hammadi and Abdulaziz Al Hammadi in the amount of SAR 365.5 million and the bank has agreed that this guarantee is to be considered automatically void after the listing of the Company on the Saudi Stock Exchange in accordance with the terms of the facilities)  Mortgage of Al Hammadi Hospital - Al Nuzha real estate with a market value of SAR 67 million, provided that the mortgage is to be released in the event of the Company obtaining new financing of Al Nuzha Hospital from the Ministry of Finance  With the exception of the above safeguards, the agreement does not require the Company to provide any other collateral	-	-	0.7	0.7	0.7	2.0
		-	-	22.4	22.4	22.4	67.3
Samba Financial Group	Personal guarantees from each of Saleh Mohammad Al Hammadi and Abdulaziz Mohammad Al Hammadi in the amount of SAR 170,000,000 (Samba Financial Group has agreed to waive this guarantee as of the date of completion of the Offering and the listing of the Company on the Saudi Stock Exchange as a public joint stock company)  Promissory Note from the Company in the amount of SAR 170,000,000  With the exception of the above safeguards, the agreement does not require the Company to provide any other collateral	-	-	50.0	50.0	50.0	150.0
Total		-	97.8	173.1	170.6	60.6	502.1

Source: The Company





Except for the guarantees above the agreements signed with the banks do not provide for commitment of the Company to provide any other guarantees, whether before or after the Offering (For more information about the loans including guarantees, please refer to section 11 “**Legal Information**” of this Prospectus).

The Company has no debt instruments, loans, or debts other than what has been mentioned in this section. The Company has never defaulted on payment of due finance amounts to financiers during the period covered by the section of Financial Information and Management Discussion and Analysis up to the date of this Prospectus.

### 6 - 3 - 5 Shareholders' Equity

The following table clarifies the equity of shareholders in the fiscal years ending on 31 December 2010G, 2011G, 2012G and 2013G.

**Table 67: Shareholders' Equity**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Capital Share	300,000	300,000	420,000	525,000
Statutory Reserve	15,627	24,620	34,048	12,198
Retained Earnings	128,752	149,699	114,542	48,395
<b>Total Shareholders' Equity</b>	<b>444,379</b>	<b>474,320</b>	<b>568,590</b>	<b>585,593</b>

Source: Audited Financial Reports

### Capital

On 31 December 2013G, the capital share of the Company was SAR 525 million divided into 52.5 million fully paid shares with a nominal value of 10 SAR per share. The Company increased its capital on 18 January 2012G from SAR 300 million to SAR 420 million by 40%, thereby increasing the number of the Company's shares from 30 million shares to 42 million shares, through the distribution of two shares for every 5 shares in the form of bonus shares. The increased capital amount was paid from the Company's retained earnings as of 31 December 2011G, pursuant to the approval of the Extraordinary General Assembly meeting held on 19 Rajab 1433H, corresponding to 9 June 2012G. The Company increased its capital again on 17 June 201 from SAR 420 million to SAR 525 million by 25%, thereby increasing the number of the Company's shares from 42 million shares to 52.5 million shares, by way of transferring SAR 72 million from the balance of retained earnings, and transferring a balance of SAR 33 million from the statutory reserve.

### Statutory Reserve

According to the Company's By-Laws and the provisions of the Companies Law in the Kingdom of Saudi Arabia, the Company is obligated to keep 10% of its net income in the statutory reserve, until the statutory reserve becomes equivalent to 50% of the capital. This reserve is not currently available for distribution to the Company's shareholders.

### 6 - 4 Statement of Cash Flow

The following table summarizes the cash flows of the Company for the fiscal years ending on 31 December 2010G, 2011G, 2012G and 2013G

**Table 68: Cash Flow Statement**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Cash Flow from Operations	93,691	94,853	121,160	97,375
Cash Flow from Investment Activities	(4,273)	(93,723)	(265,524)	(391,379)

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Cash Flow from Financing Activities	(131,794)	13,277	172,638	272,765
Net Changes in cash balances on hand and at banks	623	14,407	28,274	(21,239)
Cash in banks and hand –Year Beginning	20,131	20,754	35,162	63,438
Cash in banks and hand –Year Ending	20,754	35,162	63,436	42,199

Source: Audited Financial Reports

Cash flows from operational activities have exceeded the net income of every year between 2009G and 2012G. Cash flows from operational activities have decreased in 2013G compared to 2012G as a result of the rise in receivables. The cash generated from operating activities was primarily used to finance the capital expenditures relating to the construction of Al Hammadi Hospital - Al Suweidi.

### Cash Flow from operational activities

**Table 69: Cash Flow From Operations**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Net Income (before Zakat)	79,869	89,941	94,270	111,503
Value of Non-cash Items				
Depreciation	13,828	12,965	13,598	13,614
Provision of Doubtful Debts	16,000	18,363	25,861	22,964
Zakat Provision	4,023	1,934	2,500	4,200
End of Service Bonus for Employees	3,234	4,072	4,430	5,445
Gains (losses) from sale of property and equipment	-	(54)	-	-
Changes in Working Capital	19,736	(32,368)	(19,499)	(60,350)
<b>Net Cash Flow from Operational Activities</b>	<b>136,691</b>	<b>94,851</b>	<b>121,160</b>	<b>97,375</b>

Source: Audited Financial Reports

Operational activities consist primarily of net income before Zakat, changes in working capital, and adjustments on non-cash items such as depreciation, provisions, and end of service benefits for employees. Operational activities reduced cash flows from SAR 136.7 million in 2010G to SAR 97.4 million in 2013G, and that negative change in working capital during is due to an increase in accounts receivable during 2013G, resulting from the increased income from insurance companies and the Ministry of Health throughout the year at a rate of 18.3% during 2013G compared to 2012G.

The Company achieved positive cash flows from operational activities to the amount of SAR 97.4 million in 2013G, SAR 121.2 million in 2012G, 94.4 million in 2011G, and 136.7 million in 2010G.

The changes in the working capital item entail accounts receivable, inventory, dues from related parties, prepaid expenses, accounts, dues to related parties accrued expenses, paid amounts of Zakat, and the paid end of service benefits for employees (please refer to the information relating to current assets and current liabilities in this section of the Prospectus).



## Cash Flows from Investment Activities

**Table 70: Cash Flows from Investment Activities**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Purchase of Property and Equipment	(4,274)	(41,610)	(38,351)	(5,837)
Additions on Projects under Construction	-	(52,357)	(227,172)	(385,543)
Proceeds from sale of fixed assets	-	244	-	-
<b>Net Cash used in investment activities</b>	<b>(4,274)</b>	<b>(93,723)</b>	<b>(265,523)</b>	<b>(391,379)</b>

Source: Audited Financial Statements

Capital expenditure related to investment activities is mainly for the construction and furnishment of the new hospital as well as the purchase of assets and equipment, where between 2009G and 2013G the Company purchased land for its expansion plans. The value of the land during that period represented 82.6% of the total purchased property and equipment, which does not include projects under construction, a plot of 5,445.27 square meters in Al Nuzha district was bought from Saleh Mohammad Al Hammadi, a plot of 10,000 square meters in Al Nuzha district was bought from Mohammad Saleh Al Hammadi, and a third plot was bought from a third party in order to establish Al Hammadi Hospital - Al Nuzha on them. These title deeds of those plots have been merged into a new title deed number 410113053450 dated 02/12/1435 (corresponding to 07/10/2013G) (For more details about these plots see Table 93: **"Real Estate owned by the Company:"**) of section 11 **"Legal Information"** section of this Prospectus. In 2012G, the amount related to purchasing assets and equipment increased due to the construction of the Al Hammadi Hospital in Al Suweidi, in addition to the renovation of some sections of Al Hammadi Hospital – Al Olaya, and site preparations for Al Hammadi Hospital - Al Nuzha. In 2013G, an amount of SAR 385.6 million was added to the projects under construction item to finance the establishment of Al Hammadi Hospital - Al Suweidi and Al Hammadi Hospital - Al Nuzha.

It is worth mentioning that the Company's Board of Directors has approved the sale of two plots of land owned by the Company in Al Rayan district in the city of Riyadh and in Al Hammra district in the city of Dammam (For more details on these plots please refer to Table 93: **"Real Estate owned by the Company:"**) of section 11 **"Legal Information"** of this Prospectus. Despite the approval of the Board, the Company currently has no intention to sell these plots; the Board approved the sale of these plots to give the Management of the Company the flexibility to sell the plots in the event of any sale opportunity at a reasonable price. In the event that these plots are sold in the future, there will be no impact on the Company's business, as such plots are not used.

## Cash Flows from Financing Activities

**Table 71: Cash Flows from Financing Activities**

Currency: Thousand SAR	2010G	2011G	2012G	2013G
Long-Term Loans (Net)	(98,200)	-	212,638	365,392
Short-Term Loans (Net)	-	40,000	(40,000)	1,873
Shareholders Payables	(21,704)	-	-	-
Dividends	(11,890)	(26,723)	-	(94,500)
<b>Net cash flow from financing activities</b>	<b>(131,794)</b>	<b>13,277</b>	<b>172,638</b>	<b>272,765</b>

Source: Audited Financial Statements

The cash flows from financing activities mainly comprise of the bank facilities which the Company obtained for the purpose of financing the strategic expansion plans by constructing Al Hammadi Hospitals in Al Suweidi and Al Nuzha, where the long-term and short-term loans represent the Company's loans from the Arab National Bank, Samba Financial Group, and the Saudi British Bank, in addition to a loan obtained from the Ministry of Finance.

Amounts owed to the shareholders represent amounts paid from the shareholders to the Company. These amounts were repaid in full during 2010G.

### Contingent liabilities

The Company has letters of credit and letters of guarantee with local banks totalling an amount of SAR 73.3 million as of 31 December 2013G. The Company has commitments related to its capital expenses in the amount of SAR 340.6 million as on 31 December 2013G. The mentioned commitments are in relation to projects under construction with related parties. The Company also has unutilized bank facilities from local banks and the Ministry of Finance totalling SAR 658.9 million. The Company affirms that there are no obligations other than those listed above.

## 6 - 5 Capital Structure and Debts

The following table shows the capitalization and debts of the Company which have been extracted from the audited financial statements as of the end of the fiscal years 2010G, 2011G, 2012G and 2013G. The table below should be read in conjunction with the Company's audited financial statements and the clarification notes that are attached thereto, which are included in section 18 "Auditor's Financial Report" of this Prospectus.

The Board of Directors acknowledges that the Company does not have any debt instruments, and that it has sufficient working capital for twelve months following the date of this Prospectus.

**Table 72: Company's Capitalization and Debts**

All figures are in Thousand SAR	2010G	2011G	2012G	2013G
<b>Liabilities</b>				
Current liabilities	44,352	84,472	52,440	57,913
Non-current liabilities	2,723	5,552	222,298	592,835
<b>Total</b>	<b>47,075</b>	<b>90,024</b>	<b>274,738</b>	<b>650,748</b>
<b>Shareholders' Equity</b>				
Capital	300,000	300,000	420,000	525,000
Statutory Reserve	15,627	24,621	34,048	12,198
Retained earnings	128,752	149,699	114,542	48,394
<b>Total</b>	<b>444,379</b>	<b>474,320</b>	<b>568,590</b>	<b>585,593</b>
<b>Total equity</b>	<b>491,454</b>	<b>564,344</b>	<b>843,328</b>	<b>1,236,340</b>

Source: Audited Financial Statements

Members of the Board of Directors hereby confirm that the Company's capital does not include option rights. The members of the Board of Directors further confirm that the Company does not have any debt instruments, and that the Company did not authorize any such issuances as of the date of this Prospectus.

The members of the Board of Directors also confirm that there is no intention of undertaking any material changes to the the Company's business, and that the Company's business has not been interrupted in a manner that would affect, or have had significant impact on the financial situation during the last twelve months.

The members of the Board of Directors also confirm that there has been no material adverse change to the financial or commercial position of the Company during the three years preceding the year when the Company is listed, and through the period from the date of the end of the period covered in the auditor's report until the date of adopting and approving this Prospectus.



The members of the Board of Directors confirm that the Company does not have any property, including contractually based securities or other assets that are of a volatile value or any assets, the value of which are difficult to determine, which would significantly impact the evaluation of the Company's financial position.

The members of the Board of Directors also confirm that the Company does not have any information relating to any government or economic or financial or monetary or political policies, or any other factors which may have or will have a material effect (whether directly or indirectly) on its operations.

## 7. Dividends Distribution Policy

According to the Company's By-Laws, the distribution of dividends is subject to the approval of the Ordinary General Assembly based on the recommendations of the Board of Directors after having taken into account various factors at the time, such as the Company's financial position and its undertakings which may restrict the distribution of dividends pursuant to the credit facility agreements which the Company has entered into with financing banks, in addition to the current and expected results of the Company's operations, cash requirements and expansion plans.

The Company intends to distribute dividends amongst its shareholders in order to maintain and increase the value of their investments in a manner that is in line with the Company's capital expenditures and investment requirements. Such dividends shall be based on the profits achieved by the Company and its financial position, the general economic environment and other factors including the Company's urgent need to reinvest such profits, its capital requirements, future forecasts, economic activity and other legal and regulatory considerations. Dividend shall be distributed in Saudi Arabian Riyals. In addition, investors willing to invest in the Offer Shares should be aware that the policy pertaining to the distribution of dividends is subject to change from time to time.

Notwithstanding the Company's decision to distribute dividends amongst its shareholders, it does not guarantee that it shall distribute dividends, nor does it guarantee the value of the dividends which it intends to distribute in any given year. The distribution of dividends is subject to certain restrictions outlined in the Company's By-laws, whereby Article 44 of the Company's By-laws states that annual net profit shall be distributed after deducting all expenses and other costs as follows:

- An amount equivalent to 10% of the net profits shall be allocated to form the statutory reserve. The Ordinary General Assembly may suspend such allocation when the statutory reserve reaches half of the Company's share capital.
- The Ordinary General Assembly may, pursuant to the recommendation of the Board of Directors, allocate 20% of the Company's net profits to form other reserves for different purposes.
- Thereafter, an amount equivalent to 5% of the Company's paid share capital from the remainder shall be distributed as dividends to the shareholders.
- Any remaining amounts thereafter shall be distributed to the shareholders as additional dividends.

Distribution of dividends is also subject to the restrictions and conditions contained in the credit facility agreements which the Company has entered into with financing parties from time to time. In this respect, the banking facility agreement entered into with the Islamic Banking Division of Samba Financial Group on 14/05/1434H (corresponding to 26/03/2013G) contains a provision restricting the Company from distributing dividends in excess of 50% of its annual net profits without the approval of Samba Financial Group. Samba Financial Group has approved in its letter dated 17/12/2013G that this term shall automatically become inapplicable whenever the Company's shares have been listed on the Saudi Arabian Stock Exchange.

In addition, the credit facility agreement entered into with The Saudi British Bank dated 01/08/1434H (corresponding to 10/06/2013G) states that the Company shall not distribute dividends exceeding 80% of its net profits.

The Board of Directors resolved on Monday 29/01/1435H (corresponding to 02/12/2013G) to distribute dividends from the retained earnings as of 30/11/2013G to the shareholders for the financial year 2013G in a total amount equivalent to SAR 52.5 million with SAR 1 paid for each Share, representing 10% of the nominal value of the Company's share capital. In its meeting dated 8/5/1435H. (9/3/2014G), the Ordinary General Assembly approved the distribution of dividends made in relation to the 2013G financial year which amounted to SAR 52.5 million.

Below is a summary of the dividends which the Company has distributed during the last four years:



**Table 73: Historical Profits**

Saudi Arabian Riyal	2010G	2011G	2012G	2013G
Announced Distributions for the period	11,889,955	60,000,000	42,000,000	52,500,000
Distributions paid during the year	11,889,955	*26,723,416	No dividends have been distributed	94,500,000
Net Income	79,869,176	89,940,574	94,270,451	111,502,515
Percentage of dividends announced to the net income	14.9%	66.7%	44.6%	47.1%

Source: The Company

\*During 2011G, dividends equivalent to SAR 60 million were distributed and divided into cash dividends distributions with an amount of SAR 26.7 million and in-kind distributions (doubtful debts with an amount of SAR 33.3 million were redeemed and borne by the shareholders).

The Board of Directors confirms that there are no declared profits which have not been mentioned in this Prospectus.

## 8. The Use of Proceeds

The Offering gross proceeds amount is estimated to be SAR 630,000,000, of which an amount of SAR 20,000,000 shall be paid to settle all expenses related to the Offering, including the fees payable to the Financial Advisor, the Legal Advisor, the financial due diligence and feasibility study consultant, market research consultant, the Underwriter, Receiving Entities, printing and publishing expenses and other costs and expenses related to the Offering.

The Company has not paid any commissions, and has not deducted any amounts, nor has it paid any brokerage fees or other non-cash compensation to any Board member or its executive managers during the two years preceding the date of this Prospectus.

The net subscription proceeds shall be utilized after deducting the Offer expenses, which are estimated at SAR 610,000,000 as follows:

- An amount of SAR 457,500,000, representing 75% of the Offering net proceeds to finance the Al Hammadi Hospital - Al Nuzha project located in the north east of Riyadh, where an amount of SAR 402,000,000 shall be used to finance part of the construction and the purchase of medical equipment and an amount equivalent to SAR 55,500,000 shall be used to repay part of the loans utilized for the purposes of financing the project.
- SAR 152,500,000 representing 25% of the net Offering proceeds will be used for the Company's general corporate purposes.

The Company shall submit a quarterly report on the use of subscription proceeds to the CMA, and the developments on the use of subscription proceeds shall be announced to the public on a quarterly basis.

### 8 - 1 Al Hammadi Hospital - Al Nuzha (75% of the net subscription proceeds)

The Company is currently building a general hospital in Al Nuzha District in the north east of Riyadh with a capacity of 428 beds and 64 external clinics. The Company has obtained all necessary licenses for the construction of the hospital from the Ministry of Health and the Riyadh City Municipality. Also, Ernst & Young have prepared a feasibility study for the project. The following table outlines the details pertaining to the Al Hammadi Hospital - Al Nuzha Project.

**Table 74: Details of Al Hammadi Hospital - Al Nuzha Project**

Investment	Cost of Project	The percentage utilized from the net subscription proceeds	The amount from the subscription proceeds	Project start date	The quarter in which the project is expected to be completed	Loan amount
Al Hammadi Hospital - Al Nuzha	SAR 643.1 million	75%	SAR 457.5	April, 2013G	Second Quarter of 2015G	SAR 110.3

Source: The Company and Al Hammadi Hospital–Al Nuzha project feasibility study prepared by Ernst & Young.

It is worth noting that the expected cost of the project as outlined in the feasibility study prepared by Ernst & Young is SAR 663 million. This cost has been determined based on the forecasts of the Company's management at the end of 2012G. This cost has been updated by the management in the fourth quarter of 2013G to become as stated in the table above.

The construction works in the project commenced in the second quarter of 2013G, and the project is expected to be completed in the end of the second quarter of 2015G. The main hospital building consists of 6 levels above ground level and 2 floors below ground level. The total estimated surface area of the hospital is estimated to be around 84,000 square meters including the multi-level car park with a capacity of 770 cars.

- Basement: the basement shall consist of the central disinfecting department, the wash room, the medical records room and the administrative and appointment offices.
- Lower Ground Floor: this floor shall consist of the emergency department, kitchen, central pharmacy, physiotherapy and laboratory.
- Ground Floor: this floor shall consist of external clinics, radiology and the external clinics' pharmacy.
- Level One: this floor shall consist of operating theatres, adult intensive care, delivery rooms, lithotripsy





- and dialysis rooms, catheterization and endoscopy department.
- Level Two: this floor shall consist of lecture theatres, and patient rooms and suites.
- Level Three: this floor shall consist of the neonatal and children intensive care units, patient rooms and suites.
- Level Four: this floor shall consist of the nursery and patient rooms and suites.
- Level Five: this floor shall consist of patient rooms and suites.

#### 8 - 1 - 1 Ownership Structure

Al Hammadi Hospital - Al Nuzha was established as a branch of the Company, registered with the Ministry of Commerce and Industry under no. 1010374270 dated 2/7/1434 H (corresponding to 12/5/2013G).

#### 8 - 1 - 2 Commencing Construction Works

Construction of the Al Hammadi Hospital - Al Nuzha commenced in the second quarter of 2013G, and is expected to be completed in the second quarter of 2015G. Operations in all departments of the hospital are expected to start in the third quarter of 2015G and to gradually reach full operational level of its beds by end of 2016G. At the date of this Prospectus, the implementation of the construction works is going according to the determined timetable.

#### 8 - 1 - 3 Regulatory Approvals

The Ministry of Health has approved the design and approved the plans and a construction license has been obtained from the Riyadh Municipality (for more details, please refer to section 11 of this Prospectus “**Legal Information**”).

#### 8 - 1 - 4 Cost of the Project

The following table outlines the total cost of the project:

**Table 75: An Analysis of the Anticipated Cost of Al Hammadi Hospital - Al Nuzha Project**

Figures shown in millions of Saudi Arabian Riyals	Expected Cost
Land	66.7
Building	428.0
Medical Equipment	132.0
Furniture	11.4
Vehicles	5.0
<b>Total Cost</b>	<b>643.1</b>

Source: The Company and the Al Hammadi Hospital - Al Nuzha feasibility study prepared by Ernst & Young.

#### 8 - 1 - 5 Financing Structure

An amount of SAR 75.3 million has been financed from the operations of the Company for the purposes of purchasing and preparing the land on which the project is built. An amount of SAR 110.3 million shall be financed through commercial loans and the remaining amount of SAR 457.5 million which is necessary for the completion of the project shall be financed through the subscription proceeds. An amount of SAR 55.5 shall be repaid from the project related loans so that the final financing structure shall become as outlined in the table below:

**Table 76: The financing structure of Al Hammadi Hospital–Al Nuzha**

All figures are in millions of Saudi Arabian Riyals			
Costs		Sources of Financing	
Al Hammadi Hospital - Al Nuzha	643.1	Net Offering Proceeds	457.5
		Company's Operations	75.3
		Commercial Loans	110.3
<b>Total Cost</b>	<b>643.1</b>	<b>Total Financing</b>	<b>643.1</b>

Source: The Company

Based on the economic feasibility study related to the project, Al Hammadi Hospital - Al Nuzha is expected to commence its operations in the third quarter of 2015G.

**Table 77: Quarterly Cost Plan of Al Hammadi Hospital - Al Nuzha**

Figures are in millions of Saudi Arabian Riyals													
	First Year				Second Year				Third Year				Total
	Q. 1 Q. 3 2012G	Q. 2 Q. 4 2012G	Q. 3 Q. 1 2013G	Q. 4 Q. 2 2013G	Q. 1 Q. 3 2013G	Q. 2 Q. 4 2013G	Q. 3 Q. 1 2014G	Q. 4 Q. 2 2014G	Q. 1 Q. 3 2014G	Q. 2 Q. 4 2014G	Q. 3 Q. 1 2015G	Q. 4 Q. 2 2015G	
Land	66.7	-	-	-	-	-	-	-	-	-	-	-	66.7
Building	-	10.0	51.7	53.1	29.8	29.8	49.3	49.3	49.2	49.2	50.6	6.0	428.0
Medical Equipment	-	-	-	-	-	-	18.0	18.0	24.1	24.1	24.1	23.7	132.0
Furniture	-	-	-	-	-	-	-	-	2.9	2.9	2.8	2.8	11.4
Vehicles	-	-	-	-	-	-	-	-	-	1.7	1.7	1.6	5.0
<b>Total</b>	<b>66.7</b>	<b>10.0</b>	<b>51.7</b>	<b>53.1</b>	<b>29.8</b>	<b>29.8</b>	<b>67.3</b>	<b>67.3</b>	<b>76.2</b>	<b>77.9</b>	<b>79.2</b>	<b>34.1</b>	<b>643.1</b>

Source: The Company and Al Hammadi Hospital - Al Nuzha feasibility study prepared by Ernst & Young.

**Table 78: Actual Cost of Al Hammadi Hospital - Al Nuzha**

All numbers are in millions of Saudi Arabian Riyals								
	First Year		Second Year					Total
	Q. 1	Q. 2	Q. 3	Q. 4	Q. 1	Q. 2	Q. 3	
	Q. 3 2012G	Q. 4 2012G	Q. 1 2013G	Q. 2 2013G	Q. 3 2013G	Q. 4 2013G	Q. 1 2014G	
Land	66.7	-	-	-	-	-	-	66.7
Building	-	7.0	-	40.0	30.0	84.0	59.5	220.5
Medical Equipment	-	-	-	-	-	-	-	-
Furniture	-	-	-	-	-	-	-	-



All numbers are in millions of Saudi Arabian Riyals								
	First Year		Second Year					Total
	Q. 1	Q. 2	Q. 3	Q. 4	Q. 1	Q. 2	Q. 3	
	Q. 3 2012G	Q. 4 2012G	Q. 1 2013G.	Q. 2 2013G	Q. 3 2013G	Q. 4 2013G	Q. 1 2014G	
Vehicles	-	-	-	-	-	-	-	-
<b>Total</b>	<b>66.7</b>	<b>7.0</b>	<b>-</b>	<b>40.0</b>	<b>30.0</b>	<b>84.0</b>	<b>59.5</b>	<b>287.2</b>

Source: The Company

**Table 79: Quarterly Financing Plan of Al Hammadi Hospital - Al Nuzha Project**

Figures are in millions of Saudi Arabian Riyals													
	First Year				Second Year				Third Year				Total
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	
	Q 3	Q.4 2012G	Q. 1 2013G	Q. 2 2013G	Q. 3 2013G	Q. 4 2013G	Q. 1 2014G	Q. 2 2014G	Q. 3 2014G	Q. 4 2014G	Q. 1 2015G	Q. 2 2015G	
Company's Operations	66.7	8.6	-	-	-	-	-	-	-	-	-	-	75.3
Commercial Loans	-	1.4	51.7	53.1	29.8	29.8	-	-	(55.5)	-	-	-	110.3
Net Subscription Proceeds	-	-	-	-	-	-	67.3*	67.3*	131.7	77.9	79.2	34.1	457.5
<b>Total</b>	<b>66.7</b>	<b>10.0</b>	<b>51.7</b>	<b>53.1</b>	<b>29.8</b>	<b>29.8</b>	<b>67.3</b>	<b>67.3</b>	<b>76.2</b>	<b>77.9</b>	<b>79.2</b>	<b>34.1</b>	<b>643.1</b>

Source: The Company and Al Hammadi Hospital - Al Nuzha feasibility study prepared by Ernst & Young.

\* Delayed payments agreed with the contractor will be settled in the third quarter of 2014G from the subscription proceeds

**Table 80: Actual Financing of Al Hammadi Hospital - Al Nuzha project**

All numbers are in millions of Saudi Arabian Riyals								
	First Year				Second Year			Total
	Q. 1	Q. 2	Q. 3	Q. 4	Q. 1	Q. 2	Q. 3	
	Q. 3 2012G	Q.4 2012G	Q. 1 2013G	Q. 2 2013G	Q. 3 2013G	Q. 4 2013G	Q. 1 2014G	
Company's Operations	66.7	7.0	-	1.6	-	-	13.6	88.9
Commercial Loans	-	-	-	38.4	30.0	84.0	45.9	198.3
Net Subscription Proceeds	-	-	-	-	-	-	-	-
<b>Total</b>	<b>66.7</b>	<b>7.0</b>	<b>-</b>	<b>40.0</b>	<b>30.0</b>	<b>84.0</b>	<b>59.5</b>	<b>287.2</b>

Source: The Company and Al Hammadi Hospital - Al Nuzha feasibility study prepared by Ernst & Young.



## 9. Statements by Experts

The consent of the Financial Advisor, the legal Advisor, the Auditor, the due diligence and feasibility study advisor and the market and sector research consultant pertaining to the publication of their names and their logos, in the form and wording used in this Prospectus, has been obtained and has not been withdrawn. The mentioned advisors do not themselves, or any of their employees or relatives, have any shareholding or interest of any kind in the Company.



## 10. Declarations

The Directors of the Company declare the following:

There has not been any interruption in the business of the Company, which may have or has had a significant effect on the financial position of the Company in the last 12 months.

There has not been any commission, discount, brokerage or other non-cash compensations granted within the three years immediately preceding the application for registration and admission to the listing in connection with the issue or offer of any securities by the Company.

There has not been any material adverse change in the financial or trading position of the Company in the three financial years preceding the application for registration and admission to listing and during the period from the end of the period covered in the external auditors report up to and including the date of approval of this Prospectus.

Other than what is mentioned on page (62) of this Prospectus, the Directors do not have any shareholding or interest of any kind in the Company, and nor does any relative of theirs.

- They do not compete with any of the Company's business and that they will comply with such statutory requirement in the future in accordance with Article 70 of the Companies Regulations and Article 18 of the Corporate Governance Regulation.
- None of the Substantial Shareholders of the Company listed in section " Offer Summary" of this Prospectus, nor any of shareholders, Al Jawhara Ibrahim Abdullah bin Aoun, or Hind Fahad Al Dakheel, owns or manages a business that competes with the current business of the Company, being the establishment, ownership and management of hospitals.
- All Related Party transactions in the future will be made on competitive basis and all contracts with Related Parties will be voted on in the meetings of the Board and the Ordinary General Assembly with the relevant Board member who has a direct or indirect interest in the contracts being voted on in Board meeting or the General Assembly refraining from voting in accordance with Article 69 of the Companies Regulations and Article 18 of the Corporate Governance Regulation..

## 11. Legal Information

### 11 - 1 The Company

Al Hammadi Company for Development and Investment is a Saudi joint stock company established pursuant to Ministerial Resolution Number 316/q on 16/9/1429H (corresponding to 16/9/2008G) under Commercial Register Number 1010196714 dated 23/2/1425H (corresponding to 13/4/2004G) ending on 23/2/1438H (corresponding to 24/11/2016G).

The Company was initially established as sole proprietorship owned by Mr. Saleh Mohammad Al Hammadi, where it was registered under Commercial Register Number 1010060944 dated 21/2/1406H (corresponding to 5/11/1985G). On 25/1/1425H (corresponding to 16/3/2004G) the Company was converted into a limited liability company under the name "Al Hammadi Hospital Company" with a capital of SAR 50,000,000. On 13/6/1429H (corresponding to 17/6/2008G), the shareholders at Al Hammadi Hospital Company resolved to convert the Company into a Saudi joint stock company under the name "Al Hammadi Company for Development and Investment" with a share capital of SAR 300,000,000 by capitalizing the amount of Saudi Riyals one hundred and eighty million seven hundred and seventy nine thousand and seven hundred and ninety two (SAR 180,779,792) from the retained earnings account, Saudi Riyals twenty million eighty six thousand and six hundred and forty three (SAR 20,086,643) from the statutory reserve account, and Saudi Riyals forty nine million, one hundred and thirty three thousand and five hundred and sixty five SAR (49,133,565) from the shareholders' current account. His Excellency the Minister of Commerce and Industry issued the Ministerial Resolution Number 316/q on 16/9/1429H (corresponding to 16/9/2008G) declaring the conversion of the Company to a joint stock company. Thereafter, on 19/7/1433H (corresponding to 6/9/2012G), the Company increased its share capital to Saudi Riyals four hundred twenty million Riyals by capitalizing SAR 120,000,000 one hundred twenty million (SAR 420,000,000) from the retained earnings.

On 8/8/1434H (corresponding to 17/6/2013G), the Company increased its share capital to Saudi Riyals five hundred twenty five million (SAR 525,000,000) divided into fifty two million and five hundred thousand (52,500,000) shares, each with a nominal value of Saudi Riyals ten (SAR 10), where the additional amount of Saudi Riyals one hundred and five million (SAR 105,000,000) was covered by capitalising Saudi Riyals seventy two million (SAR 72,000,000) from the retained earnings account and Saudi Riyals thirty three million (SAR 33,000,000) from the statutory reserve account.

### 11 - 2 Shareholding Structure

The following table describes the shareholding and share capital structure of the Company before and after the Offer:

**Table 81: Company's share Capital Structure before and after the Offer**

Shareholders	Type	Before the Offer			After the Offer		
		Shares	Share Capital (SAR)	%	Shares	Share Capital (SAR)	%
Saleh Bin Mohammad Al Hammadi	Shareholder	7,500,000	75,000,000	14.29%	7,500,000	75,000,000	10.00%
Abdulaziz Bin Mohammad Al Hammadi	Shareholder	7,500,000	75,000,000	14.29%	7,500,000	75,000,000	10.00%
Mohammad Bin Saleh Al Hammadi	Shareholder	3,675,000	36,750,000	7%	3,675,000	36,750,000	4.90%
Abdulaziz Bin Saleh Al Hammadi	Shareholder	3,675,000	36,750,000	7%	3,675,000	36,750,000	4.90%
Mohammad Bin Abdulaziz Al Hammadi	Shareholder	3,675,000	36,750,000	7%	3,675,000	36,750,000	4.90%
Hind Fahad Al Dakheel	Shareholder	1,987,625	19,876,250	3.79%	1,987,625	19,876,250	2.65%
Faisal Bin Abdulaziz Al Hammadi	Shareholder	3,675,000	36,750,000	7%	3,675,000	36,750,000	4.90%



Shareholders	Type	Before the Offer			After the Offer		
		Shares	Share Capital (SAR)	%	Shares	Share Capital (SAR)	%
Ibrahim Mansour Al Rajihi	Shareholder	945,000	9,450,000	1.8%	945,000	9,450,000	1.26%
Turki Ibrahim Mansour Al Rajihi	Shareholder	1,748,750	17,487,500	3.33%	1,748,750	17,487,500	2.33%
Jadwa Healthcare Opportunities Company	Shareholder (represented in the Board of Directors by two seats)	15,750,000	157,500,000	30%	15,750,000	157,500,000	21.00%
Al Jawhara Ibrahim Abdullah bin Aoun	shareholder	2,367,375	23,673,750	4.50%	2,367,375	23,673,750	3.16%
Sami Abdullah Dakhil-Allah Al Saeed	Member	1,250	12,500	0.002%	1,250	12,500	0.002%
Public	-	-	-	-	22,500,000	225,000,000	30%
<b>Total</b>	<b>-</b>	<b>52,500,000</b>	<b>52,500,000</b>	<b>100%</b>	<b>75,000,000</b>	<b>750,000,000</b>	<b>100%</b>

Source: The Company

The Members of the Board of Directors confirm that the Company's share capital is not subject to any pledge or pre-emption right or is subject to any option.

### 11 - 3 Subsidiaries and Branches

The Company has (4) four wholly-owned registered branches pursuant to sub-certificates of commercial registration issued by the Ministry of Commerce and Industry, as follows:

**Table 82: Company's Branches**

#	Name	Number	Issuance date
1	Al Hammadi Company for Development and Investment Branch (a closed Joint Stock Company) – Al Hammadi Hospital - Al Olaya	1010263026	27/2/1430H (corresponding to 22/2/2009G)
2	Al Hammadi Company for Development and Investment Branch (a closed joint stock company) – Al Hammadi Hospital - Al Suweidi	1010374269	2/7/1434H (corresponding 12/5/2013G)
3	Al Hammadi Company for Development and Investment Branch (a closed joint stock company) – Al Hammadi Hospital - Al Nuzha	1010374270	2/7/1434H (corresponding to 12/5/2013G)
4	Al Hammadi Company for Development and Investment Branch (a closed joint stock company) – Al Hammadi Maintenance and Operation (branch)	1010374273	2/7/1434H (corresponding to 12/5/2013G)

Source: The Company

The Company has no current subsidiaries inside or outside the Kingdom.

### 11 - 4 Main Licenses and Approvals

The Board of Directors declares that the Company has obtained all main licenses and approvals required to carry out its business. Below are the main licences and approvals obtained by the Company:

**Table 83: Main Licenses and Approvals**

License type	Purpose	License Number	Expiration Date	Issuing Authority
Ministry of Health Certificate (Al Hammadi Hospital - Al Olaya)	Private hospital permit	14-101-010-012-0008	2/11/1436H (corresponding to 17/8/2015G)	The Ministry of Health
Approval of Initial Stage Requirements for the establishment of a private health institution (Al Hammadi Hospital - Al Suweidi)	Initial written approval	00035-097-010-101-014	7/8/1435H (corresponding to 6/6/2014G)	The Ministry of Health
Approval of Initial Stage Requirements for the establishment of a private health institution (Al Hammadi Hospital - Al Nuzha)	Initial written approval	00011-097-010-101-014	22/12/1435H (corresponding to 16/10/2014G).	The Ministry of Health
The Council of Cooperative Health Insurance (Al Hammadi Hospital - Al Olaya)	Healthcare provider accreditation certificate	1125	29/11/1435H (corresponding to 24/9/2014G)	The Council of Cooperative Health Insurance
Accreditation Certificate of the Central Board of Accreditation for Health Institutions	Accreditation certificate confirming that Al Hammadi Hospital - Al Olaya has passed the evaluation process and has succeeded in applying national quality standards for hospitals.	-	19/1/1436H (corresponding to 19/1/1436G).	Accreditation certificate of the Central Board for Accreditation of Health Institutions.
Hospital Construction License	Construction license for Al Hammadi Hospital - Al Suweidi	1433/1402	23/1/1436H (corresponding to 12/11/2014G).	Riyadh Municipality
Hospital Construction License	Construction license for Al Hammadi Hospital - Al Nuzha	1434/14084	5/7/1437H (corresponding to 13/4/2016G)	Riyadh Municipality
Civil Defence Permit	Civil Defence Permit for Al Hammadi Hospital - Al Olaya	395	2/1/1436H (corresponding to 26/10/2014G)	Civil Defence
Expatriate Visa Permit Medical Tests	Undertaking medical tests on expatriate employees and nutrition employees and issuing the required medical reports for the Immigration Department and the Environmental Health Department at the Riyadh Municipality.	014101101200008	2/11/1436H (corresponding to 17/8/2015G)	Ministry of Health

Source: The Company

Since the construction work of Al Hammadi Hospital – Al Suweidi has been completed, the Company has proceeded with carrying out the required procedures to obtain a final license from the Ministry of Health to operate the said hospital. Once this license has been obtained, the Company will then apply for a healthcare service provider accreditation certificate from the Council of Cooperative Health Insurance and an accreditation certificate from the Central Board of Accreditation for Health Institutions following the actual start of operation of the hospital.





## **11 - 5 Summary of the Company's By-Laws**

### **Company Name:**

The name of the Company is Al Hammadi Company for Development and Investment (a Saudi closed joint stock company).

### **Objectives of the Company:**

- Wholesale and retail of medical equipment, appliances and medicine;
- Wholesale and retail of food products;
- Commercial agencies;
- Purchase or lease of lands for the purpose of carrying out constructions thereon, and their sale or lease for the benefit of the Company;
- Establishment or participating in the establishment of various industrial projects;
- Establishment, maintenance, and operation of medical centres and hospitals;
- Establishment and management of health academies, schools, colleges and universities;
- Establishment of, investment in, operation and maintenance of touristic entertainment facilities and projects;
- Establishment, operation and maintenance of commercial centres; and
- Building contracting and maintenance.

The Company shall perform its activities after obtaining the necessary licenses from the relevant authorities.

### **Equity:**

The Company may have interests in or participate in any way with all bodies and companies performing similar or complementary activities, or companies which may assist the Company in fulfilling its objectives. The Company may also own shares in, merge with and acquire such companies.

The Company may acquire an interest in or be affiliated in any form with any other type of company, provided that it does not exceed 20% of its available reserves and 10% of the share capital of the company in which it acquires an interest, that all such contributions do not exceed the value of such reserves, and that the Ordinary General Assembly is notified of the same in its first meeting.

(However, the Company may not perform any activities pertaining to insurance, savings, banking or financial consultancy and may not conduct economic feasibility studies or invest or employ any monies received from third parties).

### **Headquarters:**

The Company's headquarter is located in the city of Riyadh in the Kingdom of Saudi Arabia. The Board of Directors is permitted to establish branches, offices or agencies of the Company inside or outside the Kingdom of Saudi Arabia. The headquarters may not be relocated to another city unless a resolution of the Extraordinary General Assembly is passed in this regard and based on a resolution by the Board of Directors and subject to the approval of the relevant authorities.

### **Term:**

The term of the Company shall be ninety nine (99) Gregorian years commencing from the date of issue of the resolution of the Minister of Commerce and Industry announcing the Company's conversion to a public shareholding company. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiration of its term.

### **Share Capital:**

The Company's nominal issued and paid up capital is SAR 525,000,000, divided into 52,500,000 shares, each with a nominal value of SAR 10, all of which are ordinary shares.<sup>9</sup>

### **Shareholders:**

The Shareholders have fully subscribed to all the shares amounting to (52,500,000) fifty two million and five hundred thousand shares, and have paid their value up in full.<sup>10</sup>

### **Payment of the value of the shares:**

Should any shareholder fail to pay up the value of the Shares on the designated dates, the Board of Directors may send a written notice to such shareholder at his address, as stated in the shareholders' register, following which the Company may sell the shares in question at a public auction. Notwithstanding, the defaulting shareholder may, up until the date of the public auction, pay the outstanding amount along with all the expenses incurred by the Company. The Company shall recover from the sale proceeds the amounts due to it, and shall refund the balance to the shareholder. Should the sale proceeds be insufficient to cover the Company's dues, then the Company may recover the entire amount due from all the shareholder's other assets. In such case, the Company shall cancel the sold share and shall give the purchaser a new share bearing the same number of the cancelled share. The same shall be recorded in the Shareholders' Register.

### **Nominal Value of the share:**

The Shares shall be issued at a nominal value and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the Share, and they shall be jointly responsible for the obligations arising from the ownership of that Share.

### **Trading of Shares:**

All the Shares are tradable after the issuance of their certificate, with the exception of shares for in-kind contributions or cash shares subscribed for by the Founding Shareholders, as well as shareholders' shares in the Company, which shall not be negotiable before the publication of the balance sheet and the profit and loss statement for two complete financial years, each consisting of at least twelve months from the date of the Ministerial resolution approving the conversion of the Company or after the approval of the CMA. These provisions shall apply to what the shareholders subscribe to in case of an increase of the Capital before the end of the lock-up period, in relation to the remaining time of such period. Such certificates shall include the type, date of the Company's conversion to a Joint Stock Company and the period of prohibition of trading. Nonetheless, it is permitted to transfer the ownership of the Shares during the lock-up period in accordance with the provisions of sale from one shareholder to another or to a Director as security for management or from the heirs of one shareholder in the event of his death to one or more of the remaining shareholders.

### **The Shareholders' Registry:**

Nominal shares shall be traded by being recorded in the Shareholders' Register, which shall contain the names of the shareholders, their nationalities, occupations, domiciles and addresses, the serial numbers of the Shares and the value paid-up on of the Shares. An annotation of such recording shall be made on the share certificates. The transfer of title to a Share shall not be effective vis-à-vis the Company or any third party except from the

<sup>9</sup> Note: This paragraph represents the current text of Article 7 of the Company's By-laws. The Extraordinary General Assembly approved the amendment of this Article 7 at its meeting held on 08/05/1435H (corresponding to 03/09/2014G) for the Company's share capital to become SAR 750,000,000 divided into 75,000,000 shares. The procedures for publication of the said amendment in the Official Gazette (Umm Al Qura) will be completed and the amendment of the By-laws will be filed with the Ministry of Commerce and Industry after the completion of the Offering.

<sup>10</sup> Note: This paragraph represents the current text of Article 8 of the Company's By-laws. The Extraordinary General Assembly approved the amendment of this Article 8 at its meeting held on 08/05/1435H (corresponding to 03/09/2014G) to provide that shareholders in the Company have subscribed to the Company's shares amounting to 75,000,000 shares and that they have paid the value of such shares in full. The procedures for the publication of the said amendment in the Official Gazette (Umm Al Qura) will be completed and the amendment of the By-laws will be filed with the Ministry of Commerce and Industry after the completion of the Offering.



date of such recording in the mentioned Register or the completion of the transfer procedures through the Shares Information Computerized System.

The subscription and ownership of the Shares by a shareholder shall indicate the acceptance by that shareholder of the Company's By-laws and his submission to the resolutions duly passed by the General Assembly of the shareholders in accordance with the Company's By-laws, whether the shareholder was present or absent from such meeting and whether the shareholder agreed to such resolutions or objected to them.

### **Share Certificates:**

The Company shall issue share certificates with serial numbers signed by the Chairman of the Board of Directors or whomever he shall delegate, and the certificates shall be sealed with the Company's stamp. The share certificate shall include, specifically, the number and date of the Ministerial Resolution announcing the Company's conversion to a joint stock company, the share capital value, the number of shares, the nominal value of the shares, the paid-up amount of such value, the summary objectives of the Company, the Company's headquarters and its term. The Shares may have coupons with serial numbers including the number of the Share.

### **Increase of Capital:**

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the Extraordinary General Assembly may adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the initial capital shall have been paid in full, with due consideration to the requirements of the Companies Law. The said resolution shall specify the mode of increasing the capital, and the shareholders shall have pre-emptive rights to subscribe in the new cash shares. The shareholders shall be notified of the pre-emptive rights vested in them by notice to be published in a daily newspaper or by virtue of registered mail addressing the increase of capital resolution and the conditions of subscription. Each shareholder shall express the desire to exercise such pre-emptive rights, if he so wishes, within fifteen (15) days of the publication of such notice or of receipt of such notice by registered mail.

The said new shares shall be allotted to the original shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription.

### **Reduction of Capital**

The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the Extraordinary General Assembly, and requires approval of the Minister of Commerce and Industry. Such resolution shall be issued pursuant to the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

### **Preferred Shares:**

The Company may issue, subject to the approval of, and based on the principles determined by, the Minister of Trade and Industry, preferred shares with no voting rights, provided that the value of such shares shall not exceed fifty per cent (50%) of the Company's share capital. The preferred shares grant holders the following rights:

- (a) The right to receive a percentage of the net profits of the Company of not less than five per cent (5%) of their nominal value after an allotment is made to the statutory reserve and before any distribution of dividends.
- (b) The priority to receive the value of the shares upon liquidation of the Company and to receive a percentage of the liquidation proceeds in accordance with the principles determined by the Minister of Trade and Industry.

The Company may purchase these shares based on the principles determined by the Minister of Trade and Industry, and such shares shall not be counted towards the quorum required to convene the General Assembly meeting of the shareholders mentioned in the Company's By-laws.

### **Constitution of the Board of Directors:**

The Company shall be managed by a Board of Directors consisting of nine (9) members to be appointed by the Ordinary General Assembly for a term not exceeding three (3) years. The Company's first Board of Directors shall be appointed for a term of five (5) years as of the date of the Ministerial Resolution announcing the conversion of the Company.

### **Qualification Shares:**

Each member of the Board of Directors shall be a holder of a number of the Company's shares having a nominal value of no less than ten thousand Saudi Riyals (SAR 10,000). Such shares shall be deposited in a bank designated by the Minister of Commerce and Industry within thirty (30) days from the date of the appointment of the director. Such shares shall be kept aside to guarantee the liability of the Board of Directors members and shall remain non-tradable until the expiry of the period specified for hearing the liability action provided for under Article 76 of the Companies Law or until a judgment is passed on the said action. Should a member of the Board of Directors fail to submit such qualification shares within the period specified thereof, his membership in the Board of Directors shall be deemed null and void. The Auditor shall investigate the Board members' compliance with the provisions of this Article and shall report any violation of the same to the General Assembly.

### **Membership of the Board:**

A Board member's membership of the Board shall terminate upon the expiration of its designated term or upon resignation, death or the expiration of the member's term or if he becomes bankrupt or makes any arrangement or compounds with his creditors under any law or regulations prevailing in Saudi Arabia. If the post of Board member becomes vacant, the Board may appoint a temporary member replacing him, provided that such appointment shall be laid before the next immediate Ordinary General Assembly. The term of office of the new member designated to fill a vacancy shall only extend to the term of office of his predecessor.

If the number of the members of the Board of Directors falls below the quorum required for the proper convening of the Board meetings, the General Assembly shall be called for an Ordinary Meeting as soon as possible in order to appoint the necessary number of Board members.

### **Powers of the Board of Directors**

Subject to the powers reserved for the Ordinary General Assembly, the Board of Directors shall have the widest authority in managing the affairs and business of the Company within and outside the Kingdom of Saudi Arabia, including but not limited to, the authority to:

Represent the Company in its relationship with others and before all Governmental authorities, Shari'ah Courts, judicial committees, the Board of Grievances, the Labour Offices, the Primary and Supreme Labour Committees, the Committee for the Resolution of Securities Disputes, and all other courts of law and judicial bodies, Boards of Arbitration, the Directorate of Civil Rights, Police Departments, Chambers of Commerce and Industry, Special Authorities, establishments, and firms with their different types and at their various levels. This may also include, without limitation, entering into tenders, receiving, paying, declaring, claiming, disclaiming, replying to claims, defending, pleading, disputing, litigating, releasing, accepting or rejecting reconciliation and arbitration rulings on behalf of the Company, as well as asking for or challenging the implementation



of rulings, and receiving the outcome of implementation, and requesting the amendments of deeds. The Board is entitled to establish companies and to sign all contracts agreements, and documents, including without limitation, the Articles of Association of the companies established by the Company or Articles of Association of the companies that the Company holds shares in, along with all the amendments to these Articles of Association, appendixes, and all partners' resolutions, to sign before the Department of Companies at the Ministry of Commerce and Industry and the Notary Public, to incorporate amendments, additions, deletions, and obtain, renew, receive and cancel the commercial registration certificates, to amend the names of the companies and to register trademarks. The Board may grant loans to its subsidiaries, and guarantee its loans, and pledge fixed and movable assets in order to guarantee the Company's loans and the loans granted to its subsidiaries, in accordance with the guidelines set in relation to the Board's authority to transfer title of the Company's assets, to sign agreements and deeds before the Notary Public and official entities, and loan agreements and letters of guarantee. The Board of Directors has the power to waive the priority right to collect its debts and to release debtors from their obligations, in accordance with the guidelines set in relation thereto and to authorize or grant official powers of attorney on behalf of the Company. The Board has the power to sell and purchase real estate, lands, companies' shares, and other properties whether movable or fixed assets, to transfer their title and to receive and collect monies in any manner that the Board deems appropriate, to receive and deliver, to lease and rent and to collect and submit payments. The Board has the power to open bank accounts, to deposit and withdraw monies, to obtain loans from banks and to issue bank guarantees and execute all papers, documents, instruments, cheques and all bank transactions, and to invest in local and international markets. The Board may grant loans to companies and persons, and may grant remunerations. The Board may appoint lawyers, auditors and certified accountants and hire and dismiss manpower and employees of the Company and request working visas, determine wages, recruit manpower from abroad, sign employment contracts, determine employees' salaries and service benefits, request issuance of residence authorization cards, transfer sponsorships and grant releases to such sponsorships. The Board may also engage in loans with financial institutions and governmental funds and engage in commercial loans not exceeding the terms of the Company in accordance with the following guidelines:

For loans having terms exceeding three (3) years:

- The Board shall ensure that the value of the loans granted during the Company's financial year do not exceed 100% of the Company's capital; The Board shall specify in its resolution the method of utilization and repayment of such loans; and <sup>11</sup>
- The Board shall ensure that the conditions of loans and the guarantees provided do not harm the interests of the Company, its shareholders or the general guarantees of the creditors.

The Board of Directors may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake a specific function or functions, and revoke such delegations in whole or in part.

### **Remuneration of the Board of Directors:**

Remuneration of the members of the Board of Directors, if any, shall be determined at Ordinary General Meetings in accordance with the resolutions and instructions issued in that regard, within the limits of the provisions of the Companies Regulations and the laws or regulations complementary thereto. Directors may, in addition, be paid an attendance and transportation allowance as determined by the Board of Directors and the regulations and decisions issued by the competent authorities in the Kingdom of Saudi Arabia in this respect. The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the fiscal year: salaries, share in profits, attendance allowances, expenses and other benefits. It shall also contain a statement of payments made in consideration for technical, administrative or consultancy assignments carried out by the Board's members, which assignments have been approved by the Company's General Assembly.

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<sup>11</sup> Note: Article 20 of the By-laws includes the powers of the Board of Directors. The Extraordinary General Assembly, at a meeting held on 05/08/1435H (corresponding to 09/03/2014G) approved the amendment of the text of this Article, to provide that the percentage of loans that the Board may enter into during a financial year may equal 100% of shareholders' equity, rather than 100% of the Company's share capital. Such procedures will be publication procedures of the said amendment in the Official Gazette (Umm Al Qora) and the amendment of the By-laws will be filed with the Ministry of Commerce and Industry following the completion of the Offering.

### **The Chairman and the Managing Director:**

The Board of Directors shall appoint one of his members as Chairman. The Chairman shall have the following powers:

- A- Sending out invitations for Board of Directors and General Assembly meetings.
- B- Presiding over Board of Directors and General Assembly meetings.
- C- Representing the Company before official forums and media entities.
- D- In the event of a deadlock, holding the casting vote.
- E- All other powers delegated to the Chairman by the Board of Directors.

The Board of Directors may choose one of its members to be a Managing Director who represents the Company before third parties, before all other governmental and private entities, before the Shari'ah Courts and Judicial bodies, before the Board of Grievances and all other judicial entities within or outside of the Kingdom of Saudi Arabia. Further, he shall have all other authorities vested in him by the Board of Directors, and he shall be able to delegate such authorities to others. It is not permissible for one person to be both the Chairman and the Managing Director at the same time. The Managing Director shall be first Executive Director of the Company.

The Board of Directors shall determine the Managing Director's special remuneration, along with the remuneration of the members of the Board of Directors, as determined in the Company's By-laws.

The Board of Directors shall appoint one of the members or any other person to be the Secretary of the Board, whose powers and remuneration shall be determined through a Board of Directors' resolution.

The Chairman, Managing Director and the Board Secretary shall not exceed their respective term of service as Directors, but their term may always be renewed.

### **Invitation to the Board of Directors' meetings:**

The Board of Directors shall be convened upon a call by the Chairman. Such call shall be made in writing and delivered by hand, mail, fax or email 15 days prior to the date of the meeting along with the Meeting Agenda. The Chairman of the Board of Directors shall call for a meeting if so requested by any two (2) members of the Board of Directors. It is permissible to waive the notification right for any meeting pursuant to a waiver signed by each Director or his proxy.

### **Quorum and Resolutions of the Board:**

A Board of Directors meeting shall be valid only if attended in person by the majority of the Board members. In the event that a member of the Board of Directors gives a proxy to another member to attend the Board of Directors meetings on his behalf, then such proxy shall be granted in accordance with the following:

1. A member of the Board of Directors may not act on behalf of more than one Board member in attending the same meeting.
2. A proxy shall be made in writing.
3. A Board member acting by proxy may not vote on resolutions on which the appointing Director is prohibited from voting under the law.

The Board of Directors' resolutions shall be adopted with the approval of the majority vote of the members attending the meeting.

### **Minutes of Meeting:**

The Board of Directors' deliberations and resolutions shall be drawn in minutes to be distributed to all members and which shall be signed by the Chairman of the Board of Directors and the Secretary, after being ratified by the Board. Such minutes shall be recorded in a special register to be signed by the Chairman of the Board of Directors and the Secretary.





**Committees:**

The Board of Directors may form committees either from among members or others, depending on the needs and requirements of the Company. The Board shall appoint a president from each committee. The Board shall also determine the committees' method of operations, authorities, number of members and quorum for its meetings. The committees shall exercise the powers vested in it by the Board of Directors in accordance with the Board's Instructions and Guidelines. The committees are not allowed to annul or cancel any of the Board's resolutions and guidelines.

**Conflict of Interest:**

A Director must notify the Board, as appropriate, should he have a direct or indirect interest in any business matter or contract rendered to the account of the Company. Such notification must be stated in the Board or Company's minutes, as appropriate. The conflicted Director shall not take part in the voting on that particular issue.

**General Assembly**

A General Assembly duly convened shall be deemed to represent all the shareholders, and shall be held in the city where the Company's head office is located.

Each Founding Shareholder shall have the right to attend the Constituent General Assembly whether in person or by proxy. Each shareholder owning twenty (20) or more shares shall have the right to attend the General Assembly. Each shareholder may authorize another shareholder, other than the members of the Board of Directors or employees of the Company, to attend the General Assembly on his/its behalf.

**Ordinary General Assembly**

Except for matters falling within the jurisdiction of an Extraordinary General Assembly, an Ordinary General Assembly shall have authority in respect of in all matters related to the Company and shall be convened at least once a year, occurring during the first six (6) months following the end of the Company's fiscal year. Other Ordinary General Assembly meetings may be called where necessary.

**Extraordinary General Assembly**

An Extraordinary General Assembly of shareholders shall be competent to amend the provisions of the Bylaws of the Company, except for those provisions, the amendment of which is prohibited by law. Furthermore, an Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

**Invitation of the General Assembly**

The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditor or by shareholders representing at least five percent (5%) of the Company's capital and being not less than 3 shareholders in number. The notice shall be published in the Official Gazette and in a daily newspaper circulated in the city in which the Company's head office is located at least twenty five (25) days prior to the time set for such meeting. The notice shall include the agenda of the meeting. The notice may be sent via registered mail to the postal address determined by the shareholder. A copy of the notice and the agenda shall be sent, within the period set for publication, to the Companies Department at the Ministry of Commerce and Industry.

**Shareholders' Attendance Sheet**

An attendance sheet of the present shareholders or their representatives shall be prepared at the General Assembly meeting, indicating the shareholders' addresses, the number of shares held in person or by proxy, and the voting rights to the said shares, noting that, any concerned person shall have the right to review the attendance sheet.

### **Quorum of the Ordinary General Assembly**

A meeting of the Ordinary General Assembly shall not be valid unless attended by shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the meeting, then a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (32) of the Company's By-laws. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

### **Quorum of the Extraordinary General Assembly**

A meeting of the Extraordinary General Assembly shall not be valid unless attended by shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the meeting, a second meeting shall be convened in the same manner provided for in the previous Article of these Bylaws. The second meeting shall be valid only if attended by a number of shareholders representing at least one-quarter (1/4) of the Company's capital.

### **Voting Rights**

Each shareholder shall have a vote for every share subscribed for or represented by him. However, members of the Board shall not vote, whether in person or by proxy, on resolutions of an Ordinary or Extraordinary General Assembly releasing the Board's members from their responsibilities or liabilities for their term in the Board.

Members of the Board of Directors shall be elected by the Ordinary General Assembly based on the "cumulative voting" mechanism.

### **General Assembly Resolutions**

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the Shares represented. Resolutions of the Extraordinary General Assembly shall be adopted by two thirds (2/3rd) of the Shares represented at the meeting. However, if the resolution to be adopted is related to an increase or reduction in capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified in its By-laws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three quarters (3/4) of the shares represented at the meeting.

### **Discussion of General Assembly Agenda**

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and to the Auditor. The members of the Board or the Auditor shall answer the shareholders' questions in a manner that does not prejudice the Company's interest. If the shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

### **Proceedings of the General Assembly**

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Vice-Chairman. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting showing the names of the shareholders present in person or represented by proxy at such meeting, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the General Assembly, the secretary and the canvasser.

### **Appointment of Auditor**

The Company shall have one or more Auditors to be selected from among the auditors licensed to work in the Kingdom of Saudi Arabia. The Auditor shall be appointed annually and its compensation shall be determined by the General Assembly. The General Assembly may further reappoint the same auditor.





## **Duties of the Auditor**

The auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further verify the Company's assets and liabilities.

The auditor shall submit to the annual General Assembly a report showing how far the Company has enabled it to obtain the information and clarifications it has requested and what violations of Companies Law and the Company's By-Laws it has discovered and its opinion as to whether the Company's accounts accurately reflect the facts.

## **Fiscal Year**

The Company's fiscal year shall begin on 1 January and end on 31 December of each Gregorian year, provided that the first fiscal year after conversion of the Company shall start on the date of the Ministerial Resolution announcing the conversion of the Company and end on 31 December of the following year.

## **Annual Reports**

At the end of each fiscal year, the Board of Directors shall prepare a report showing the value of the Company's assets and liabilities on the said date. The Company's financial statements shall also be prepared along with an account for the profits and losses and a report on the Company's activities and financial standing for the previous fiscal year and the method proposed for distributions of dividends 60 days prior to the convening of the Ordinary General Assembly. The Board shall place such documents under the Auditor's control at least 55 days prior to the date set for the Ordinary General Assembly and the Chairman shall sign these documents, and deposit copies of it at the Company's headquarters under the shareholders' control 25 days prior to the set date for the Ordinary General Assembly meeting, and the Chairman is obliged to send copies of these documents and the full text of the Auditor's report to the Companies Control Department in the Ministry of Commerce and Industry at least 25 days prior to the General Assembly meeting.

## **Distribution of Dividends**

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

4. Ten percent (10%) of the annual net profits shall be set aside to form the statutory reserve. Such allotment may be discontinued by the Ordinary General Assembly when said reserve totals half (1/2) of the Company's capital.
5. The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form additional reserves.
6. Out of the balance of the profits, shareholders shall be paid an initial payment of five percent (5%) of the paid-up capital.
7. The balance shall be distributed among shareholders as an additional share of the profits.

## **Continuance of the Company**

If the Company's losses total three-quarters (3/4) of its capital, then the members of the Board of Directors shall call an Extraordinary General Assembly meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified by Article (6) of the Company's By-laws. In each case the General Assembly's resolution shall be published in the Official Gazette.

## **Liability Legal Action**

If a Board member commits an act that causes personal damage to a shareholder, such shareholder shall have the right to bring legal action for liability against the Company, provided that this right is valid when the shareholder exercises it. The shareholder shall notify the Company of his/its intention to file such action.

## Liquidation of the Company

Upon the expiry of the Company's term and in case of premature winding up, the Extraordinary General Assembly shall, pursuant to a recommendation by the Board of Directors, specify the manner of liquidation and appoint one or more liquidators, and set their duties, powers, and remuneration. The powers of the Board of Directors shall cease upon the termination of the Company, however it shall remain in control of the management until the said liquidator is appointed, while the other Company's divisions and bodies shall maintain their respective duties and powers to the extent that they are not in conflict with the liquidators' powers. In all cases the Extraordinary General Assembly's resolution to this effect shall be published in the Official Gazette.

### Declarations:

- Neither the Directors nor the Chief Executive Officer have the right to vote on any contract or proposal in which he has an interest.
- Neither the Directors nor the Chief Executive Officer have the right to pay any remuneration to themselves or to vote on any resolution issued by the Company's General Assembly in this regard.
- Neither the Directors or nor the senior executives have the right to borrow money from the Company.

## 11 - 6 Material Contracts

### Supply Agreements

The Company has entered into agreements with a number of different suppliers for the supply of the various medical and non-medical needs of the Company. Among such needs are: procurement of supply of medicine, medical supplies and disposables, and medical equipment. In the Company procures other supporting supplies such as electricity, water, and other services.

The following table sets out the top suppliers of the Company for last four years:

**Table 84: The Company's main suppliers**

Supplier (SAR)	2010G actual	2011G actual	2012G actual	2013G actual	Related Party
Aktel Company for Commerce Trading	2,721,744.6	2,631,706.9	2,696,728.8	4,285,828.38	Yes
Abdulrahman Al Qusaibi Company for General Commerce	6,285,352.6	6,734,272.9	7,987,361.3	3,129,320.56	No
Al Haya Medical Company	1,982,132	2,709,380.2	2,550,053	3,077,761.38	No
Medserf for Supply And Medical Services Company	489,049	532,105	539,305	3,045,873.16	No
Tamer Company	5,128,564.9	7,848,269.8	10,070,047.1	13,257,437.6	No
Al Humeidan & Khowaiter Company	1,512,435.5	1,131,863.8	1,319,151.4	593,112	No
Abdul Raouf Ibrahim Bateerjee & Brothers	1,199,789	1,407,880	1,681,926.9	803,392	No
Al Naghi & Brothers Company	6,835,468.2	8,457,723.3	9,210,598.6	11,463,594.06	No
Al Arabiyya for Supply Banaja	6,774,786.5	7,513,205.9	6,864,015.1	7,257,330.59	No
Saudi Global for Commerce Limited	5,275,990.7	5,800,232.9	7,485,986.2	8,169,455.75	No

Source: The Company/Maintenance Agreements

The Company has entered into a number of technical maintenance and support with respect its medical and other equipment. The following table provides a summary of such agreements:



**Table 85: Maintenance Agreements**

No.	Service Provider	Scope of Agreement	Term	Contract Value
1	Al Aqel for Medical Technology	Maintenance of anaesthesia equipment specified in the contract	One year which ends on 31/8/2012G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 2,500 per year for each device
2	General Electric El-Seif Medical Services Company	Maintenance of CT- QXI equipment specified in the contract	One year which ends on 29/1/2013G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 187,000 per year
3	General Electric El-Seif Medical Services Company	Maintenance of Vivid 7 and Vivid 1 systems specified in the contract	One year which ends on 01/01/2014G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 92,000 per year
4	General Electric El-Seif Medical Services Company	Maintenance of Innova 3100 equipment for blood vessels scan specified in the contract	One year which ends on 14/04/2014G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 280,605 per year
5	General Electric El-Seif Medical Services Company	Maintenance of SECO DMR equipment specified in the contract	One year which ends on 20/01//2014G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 27,000 per year
6	General Electric El-Seif Medical Services Company	Maintenance of SA1010US10 and SA1010US11 systems specified in the contract	One year which ends on 02/10/2013G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 96,000 per year
7	General Electric El-Seif Medical Services Company	Maintenance of HDE8 magnetic resonance imaging equipment specified in the contract	One year which ends on 28/02/2014G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 625,000 per year
8	General Electric El-Seif Medical Services Company	Maintenance of Voluson 730 equipment specified in the contract	One year which ends on 30/04/2014G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 43,000 per year
9	General Electric El-Seif Medical Services Company	Maintenance of work station equipment	One year which ends on 30/04/2014G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 40,000 per year
10	General Electric ElSeif Medical Services Company	Maintenance of Prestige Si Digital R&F equipment specified in the contract	One year which ends on 05/11/2013G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 110,365 per year
11	General Electric El-Seif Medical Services Company	Proteus XR/A equipment specified in the contract	One year which ends on 07/02/2014G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 27,000 per year
12	Al Marai Company limited	Maintenance of GE-2609 Autoclave equipment and the Disinfectant Basin Tub 4656 DECOMAT specified in the contract	One year which ends in December 2013G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 44,550 per year, excluding spare parts

No.	Service Provider	Scope of Agreement	Term	Contract Value
13	Mid Surf for Supply And Medical Services Company	Maintenance of Toshiba ultrasound equipment	One year which commenced on 31/12/2012G, and is automatically renewed for a similar term as is still in effect	SAR 54,000 per year
14	Ibrahim Mohammad Al Mane' & Brothers Company	Maintenance of Orthophos equipment XG and Sirona X-ray devices	One year which ends in 29/2/2013G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 8,500 per year
15	Samir Group	Maintenance of Kodac DV8700 and Kodac PACSLINK PL9410	One year which commenced on 01/05/2011G , and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 24,500 per year
16	Saudi Mitsubishi Electric Company Limited	Maintenance of 6 elevators and dumbwaiter equipment	Five years which commenced on 14/03/1997G , and is automatically renewed on an annual basis for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 67,530
17	Saudi Mitsubishi Electric Company Limited	Maintenance of two elevators	One year which ended on 17/08/2004G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 19,000 per year
18	Al Houshan Company Limited	Alcatel phone network	One year which commenced on 12/10/2005G, and is automatically renewed for a similar term in accordance with the provisions of the agreement which is still in effect	SAR 45,000 per year

Source: The Company

## Lease Contracts

The Company has entered into a number of lease agreements with several lessors for the lease of buildings and apartments for use as accommodation for the Company's staff. Below are the key lease arrangements for the past three years.

**Table 86: Key Lease Agreements**

No.	Lessor	Date of Lease	Leased premises	Term	Annual Rent (SAR)
1	Mohammad Abdulaziz Abdul Karim Al Zamil	01/01/1433H (corresponding to 26/11/2011G)	Residential building in Al Worood Area in Riyadh	3 years, which end on 30/12/1436H (corresponding to 13/10/2015G) which is automatically renewed for a period of one year	675,000
2	Khaled Mohammad Ibrahim Al Mish'al	19/11/1430H (corresponding to 07/11/2009G)	Two residential buildings in Al Naqel Area, Riyadh	Two years as of 14/12/1430H (corresponding to 01/12/2009G) which is subject to automatic renewal	700,000
3	Prince Salman bin Bandar bin Saud bin Abdulaziz	27/07/1430H (corresponding to 20/07/2009G)	a residential building in Al Naqel Area, Riyadh	Two years as of 01/10/1430H (corresponding to 20/09/2009G) which is subject to automatic renewal	800,000



No.	Lessor	Date of Lease	Leased premises	Term	Annual Rent (SAR)
4	Abdullah Abdulaziz Abdullah Al Shuwai'er	08/06/2011G	a residential building in Al Falah Area, Riyadh	Three years as of 06/07/1432H (corresponding to 08/06/2011G) which is subject to automatic renewal	452,000
5	Prince Turkey bin Fahd bin Mohammad bin Abdulrahman	19/03/1429H (corresponding to 27/03/2008G)	Two stories of a residential building in Al Sulaimaniyyeh, Riyadh	Two years as of 01/04/1429H (Corresponding to 07/04/2008G) and shall be deemed renewed upon acceptance of both parties to the continuous performance of the contract	425,000
6	Haya and Sara Mohammad Al Hammadi (related party transaction)	01/12/1425H (Corresponding to 12/01/2005G)	A residential building in Al Sulaimaniyyeh, Riyadh	5 years as of 01/01/1426H (corresponding to 10/02/2005G) which is subject to automatic renewal	300,000

Source: The Company

## Provision of Medical Services

The Company has entered into a number of agreements for the provision of medical services. The key agreements are:

### Contract with Saudi Arabia Oil Company (ARAMCO)

On 01/08/2011G, the Company entered into a general services agreement with Saudi Arabia Oil Company ("**Saudi Aramco**") (herein referred to as "**Saudi Aramco Contract**"), pursuant to which it provides healthcare services to the employees of Saudi Aramco and their families. The Saudi Aramco Contract expires on 31 July 2016G, at which point the parties must agree to renew the contract. General services are provided on a routine basis, and specialized services are provided for inpatients and outpatients, in addition to the provision of examination and therapy services for Saudi Aramco's employees and their families who choose to visit the Company's medical facilities.

The Saudi Aramco Contract is governed by the laws of the Kingdom of Saudi Arabia. Should any dispute or claim arising in connection with the Saudi Aramco Contract, which cannot be resolved by both parties, shall be referred to arbitration in the Kingdom of Saudi Arabia.

### Contract with the Saudi Electricity Company

A contract for the provision of medical services at the hospital and at the outpatient clinics was executed between the Company and the Saudi Electricity Company on 02/06/2013G. The contract was deemed effective as of 01/01/2014G for a period of one Gregorian year from the effective date. The contract shall be automatically renewed for a term of two additional years, unless the Saudi Electricity Company notifies the Company of its intention not to renew the same, at least 30 days prior to its expiry date.

The contract may be terminated in whole or in part by the Saudi Electricity Company at any time at its sole discretion by giving written notice 60 days prior to its termination. The Saudi Electricity Company may, in the event that the Company is in material breach of the provisions of the contract, request that the Company to comply with the provisions of the contract within a period of fourteen (14) days, otherwise, the Saudi Electricity Company may terminate the contract by giving written notice of the same. The Saudi Electricity Company may also terminate the contract if the Company is liquidated or is under a receiving order, or if the Company is unable to meet its financial obligations.

### Medical Insurance Companies

The Company has entered into contracts with a number of insurance companies in the Kingdom of Saudi Arabia for the provision of medical services to holders of medical insurance cards issued by such companies. Below is a brief description of the key agreements entered into with medical insurance companies for the provision of medical services.

**Table 87: Al Hammadi Hospital - Al Olaya Agreements with medical insurance companies**

	Party	Expiration Date	Renewal
1.	Axa for Cooperative Insurance Company	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
2.	Al Tawuniya The Company for Cooperative Insurance (Tawuniya)	31/12/2016G	Shall be automatically renewed for 4 additional years, and is still in force.
3.	Gulf Company for Electronic Management for Settlement of Insurance Claims Limited Systems Ltd.	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
4.	Al Dire' Al Arabi Company for Collaborative Arabian Shield Cooperative Insurance	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
5.	Al Rajhi Company for Cooperative Insurance (Tactful Al Rajhi) Al Rajhi Takaful)	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
6.	Saudi Company for the Management of Health Insurance Claims Limited Administration	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
7.	The Arab Saudi Company for Arabian Cooperative Insurance Company (SAICO)	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
8.	Total Care Saudi Comprehensive Care Company for the Settlement of Insurance Claims	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
9.	Al Mutawaset and The Mediterranean & Gulf Company for Cooperative Insurance and Reinsurance (MedGulf)	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
10.	Al Arabiya Ace Company for Arabia Cooperative Insurance Company	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
11.	BUPA Arabia for Cooperative Insurance	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
12.	Al Khidmat Al Mutalabat wal Akhtar Company Limited Claims & Risk Services LTD.	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
13.	Sanad Company for Cooperative Insurance and Reinsurance	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
14.	Total Care Saudi Company for Cooperative Insurance	31/10/2014G	Shall be automatically renewed for two additional years, and is still in force.
15.	Al Malath Company for Cooperative Insurance and Reinsurance Company	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
16.	Mednet Company Saudi Arabia Limited	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
17.	Saudi Next Care Company for the Settlement of Insurance Claims	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.
18.	Saudi Globe Mid for the Settlement of Medical Claims	31/12/2012G	Shall be automatically renewed for an additional year, and is still in force.

Source: The Company

The contracts executed by the Company with insurance companies have similar terms and conditions. The said contracts specify the types of services included in the insurance coverage, such as medical examinations, X-ray, laboratories, medications, inpatient services and dentistry, which the insured party benefits from through their contract with the insurance company. Such benefits are enjoyed upon the presentation of medical insurance



cards issued to them from their insurance company. The medical insurance cards vary in terms of the medical coverage available, the portion of liability for medical services provided in accordance with the medical plan set by the relevant insurance company.

The aforementioned contracts provide that the Company shall offer its medical services to the holders of the medical insurance cards after confirming their identities and the medical coverage provided to them by the relevant insurance company, after which, it shall send the invoice to the relevant insurance company including a breakdown of the expenses for medical service provided to the cardholder in accordance with the price schedule agreed to with the Company, after deducting the cardholder's percentage and the agreed discount. The aforementioned contracts further state that the Company is entitled to increase the price of medical services on an annual basis after notifying the insurance company of the same. The insurance company is required to settle the invoices provided by the Company for the services offered to its insured customers within a period of 60 days from the date of receipt of such invoices supported by the relevant documentation.

The above contracts also provide that the Company is required to retain the medical files and records of the insured individuals in accordance with the requirements provided for in the relevant laws and in accordance with the Company's record-keeping policies. Additionally, it is required to provide the insurance company with access to the said records in addition to a detailed medical report upon request.

The validity period for majority of the above contracts is one Georgian calendar year, automatically renewable unless one of the parties notifies the other of its intention not to renew within a period of 3 months prior to the date of termination of the relevant contract.

## Credit Facilities and Loans

Below is a description of the credit facilities and loans to which the Company is currently a party.

### Tawarruq Facilities Provided by Arab National Bank

On 25/2/1434H (Corresponding to 8/1/2013G), the Company entered into a Shari'ah compliant credit facilities agreement with the Arab National Bank in order to obtain credit facilities amounting to SAR 311,000,000. Additionally, this agreement was amended on 31/3/2013G and was subsequently amended on 24/11/2013G, pursuant to which the total value of the facilities available thereunder was fixed at SAR 308,810,000. Below is a summary of the key terms of the said agreement:

**Table 88: Terms of the Shari'ah Compliant Credit Facilities Agreement with Arab National Bank:**

Statement	Explanation	
Total facilities	308,810,000 SAR	
Date of expiry of facilities	30/9/2014G	
Overdraft facilities	Maximum limit	SAR 2,000,000
	Purpose	Finance the working capital of the Company
	Period of availability	Until 30/9/2014G
	Repayment	The Company shall undertake to repay the overdraft in full or the part specified by the bank immediately.

Statement	Explanation	
Facilities to open letters of credit (revolving)	Maximum limit	SAR 3,000,000
	Purpose	Issuing certain letters of credit for the benefit of beneficiaries approved by the bank.
	Period of availability	Until 30/9/2014G
	Effective period	12 months from the date of opening the relevant letter of credit
Payment Guarantees (revolving)	Maximum limit	SAR 3,500,000
	Purpose	Issuing payment guarantees to beneficiaries approved by the bank
	Period of availability	Until 30/9/2014G
	Effective period	2 years from the date of the issuing of the guarantee
Guarantees Facilities (revolving)	Maximum limit	SAR 2,500,000
	Purpose	Issuing preliminary, final, and advance payment guarantees for bank approved beneficiaries
	Period of availability	30/9/2014G
	Effective period	Preliminary guarantees – one year from its date Final guarantees – three years from its date Advance payment guarantees – three years from its date
Facilities to open letters of credit for one time	Maximum limit	SAR 147,810,000 (a combined maximum limit with the medium term financing facilities outlined below)
	Purpose	Issuing certain letters of credit to beneficiaries approved by the bank for the importation of medical and non-medical machines and equipment specifically for Al Hammadi Hospital - Al Suweidi.
	Period of availability	These facilities are available and were previously fully utilised
	Effective period	Three months from the date of opening the letter of credit
Medium Term Financing Facilities (Tawarruq) – one time	Maximum limit	SAR 147,810,000 (a combined maximum limit with the Facilities to open documentary letters of credit for one time outlined above)
	Purpose	Financing the medical and non-medical machines and equipment imports for Al Hammadi Hospital - Al Suweidi
	Period of availability	Until 31/12/2013G
	Effective period	Six years including a grace period of three years
	Repayment	The financing amount shall be repaid in 12 consecutive quarterly instalments. The first instalment shall be equivalent to SAR 10,310,000 followed by eleven instalments of SAR 12,500,000 each. The first instalment is due on 30/6/2015G and the final instalment is due on 31/3/2018G





Statement	Explanation
Medium Term Financing Facilities (Tawarruq) – one time	Maximum limit      SAR 150 million
	Purpose      SAR 7,300,000 used to finance the Company's capital expenses. SAR 77,700,000 used to repay the Company's short term obligations SAR 65,000,000 used to reduce the Company's shareholding in the Al Hammadi Hospital - Al Suweidi Project (this means granting the Company a facility with the said amount to in consideration of the amount of expenditures paid by it with respect to Al Hammadi Hospital - Al Suweidi project)
	Period of availability      These facilities are available and were previously fully utilised
	Effective period      Five years including a grace period of two years
	Repayment      The financing amount shall be repaid in 12 equal quarterly instalments equivalent to SAR (12,500,000). The first instalment is due on 31/3/2015G and the final instalment is due on 31/12/2017G.
Security	Promissory note signed on behalf of the Company amounting to SAR 308,810,000. Waiver of the projects' revenues for the benefit of Arab National Bank Commitment to deposit no less than 50% of the revenues and entitlements of Al Hammadi Hospital - Al Olaya and 100% of the revenues and entitlements of the Al Hammadi Hospital - Al Suweidi in an account held with Arab National Bank Save for the securities mentioned above, the agreement signed with the said bank does provide for any other security to be provided by the Company, whether before or after the Offering.
Conditions	Arab National Bank retains the right to withdraw or cancel the facilities or reduce their amounts and request full repayment at any time.
Termination and Accelerated Repayment	The following events, among others, form events of default granting Arab National Bank the right to terminate or amend the facilities and to consider all outstanding facility balances payable: Non-payment by the Company of any amount payable to the bank Imposition of an attachment order or any other legal action on all or any part of the Company's assets Providing a bill or declaration of insolvency proceedings or bankruptcy or reorganization or restructuring of the Company or for the appointment of a judicial receiver or liquidator If the Company ceases to perform any of its core commercial activities
Governing Law and jurisdiction	The credit facilities agreement is subject to the applicable laws of the Kingdom of Saudi Arabia In case of dispute, the same shall be referred to the competent judicial authority

### Facilities Provided by the Islamic Banking Division at Samba Financial Group

On 14/5/1434H (corresponding to 26/3/2013G), the Company entered into a "Murabaha Customer Finance Agreement" with the Islamic Banking Division at the Samba Financial Group in order to obtain Murabaha facilities totalling SAR 150,000,000, certain terms of which were subsequently amended pursuant to a letter signed between the Company and the Samba Financial Group on 17/12/2013G. Below is a summary of the key terms of this agreement:

**Table 89: Terms of the Facilities Agreement with Islamic Banking Division at Samba Financial Group**

Statement	Explanation
Amount Limits	The Murabaha facilities agreement consists of a non-renewable facility totalling SAR 150,000,000 which could be used for one or more transactions at any time from the date of the agreement. The aforementioned agreement allows the Company to request Samba Financial Group to purchase products such as copper, zinc, lead, aluminium, aluminium alloy, iridium, nickel, platinum, palladium, rufinium and rhodium, or any other Shari'ah compliant commodity) identified by the Company to the bank for the "cost price". Such commodities shall be sold to the Company on deferred payment terms and in accordance with the conditions set forth in the agreement and in accordance with the Islamic principles for Murabaha financing. Samba Financial Group shall be appointed as an agent for the sale of such goods to a third party other than the party supplied for.
Purpose of the Loan	The agreement does not provide for a specific purpose for which the facilities shall be used.
Final Maturity Date	The agreement sets the final maturity date for any Murabaha operation carried out by the Company pursuant to the aforementioned agreement 1,929 days after the last day from facilities availability period.
Facilities Availability Period	This period commences from the date of signing the agreement and expires on 30/4/2013G, or any other extension period specified by the Samba Banking Group at its choice from time to time (the Company has utilised the facilities under this agreement prior to 30/04/2013G)
Repayment Period	The Company is required to repay to Samba Financial Group the full deferred price (which includes the cost price of the goods purchased by the Company for Murabaha purposes in addition to the Murabaha operation profits payable to the Samba Financial Group)
Guarantees	<p>Personal guarantees from each of Saleh Mohammad Al Hammadi and Abdulaziz Mohammad Al Hammadi equivalent to SAR 170,000,000 (Samba Financial Group has agreed to waive this guarantee, effective upon completion of the Listing of the Company on the Saudi Stock Exchange as a publicly listed Company).</p> <p>Promissory note by the Company equivalent to SAR 170,000,000.</p> <p>Save for the securities mentioned above, the agreement signed with the said bank does provide for any other security to be provided by the Company, whether before or after the Offering.</p>
Conditions	<p>The Company is not permitted to distribute profits exceeding 50% of the net profits (the bank has agreed to waive this condition with effect from the completion of the Offering and the Listing of the Company on the Saudi Stock Exchange as a publicly listed company)</p> <p>The total liability to net asset value ratio shall not exceed 2.25 to 1</p> <p>If any of the events of default outlined in the agreements occurs (such as the inability of the Company to repay any amount payable to Samba Financial Group, or the Company's failure to perform any of its obligations under the agreement, or if any material and adverse condition occurs with respect to the Company's financial position), Samba Financial Group shall be entitled to demand that the Company immediately repays the deferred price in addition to any other amounts payable in accordance with the agreement.</p>
Governing Law and Jurisdiction	Subject to the principles of Shari'ah, this agreement and its interpretation and execution shall be subject to the laws of the Kingdom of Saudi Arabia, and the Banking Disputes Commission established at the Saudi Arabian Monetary Agency shall have jurisdiction over any dispute arising between the parties.

### Ministry of Finance Loan

On 5/11/1434H (corresponding to 11/9/2013G), the Company entered into a Loan Agreement with the Ministry of Finance in amounting to SAR 149,145,000 for the financing of the construction of the Al Hammadi Hospital - Al Suweidi Project. This loan is an interest-free loan and no interest of profits will accrue with respect to the amount drawn by the Company thereunder. It is should be noted that that the loan agreement was entered into after satisfying the lending conditions for healthcare projects issued by the Ministry of Finance, which include:

- Providing a real estate guarantee in the form of a real estate mortgage to the benefit of the Ministry of Finance to guarantee the repayment of the loan amount. Property owned by the Company was mortgaged pursuant to Deed No.710113052266 dated 5/7/1434H (Corresponding to 15/5/2013G) in Al Suweidi area on which the Al Hammadi Hospital - Al Suweidi project is built.



- Providing an economic and technical feasibility study and related engineering designs, as well as the contracts signed with the contractor carrying out the project.
- Appointing a certified Saudi legal accountant to review the project finances.
- Providing semi-annual reports which include the stages of the work flow of the project.

Additionally, the Company has satisfied the abovementioned conditions.

**Table 90: Terms of the Loan Agreement for the Construction of Al Suweidi Hospital with the Ministry of Finance**

Statement	Details
Amount Limits	Loan with amount of SAR 149,145,000 SAR
Purpose of the Loan	The Ministry of Finance shall pay the amount of the loan to finance its development: Hospital Building – SAR 94,884,000 Medical Machines and Equipment – SAR 49,328,500 Furniture – SAR 4,932,500
Duration of Availability of Facilities	The amount of the loan will be paid in instalments linked to the stages of completion of the Al Hammadi Hospital - Al Suweidi, and the Company undertakes to complete the project within 3 years of the date of the agreement. The Ministry of Finance is entitled to extend the period of completion of the project by no more than one year and a half.
Repayment Term	Repayment of the loan shall be in equal annual instalments for a period of twenty years starting from year five from the date of the agreement.
Guarantees	mortgage over the land owned by the Company pursuant to title deed No. 710113052266 dated 5/7/1434H (corresponding to 15/5/2013G) in Al Suweidi area in which the Al Hammadi Hospital - Al Suweidi project is built. This mortgage will remain in place until the full amount of the loan is repaid.  With the exception of the above guarantee, the agreement entered into with the Ministry of Finance does not include any provision requiring the Company to provide any other guarantee, whether before or after the Listing.
Conditions	The Company undertakes to commence executing the project within one year from the date of the agreement. The Company has already commenced execution of the project before signing the agreement.  Appointing a certified Saudi legal accountant to review the project finances.  Providing semi-annual reports which include the stages of the work flow of the project.  The Company undertakes to complete the project within three years from the date of the agreement. The construction works of the project have been completed in April of 2014G.  In the event that any of the events of default cases provided for in the agreement occur (such as proof that any of the facts relied upon by the Ministry in advancing the loan are untrue, the Company's delay in repayment of any instalment or part of any instalment when it is due, the Company's bankruptcy or insolvency, any of the Company's actions in relation to the project which transfers its ownership or waiver or leasing thereof without the prior written approval of the Ministry, or the revocation of the project license), all the loan repayment instalments shall become due immediately. Furthermore, the ministry shall be entitled to sell the mortgaged real estate and to place precautionary attachment on the Company's money and assets.

#### **Islamic Banking Facilities Provided by the Saudi British Bank**

On 1/8/1434H (corresponding to 10/6/2013G), the Company entered into an Islamic Banking Facilities agreement with The Saudi British Bank in order to obtain facilities amounting to SAR 340 million. The following is a summary of the key terms of this agreement:

**Table 91: Terms of the Shari'ah Compliant Facilities Agreement with the Saudi British Bank**

Statement	Explanation	
Total Facilities	SAR 340 Million	
Overdraft facilities limited to 4 million SAR		
Overdraft Facilities	Maximum limit	SAR 4 million
	Purpose	Financing the Company's working capital
	Availability period	31/7/2014G
	Guarantees	Promissory note signed on behalf of the Company due when the SAR 4 million are requested.  Joint and several guarantee in the amount of SAR 4 million signed by Saleh Al Hammadi and Abdulaziz Al Hammadi (the bank has agreed to waive this guarantee effective from the date of completion of the Offering and the Listing of the Company on the Saudi Stock Exchange as a publicly listed company).
	Obligations	The ratio of the total debt to the net tangible equity should not exceed 2:1 The debt service ratio should not be less than 1.25:1 Provide the bank with the Company's audited annual financial reports within 6 months of the end of the financial year The Company shall not distribute profits exceeding 80% of its net profits. Repayment of the facilities granted by the bank should be given priority over the distribution of profits.
Joint facilities with a joint limit of SAR 36 million		
Murabaha Financing \ Tawarruq of metal	Maximum limits	SAR 20 million
	Purpose	Financing the Company's working capital
	Term of each Murabaha Transaction	Each Murabaha deal shall have a term not exceeding 6 months from the date of purchase by the bank, with a minimum of 30 days for each transaction.
	Special Condition	It is required that the full balance of the financing be repaid for a period of at least one week per year before returning the financing.
	Settlement	Each Murabaha transaction will have its own deferred payment date. The Company is required at each maturity date to deposit sufficient funds in its account at the bank to settle the relevant Murabaha transaction on the respective maturity date.
Financing Letters of Credit through Murabaha	Maximum limit	SAR 36 million for the sum of the letters of credit to be opened or financed
	Purpose	Importing medical equipment and materials
	The term for each Murabaha Transaction	Each Murabaha transaction shall have a term not exceeding 180 days from the date of purchase by the bank (including the usage period for deferred payment letters of credit)
	Maximum period of use	180 days in relation to the deferred letters of credit
	Settlement	Each Murabaha transaction will have its own deferred payment date. The Company is required at each maturity date to deposit sufficient funds in its account at the bank to settle the relevant Murabaha transaction on the respective maturity date.
	Guarantees	Documents of title to the goods in the name of the bank



Statement	Explanation	
Shipping Guarantees	Maximum limit	SAR 36 million
	Purpose	To issue shipping guarantees to release goods in case of delay in receipt of the original bill of lading related to letters of credit by the bank, and bills for collection routed through the bank only.
Tenders/Performance/ Advance Payment Guarantees	Maximum limit	SAR 5 million
	Purpose	Fulfilment of business requirements
	Guarantees	Irrevocable assignment of contract payment in favour of the bank duly acknowledged by the principal project owner and acceptable to the bank relating to each performance guarantee and advance payment guarantee
Various Guarantees	Facility limit	SAR 5 million
	Purpose	To meet the Company's needs and other nonstandard format of guarantees that do not conform to the Bank's forms.
Combined Facilities (one-off) for the Al Hammadi Hospital - Al Nuzha project with a combined limit of SAR 300 million		
Murabaha Financing \ Tawarruq of metal	Maximum limit	SAR 150 million
	Purpose	To finance bills up to 80%
	Term of each Transaction	Each Murabaha transaction shall have a term not exceeding 5 years from the date of purchase by the bank and with a minimum of 30 days for each transaction
	Grace Period	30 months from the date of the first disbursement
	Drawdown Period	24 months from the date of the first disbursement
	Settlement	Over 6 equal semi-annual instalments at the end of the drawdown period, after a grace period of 30 months from the first drawdown.
Murabaha Financing \ Tawarruq of Metal	Maximum limit	SAR 150 million
	Purpose	Financing matured letters of credit (purchase of equipment)
	Term of each Transaction	Each Murabaha transaction shall have a term not exceeding 5 years from the date of purchase by the bank and with a minimum of 30 days for each transaction
	Grace Period	30 months from the date of the first disbursement
	Drawdown Period	24 months from the date of the first disbursement
	Repayment	Over 6 equal semi-annual instalments at the end of the drawdown period, after a grace period of 30 months from the first drawdown
Letters of credit (when issued) and bills drawn thereunder	Maximum limit	SAR 150 million
	Purpose	Importation of equipment relating to Al Nuzha Hospital
	Guarantees	Documents of title to the goods
Letters of credit (deferred) and bills withdrawn thereunder	Maximum limit	million
	Purpose	Importing equipment relating to Al Nuzha Hospital
	Withdrawal period	180 days

Statement	Explanation	
Shipping guarantees	Maximum limit	million
	Purpose	To issue shipping guarantees to release goods in case of delay in receipt of the original bill of lading related to letters of credit by the bank, and bills for collection routed through the bank only.
Protection Against the Cost of Finance Fluctuations	Maximum limit	SAR 300 million
	Purpose	To hedge finance against the cost fluctuation
	Effective Period	5 years
	Repayment	Each Murabaha Tawarruq transaction shall have its own deferred dates u. At each maturity date, the Company is required to deposit sufficient funds in its bank account held with the bank to settle the relevant Murabaha debt on its respective maturity date.
General guarantees	<p>Promissory note signed on behalf of the Company with an amount of SAR 365 million to be released upon the completion of the Company's share subscription procedures for the IPO.</p> <p>Two joint and several guarantees from each of Saleh Al Hammadi and Abdulaziz Al Hammadi with an amount of SAR 365.5 million (the bank has agreed to waive this condition with effect from the completion of the Offering and the Listing of the Company on the Saudi Stock Exchange as a publicly listed company).</p> <p>Al Hammadi Hospital - Al Nuzha real estate mortgage deed with market value amounting to SAR 67 million, noting that the mortgage is to be released in the case the Company obtains a new financing for the Al Nuzha Hospital from the Ministry of Finance.</p> <p>With the exception of the guarantees listed above, the agreement entered into with the bank does not require the Company to provide other guarantees, whether before or after the Listing.</p>	
Conditions	<p>The Company shall not be entitled to distribute profits exceeding 80% of the net profits</p> <p>The debt service ratio should not be less than 1.25:1</p> <p>The ratio of the total debt for the net tangible equity should not exceed 2:1</p> <p>Obtaining the Bank's approval of the Company's audited annual financial reports within 6 months from the end of the financial year</p> <p>Directing 50% of the cash flow relating to the Al Hammadi Hospital - Al Olaya to the Company's account with the Bank</p> <p>Directing 100% of the cash flow of the Al Hammadi Hospital - Al Nuzha to the Company's account with the Bank when it is completed</p> <p>Giving the repayment of the Bank's facilities priority when distributing profits</p> <p>An undertaking by the Company to cover any additional costs for the project from its own resources.</p>	
Governing Law and Jurisdiction	<p>The Credit Facility agreement is subject to the laws in force in the Kingdom of Saudi Arabia</p> <p>Any dispute arising out of or in relation to the credit facility agreement shall be resolved through the Banking Disputes Settlement Commission</p>	

The members of the Board of Directors declare that the Company is in compliance with all of the terms of the facilities described above, and has not breached any of the financial covenants set forth therein as of the date of this Prospectus.

Additionally, the Company's Extraordinary and Ordinary General Assembly convened on 08/05/2013GH (Corresponding to 09/03/2014G) certified and approved all the aforementioned loan agreements and all withdrawals which made by the Company in the 2013G financial year.

## Insurance

The Company has entered into many insurance contracts to insure against a variety of operational risks and its assets, which include medical malpractice insurance, building and real estate insurance, vehicle insurance, breakdowns of machinery insurance, civil liability insurance, treasury and money insurance, and employee health insurance. There are no expired or invalid material insurance agreements. The following includes a summary of the said agreements:



**Table 92: Summary of the Insurance contracts concluded by the Company**

Insurance cover range	Number of insurance contract	Insurance company	Compensation Maximum Limit (SAR)	Cover Expiry Date
First: Insurance contracts for the benefit of Al Hammadi Hospital - Al Olaya (including its administration)				
Insurance against medical malpractice		Sanad Company for Cooperative Insurance and Reinsurance	For each of the doctors and dentists separately. The amount of insurance coverage is: <sup>12</sup>  2,000,000 for gynecologists and obstetricians for one incident and for the total incidents in this department during the term of the policy.  1,000,000 for all other specialities for one incident and the total incidents for each department;	The majority of insurance policies against medical malpractice expire on 26/2/2016G
Building and real estate insurance (against fire and related risks)	GPX201401A9	Sanad Company for Cooperative Insurance and Reinsurance	205,000,000	31/12/2014G
Vehicles	GMC201401A221	Sanad Company for Cooperative Insurance and Reinsurance	10,000,000	31/12/2014G
Machinery breakdown	GEX201401A333	Sanad Company for Cooperative Insurance and Reinsurance	21,868,845	31/12/2014G
Civil liability	GLX201401A8	Sanad Company for Cooperative Insurance and Reinsurance	5,000,000	31/12/2014G
Treasury and money insurance	GMN201401A11	Sanad Company for Cooperative Insurance and Reinsurance	6,100,000	31/12/2014G
Employees Medical insurance	9000295	Sanad Company for Cooperative Insurance and Reinsurance	4,154,977	31/05/2014G
Second: insurance contracts for Al Hammadi Hospital - Al Nuzha				
All contractor risks	GEX201301A48970 The building of the hospital building which is made of 5 floors – finishing – external works	Sanad Company for Cooperative Insurance and Reinsurance	Material Damage: 280,000,000 Earthquakes, volcanoes and tsunamis: 280,000,000 Tornados, blizzards, floods and landslides: 280,000,000 Civil liability: 2,000,000	15/5/2015G followed by 12 months for maintenance
All contractor risks	GEX201301A48958 Building 2 underground levels and 3 levels (above ground)	Sanad Company for Insurance and Reinsurance Cooperative	Core errors: 277,500,000 Earthquakes, volcanoes and tsunamis: 277,500,000 Tornados, blizzards, floods and landslides: 277,500,000 Civil liability: 2,000,000	15/5/2015G followed by 12 months for maintenance
All contractor risks	GEX201301A49002 Building – furniture instalment – equipping – connections	Sanad Company for Cooperative Insurance and Reinsurance	Core errors: 100,000,000 Earthquakes, volcanoes and tsunamis: 100,000,000 Tornados, blizzards, floods and landslides: 100,000,000 Civil liability: 2,000,000	15/5/2015G followed by 12 months for maintenance
Third: insurance contracts for Al Hammadi Hospital - Al Suweidi				
Fire and related risks	GPX201301A48928	Sanad Company for Insurance and Reinsurance Cooperative	532,500,000	09/12/2014G

Source: The Company

<sup>12</sup> Note: The Saudi Commission for Medical Specialities requires a doctor or a dentist to hold medical malpractice insurance in order to work with the relevant healthcare facility in the Kingdom. The Company obtains insurance for each doctor or dentist individually from the relevant insurance company.

## Real Estate

The Company owns the following properties in the Kingdom:

**Table 93: Real Estate owned by the Company:**

M	Title Deed Number and Date	Name of Property Owner	Property type	Area (Square Meter)	Location	Use Description
1	710113053931 02/01/1435 (06/11/2013G)	The Company	Land plot	10,800	Commercial area in Plan 897 in Sulaymanieh, Riyadh	Site of buildings belonging to Al Hammadi Hospital - Al Olaya
2	910113052409 11/07/1434 (21/05/2013G)	The Company	Land plot	6,750	Eastern side of Area 67 of Plan 897/C in Sulaymanieh, Riyadh	Site of the Women and Children's ward belonging to Al Hammadi Hospital - Al Olaya
3	710113053929 02/01/1435 (06/11/2001G)	The Company	Land plot	8,334.68	Blocks 65 and 64, Sulaymanieh, Riyadh	Site of housing for Al Hammadi Hospital - Al Olaya doctors
4	7227/1 06/03/1422 (29/05/2001G)	The Company	Land plot	6,441	Land plots in Plan 897 in Sulaymanieh, Riyadh	Site of housing for Al Hammadi Hospital - Al Olaya doctors
5	710113052266 05/07/1434 (15/05/2013G)	The Company (mortgaged for the benefit of the Ministry of Finance)	Land plot	44,664.09	King Fahad Road, Swedish Neighbourhood, Riyadh	Site of the Al Hammadi Hospital – Al Suweidi project
6	410113053450 02/12/1434 (07/10/2013G)	The Company (Mortgaged for the benefit of the Saudi British Bank)	Land plot	22,349.82	Land plots in plans 3309 and 1954 in Nuzha Neighbourhood, Riyadh <sup>13</sup>	Site of the Al Hammadi Hospital –Al Nuzha Project
7	710113053930 02/01/1435 (06/11/2013G)	The Company	Land plot	4,920	Plan 897 in Sulaymanieh, Riyadh	Site of housing for Al Hammadi Hospital - Al Olaya doctors and nurses
8	330102010833 07/08/1434 (16/06/2013G)	The Company	Land plot	13,800	Land plot in plan No. 203/1 in Al Hammra Neighbourhood, Al Dammam <sup>14</sup>	Currently not in use
9	710113053972 03/01/1435 (07/11/2013G)	The Company	Land plot	35,600	Land plot from plan 674/A in Al Rayan Neighbourhood, Riyadh	Currently not in use

Source: The Company

The members of the Board of Directors of the Company confirm that the Company does not own any properties, other than the properties set forth in the table above. Furthermore, there are no properties used by the Company which are owned by related parties.

<sup>13</sup> Note: This land includes the plots of land referred to in items 2 and 3 in Table 94: under Section No. (11) "Legal Information" of this Prospectus.

<sup>14</sup> Note: The Company purchased this land from Saleh Mohammad Al Hammadi in August 2008G for a value of SAR 23.46 million.





## Mortgages and Rights over the Company's Properties

With the exception of the mortgages mentioned in the previous paragraph (11-6-7), the Company's Board of Directors confirms that there are no mortgages or pre-emption rights or any other rights on its properties as of the date of this Prospectus.

## Shareholders Agreement

On 12/2/1434H (Corresponding to 26/12/2012G), the shareholders of the Company entered into an agreement (the **"Shareholders' Agreement"**) which regulates matters relating to the Company's share capital, financial matters, the annual budget and financials, profit distribution, lock-up period, IPO, competition and new operations, shareholders' meetings and dealing with the relevant third parties, the formation of the Board of Directors, management and committees, accounting system, records, policies, representations and warranties, confidentiality and public announcements, termination, governing law and dispute resolution. According to the terms of the Shareholders' Agreement, this Shareholders' Agreement shall terminate when the Company's shares upon the offering of the Company shares through an IPO.

As some of the terms of the Shareholders' Agreement remain in effect as between the shareholders (such as the confidentiality clause, the non-competition clause, as well as the general provisions of the agreement) despite termination of the said agreement, the shareholders agreed on 01/02/2014G to also consider these terms as terminated upon completion of Listing.

## 11 - 7 Related Parties Transactions

The members of the Board of Directors of the Company confirm that all contracts with related parties set out in this section do not contain any preferential terms except for direct contracting, and with the exception of what has been mentioned in this section of the Prospectus, they further confirm that the Company is not a party to any commercial transactions, contracts or business relationships or any real estate transactions with any related party including the Financial Advisor and the Legal Advisor of the Offering.

### Related Parties Real Estate Transactions

In August 2008G, the Company purchased a plot of land number 203/1 in Al Hammra district, Dammam as described in the table below from the Chairman of the Company, Saleh bin Mohammad Al Hammadi for a price of SAR 23.46 million. The price of the said land was determined based on the parties' knowledge of the value of similar lands in the area. On 06/01/1433 h (01/12/2011G) the Company has bought two plots of land as shown in the table below which are owned by each of the Chairman of the Board of Directors, Saleh Mohammad Al Hammadi, and member of the Board of Directors, Mohammad Bin Saleh Al Hammadi, for the prices outlined in the table below:

**Table 94: Real Estate Deals with Related Parties:**

No	Owner	Deed No.	Date	Description	Area	Price SAR\ square meter
1	Saleh bin Mohammad Al Hammadi	330102010833	07/08/1434 (16/06/2013G)	Unexploited land in Al Hammra district, Dammam	13,800 square meters	1,700
2	Saleh Bin Mohammad Al Hammadi	210113017929	17/07/1429 (20/07/2008G)	Empty land plot located in Nuzha Neighbourhood in Riyadh (used for Al Hammadi Hospital - Al Nuzha project)	5,445.72 square meter	3,500
3	Mohammad Bin Saleh Al Hammadi	27981/3	01/121421 (24/02/2001G)	Empty land plot located in Nuzha Neighbourhood in Riyadh (used for Al Hammadi Hospital - Al Suweidi project)	10,000 square meter	1,750

Source: The Company

The Company purchased the two aforementioned plots of land in order to develop the Al Hammadi Hospital – Al Nuzha project thereon. These two plots of land now form part of the overall plot land on which this project is being constructed and which is currently evidenced by title deed No. 410113053450 dated 02/12/1434H (corresponding to 07/10/2013G) and which was referred to previously in Table 93: **“Real Estate Owned by the Company”**. The Company procured three valuations from real estate agents, being Century 21 Saudi Arabia on 17/04/2012G, Tasweeqar Real Estate Development and Investment on 15/04/2012G and Basmah Property Management on 15/04/2012G. The Company’s Extraordinary and Ordinary General Assembly approved the purchase of the said plots of land in its meeting dated 8/8/1434H (corresponding to 17/6/2013G) based on the average market price determined by the parties, with Saleh Mohammad Al Hammadi and Mohammad Saleh Al Hammadi abstaining from voting on such resolution.

## **Supply Contracts with Related Parties**

### **Supply Contract with Aktel Trading Company**

On 08/01/2012G the Company entered into a contract for the supply of consumables and foodstuffs with Aktel Trading Company owned by Mrs. Hind Fahad Al Dakheel, a shareholder in the Company, and Mr. Saad Bin Hamad Bin Saif. The contract is valid for a term of one calendar year, renewable automatically unless one of the parties notifies the other party of its intention not to renew the same, at least one month prior to the expiration of its term. The aforementioned company provides for the supply of foodstuff and other items on a non-exclusive basis to the Company at non-preferential prices in line with the price offered by Aktel to other customers. The Company will reimburse Aktel for the value of the consumables and foodstuffs delivered within a 90 day period from the day of receipt of the related invoices. This contract is a related party transaction given that shareholder, Mrs. Hind Fahad Al Dakheel, is married to a member of the Company’s Board of Directors, Abdulaziz Mohammad Al Hammadi, and therefore it is subject to the annual approval of the Ordinary General Assembly.

This contract was approved by the Company’s Extraordinary General Assembly meeting dated 08/05/1435H (Corresponding to 09/03/2014G) with the omission of the member of the Board of Directors, Abdulaziz Mohammad Al Hammadi, to vote on this resolution.

### **Supply Contract with Al Hammadi Foundation for Information Technology**

On 18/2/1434H (Corresponding to 1/1/2013G), the Company entered into a supply contract with Al Hammadi Information Technology Establishment. Pursuant to the said agreement, Al Hammadi Information Technology Establishment shall supply the Company with computers, printers, and other information technology equipment. The term of the contract is for one year, automatically renewable, unless one party notifies the other party of its intention not to renew the same, at least one month prior to the expiry date thereof. This contract is considered a related party transaction given that Al Hammadi Information Technology Establishment is owned by Mohammad Saleh Al Hammadi, a member in the Company’s Board of Directors the Company’s Chief Executive Officer, and therefore it is subject to the annual approval of the Ordinary General Assembly.

Additionally, the aforementioned contract was approved by the Company’s Extraordinary and Ordinary General Assembly in its meeting dated 8/8/1434H (corresponding to 17/6/2013G) with Mohammad Saleh Al Hammadi abstaining from voting on such resolution. The Company’s Ordinary and Extraordinary General Assembly resolved to license the continuation of the operation of this contract in meeting held on 08/05/1435H (corresponding to 03/09/2014G), with Mohammad Saleh Al Hammadi abstaining from voting on this resolution.

### **Lease Agreement with Haya and Sara Mohammad Al Hammadi**

On 1/12/1425H (Corresponding to 12/1/2005G), the Company entered into a lease agreement with Haya and Sara Mohammad Al Hammadi, pursuant to which the Company leased a residential building for use as a residence for the Company’s staff, in the Sulaymanieh area in Riyadh. The term of the contract is for five years renewable automatically, unless either party notifies the other party of its intention not to renew the same, at least two months prior to the expiry of the term. This contract is considered a related party transaction given that Haya and Sara Mohammad Al Hammadi are sisters of the members of the Board of Directors, Saleh Mohammad Al Hammadi and Abdulaziz Mohammad Al Hammadi, and therefore it is subject to the annual approval of the Ordinary General Assembly.



Additionally, the aforementioned contract was approved by the Company's Ordinary and Extraordinary General Assembly in its meeting dated 08/05/1435H (Corresponding to 09/03/2014G), with both members of the Company's Board of Directors, Saleh Mohammad Al Hammadi and Abdulaziz Mohammad Al Hammadi abstaining from voting on this resolution.

The table below describes the historical values of the dealing relating to the aforementioned contracts:

**Table 95: Supply and Lease Contracts with Related Parties (in SAR)**

Name	Transactions in 2011G	Transactions in 2012G	Transactions in 2013G
Aktel Trading Company	2,631,706.9	2,696,728.8	4,285,828.38
Al Hammadi Foundation for Information Technology	965,534	1,226,422	1,605,974.71
Haya and Sara Mohammad Al Hammadi	250,000	250,000	300,000
Total	3,847,240.9	4,173,150.8	6,191,803.09

Source: The Company

### Construction Contracts with Related Parties

On 14/11/1432H (Corresponding to 12/10/2011G), the Company entered into a "Contract for the Construction of Al Hammadi Hospital - Al Suweidi" with a consortium comprising Al Hammadi Contracting Establishment, owned by the Company's Board member Mohammad Saleh Al Hammadi, and Riyadh Development Company, in which the Company's Board of Director member, Dr. Abdulaziz Mohammad Al Hammadi, is a shareholder (the "**Contractor**"), for the development of Al Hammadi Hospital - Al Suweidi. In this contract, both parties agreed that the Contractor shall carry out the civil and construction work (and other works as described in the table below) for the Al Hammadi Hospital - Al Suweidi. This contract is considered a related party transaction, since Al Hammadi Contracting Establishment is owned by Saleh Mohammad Al Hammadi (who is a member of the Company's Board of Directors), in addition to the Company's Board of Director's member, Dr. Abdulaziz Mohammad Al Hammadi, being a shareholder in the Riyadh Development Company. The following is a summary of the key terms of this contract:

Title	Contract for the Execution of Construction Works of Al Hammadi Hospital - Al Suweidi
Date	14/11/1432H (Corresponding to 12/10/2011G)
Contractor	Consortium of Al Hammadi Contracting Company and Riyadh Development Company
Subject of the Contract	Civil and construction works (main building, general site) – electrical works and low voltage system – air conditioning and ventilation works – sanitary works – alarm and firefighting systems – medical gas system – mechanical works – information technology, telecommunication, and media works for the Al Hammadi Hospital - Al Suweidi. This contract does not include medical equipment of any kind, vehicles of the hospital, fees relating to electricity connection, water fees or any other fees, or landscaping works.
Standards	All works should conform to the international standards, the Saudi Arabian Ministry of Health's standards and the Central Board for Accreditation of Healthcare Institutions' (CBAHI) standards.
Execution Term	24 months starting from 14/11/1432H (Corresponding to 12/10/2011G). This term was amended so that it expires in April 2014G in accordance with the agreement of both parties.
Value (SAR)	SAR 408 million paid over 18 monthly instalments starting from November 2011G and until April 2013G (the dates of these payments were amended so they are in conformity with the project delivery date). The Company further undertakes to pay the instalments on their due date for the purpose of the continuity of the work and securing the site's requests in relation to all the required materials if no technical or administrative defaults hinder the same.

Title	Contract for the Execution of Construction Works of Al Hammadi Hospital - Al Suweidi
Assignment and Subcontracting	<p>The Contractor shall not assign this contract or any part thereof without first obtaining the prior written approval of the Company.</p> <p>The Contractor may subcontract the execution of parts of the works after obtaining the Company's prior written approval.</p>
Liquidated Damages	<p>If the Contractor delays the execution of the works without valid justifications which are approved by the Company, the Contractor shall be subject to a daily fine of SAR 20,000 per day. Additionally, if the Contractor suspends the execution of the works or if it causes delays according to the timeline for a period of one week without justifiable reasons, the Company shall be entitled to withdraw the works or any part thereof and contract the same to another contractor at the Contractor's expense without the need to seek any approval from the competent authorities in this regard.</p>
Withdrawal of the Works	<p>The Company is entitled to withdraw the work from the Contractor and to take over the site in any of the following cases:</p> <p>If the Contractor delays the start of the work, or if the Contractor demonstrates slow progress to the work or completely suspends the same to a point where the Company envisages that it would not be possible for the work to be done before the expiry of the specified term.</p> <p>If the Contractor withdraws, abandons, assigns the work or subcontracts it, without obtaining the Company's prior written approval.</p> <p>If the Contractor becomes bankrupt or insolvent or if he is proven to be insolvent or if an order is issued to place him under receivership or if the Contractor is a company that becomes subject to liquidated or dissolution.</p> <p>The withdrawal of the work from the Contractor shall be through sending a written notice or through facsimile or email without the need to resort to any judicial proceedings or otherwise.</p>
Governing Law	<p>This Contract is subject to the applicable laws in the Kingdom of Saudi Arabia, and any dispute arising out of this contract shall be referred to arbitration in accordance with the arbitration rules in force in the Kingdom.</p>

Source: The Company

Additionally, on 12/8/2012G, the Company and the Contractor agreed to the addition of a residential building for doctors at the Al Hammadi Hospital - Al Suweidi project with a total area of 30,000 square meter priced at SAR 2,200 per meter, on a turnkey basis.

The Company would like to note that its award of the execution of the construction works of the Al Hammadi Hospital - Al Suweidi to the Contractor pursuant to the aforementioned construction works contract was based on a tender process resulted in the submission of three bids to the Company. The Company approved the bid submitted by the Contractor at the Board of Director's meeting dated 10/10/2011G, as such bid was the best bid received in terms of price. Both members of the Board of Directors, Abdulaziz Mohammad Al Hammadi and Mohammad Saleh Al Hammadi abstained from voting on the said resolutions.

On 08/05/1435H (corresponding to 03/09/2014G) the General Assembly of the Company resolved to approve the implementation of construction works for the Al Hammadi Hospital - Al Suweidi, with the Board members, Abdulaziz Mohammad Al Hammadi and Mohammad Saleh Al Hammadi abstaining from voting on this resolution.

Additionally, on 5/2/1434H (Corresponding to 19/12/2012G), the Company entered into the contract for the execution of the works relating to the Al Hammadi Hospital - Al Nuzha Project with the aforementioned Contractor, by direct engagement, for the execution of the construction works of the Al Hammadi Hospital - Al Nuzha, in which both parties agreed that the Contractor would perform civil and construction works (and other works outlined in the table below) for Al Hammadi Hospital - Al Nuzha for a total amount of SAR 428 million. The Company notes that it has contracted with the same Contractor again to execute the work relating to Al Hammadi Hospital - Al Nuzha for various reasons, including the following:

1) Al Hammadi Hospital - Al Nuzha is identical to the Al Hammadi Hospital - Al Suweidi in terms of its area, specifications, and designs. Since the Contractor has previously executed the construction work for Al Hammadi Hospital - Al Suweidi, the Contractor has obtained experience that enable it to execute the work on Al Hammadi Hospital - Al Nuzha with greater efficiency and speed than another company contractor would have.



2) The Contractor's diligence, attention and commitment (as it is considered one of the major shareholders in the Company and thus keeping the Company's interest as a priority) to finishing the work and executing the same in the fastest way possible while ensuring the highest quality possible without causing any delays. The Board of Directors approved the aforementioned contract that was signed on 5/2/1434H (corresponding to 19/12/2012G). Furthermore, the Company's Ordinary and Extraordinary General Assembly approved this contract on 8/8/1434H (corresponding to 17/6/2013G) with both members of the Company's Board of Directors, Abdulaziz Mohammad Al Hammadi and Mohammad Bin Saleh Al Hammadi, abstaining from voting on this resolution. The Ordinary and Extraordinary General Assembly further authorized the Company's Board of Directors to proceed with amending any term of this contract in accordance with the Company's interests with both of the related members of the Company's Board of Directors abstaining from voting on this resolution.

On 4/9/1434H (corresponding to 13/7/2013G), the Company entered into a construction contract with the Contractor in which the "Contract for the Execution of the Construction of Al Hammadi Hospital - Al Nuzha" previously entered into was amended without making any amendments to the price agreed to in the original contract, representing SAR 428 million. Below is a summary of the key terms of the said contract:

Title	Contract for the Construction of Al Hammadi Hospital - Al Nuzha
Date	4/9/1434H (Corresponding to 13/7/2013G)
Contractor	Consortium of Al Hammadi Contracting Establishment and Riyadh Development Company
Subject of the Contract	Civil and construction works (main building, general location) – electrical works and low voltage system – air conditioning and ventilation works – sanitary works – alarm and firefighting systems – medical gases system – mechanical works – information technology, telecommunication, and media works for the Al Hammadi Hospital - Al Nuzha.  This contract does not include medical equipment of any kind.
Term for the Execution	The Contractor undertakes to execute and complete all the works outlined in the contract within a period of 24 months including the preparatory period. This period shall commence on the date that the site is delivered to the Contractor which shall be delivered ready for operations no later than 11/6/1436H (corresponding to 1/4/2015G)
Value	SAR 428 million
Instalments	Upon the signing of the contract and hand over of the site to the contract, an advance payment shall be made to the Contractor in an amount not exceeding (10%) of the value of the contract in accordance with the terms of the contract. Furthermore, the Contractor's entitlements, including the cost of the extra and additional work in accordance with what has been completed and accepted at 100%, pursuant to bill of quantity approved by the Company on a regular basis at a rate of at least one bill of quantity per month.  The payment of the last instalment, that shall not be less than (10%) ten percent of the value of the completed works, shall be deferred until such time of the provisional acceptance of the works and the submission by the Contractor of an original copy of all the architectural designs as implemented "As Built Drawings".
Liquidated Damages	If the original term of the contract and any extensions provided expire, and the Contractor has not yet completed the construction work on its own accord, the Contractor shall undertake to pay liquidated damages for the delay period as compensation to the Company, calculated based on the average daily cost of the project by dividing the value of the contract over its duration in accordance with the following:  Liquidated damages for the first part of the delay period calculated at one fourth (1/4th) of the average daily cost of the project for each day of delay, until the higher of 15 days or 10% of the contract period is reached.  Liquidated damages for the second part of the delay period calculated at one-half (1/2) of the average daily cost of the project for each day of delay, until the higher of 30 days or 15% of the contract period is reached.  Liquidated damages for the third part of the delay period calculated at the full value of the average daily cost of the project for each day of delay after the longer of the periods mentioned above.  If the Company decides that the delayed part of the project does not prevent the proper use of the completed work within the period specified for its completion, nor does such delayed part cause disruption or adversely affects the completed work, the liquidated damages shall only be applied with respect to the delayed part, provided that the amount of the liquidated damages shall not exceed 10% of the value of the delayed work. In all cases, the Company shall be entitled to defer charging the liquidated damages applicable to the Contractor, in whole or in part, until the end of the term of the contract, provided that the outstanding amounts due to the Contractor's account cover all of what could be claimed from him, including the amount of the delayed liquidated damages.

Title	Contract for the Construction of Al Hammadi Hospital - Al Nuzha
Assignment	The Contractor is not permitted to subcontract any part of the agreed works before first obtaining the Company's prior written approval for the same.
Termination	<p>The Company is entitled to terminate the contract at any time in pursuit of public interest pursuant to notifying the Contractor. Such termination shall take effect 30 days from the date of the date of such notice.</p> <p>The may also be terminated upon the mutual agreement of both parties where:</p> <p>The Company delays the hand-over of the project site for a period of more than 90 days from the date on which the site was supposed to be delivered, or from any other date agreed by the parties as the final site hand-over date , following a 25 day notice of either delivery or termination by the Contractor to the Company;</p> <p>If the Company suspends the project work for a reason with which the Contractor has no connection, and such suspension continues for a period of more than 180 days, and after notification by the Contractor to the Company to enable it to resume the work, and 25 days have passed from the date of the said notification without the Contractor being able to resume such work .</p> <p>Force Majeure.</p>
Stages of Completion	The Contractor shall execute the work in accordance with specific completion milestones. The amounts payable for the mentioned milestones shall be due at the completion of such milestones.
Variations	The scope of work, pricing, specifications or milestones completion dates may not be amended, except through a written variation order. The Company shall be entitled to issue variation orders at any time and for any reason at its sole discretion. The Contractor shall be permitted to submit a variation order request in special circumstances including cases where the laws and legislation unexpectedly change, or in cases of Force Majeure.
Inspections and Testing	The Company shall be entitled, pursuant to specific arrangements, to inspect and test the construction work, which shall always be subject to inspections and quality control tests in accordance with the provisions of the Contract.
Defect Liability	<p>The Contractor shall undertake to guarantee, maintain and repair the deficiencies, defects that become evident in the executed work for one Georgian calendar year from the date of provisional acceptance of the work and until final acceptance. The Contractor shall be fully liable for such deficiencies or defects. In the event that the provisional acceptance is divided, the one year warranty period shall be calculated with each divided part of the work on a separate basis from the date of its provisional acceptance.</p> <p>The Contractor shall also be liable for partial and complete collapse of the building for a period of 10 years from the date of the final acceptance of the project by the Company, if the same was caused by a defect in the execution of the work. Such warranty shall include any material defects which could pose a threat to the soundness and safety of the works. This shall not relief the engineer from his liability towards the Company in relation to the engineer's failure and negligence in performing his supervision duties.</p>
Limitation of Liability	The Contractor shall undertake to maintain an insurance policy in its name for the benefit of the Company with a cooperative insurance company licensed in the Kingdom of Saudi Arabia. The Contractor shall continue to be the principal party responsible for the value of the total claims raised by the Company and for compensating the Company even if the value of the damages incurred by the Company is covered by the insurance policy or is greater than the maximum claim limit specified in the insurance policy.
Governing Law and Dispute Resolutions	This Contract is subject to the applicable laws in the Kingdom. Any dispute arising between the two parties, God forbid, shall be referred to the Board of Grievance. Both parties may also agree to refer the said dispute to arbitration in accordance with the arbitration rules in force in the Kingdom.

Source: The Company

The Board of Directors approved the aforementioned amended contract on 4/9/1434H (corresponding to 13/7/2013G). The Ordinary and Extraordinary General Assembly approved the said contract in its meeting held on 08/05/1434H (corresponding to 09/03/2014G), with Board members, Mohammad Saleh Al Hammadi and Mohammad Bin Abdulaziz Al Hammadi and Abdulaziz Bin Saleh Al Hammadi abstaining from voting on this resolution.





Below are the historical values of the dealings relating to the two contracts mentioned above:

**Table 96: Construction Contracts with the Related Parties (in Saudi Riyals):**

	Balance in December 2011G	Balance in December 2012G	Balance in December 2013G
Al Hammadi Hospital - Al Suweidi	47,541,000	276,776,000	431,259,000
Al Hammadi Hospital - Al Nuzha	6,594,000	30,587,000	80,819,000
<b>Total</b>	<b>54,135,000</b>	<b>307,363,000</b>	<b>512,078,000</b>

Source: The Company

Except as noted above, the Company does not currently intent to conclude any new contracts with any related party and has no intention to stop or to terminate any existing dealings with any such parties. In each case, these contracts are subject to the provisions of Article 69 of the Companies Law and to Article 18 of the Corporate Governance Regulations.

## 11 - 8 Trademarks

The Company has commenced with the registration of its logo appearing on the cover page of this Prospectus as a trademark under its name with the Ministry of Commerce and Industry under number 1435000553. Additionally, it has commenced with the registration of the Al Hammadi Hospital - Al Olaya logo with the Ministry of Commerce and Industry under number 1435000550. The publication period of the said trademarks has expired without any party giving objection to their registration and the Company has paid their registration fees and awaits issuance of their registration certificates from the Ministry of Commerce and Industry. Given that the Company relies on its name and logo as a brand which will contribute to the success of its business and which will support its competitive position in the market. Accordingly, the Company's inability to protect the aforementioned trademarks, or having to take the legal actions necessary for their protection, may negatively affect its ability to own the mentioned trademarks, which may affect the continuation of its business and the results of the same.

## 11 - 9 Lawsuits, Claims, and Regulatory Proceedings

The members of the Board of Directors and the Company's senior management confirm to their best knowledge and belief that as of the date of this Prospectus, the Company is not a party to any lawsuit, including any complaint before the medical violations committee or proceeding brought against it by the Healthcare Committee at the Ministry of Health resulting from medical malpractice, and also including existing or threatened lawsuit, which could materially impact the Company's business or financial position.

## 11 - 10 Description of Shares

The paid-up share capital of the Company prior to the Offering is Saudi Riyals five hundred and twenty five million (SAR 525,000,000) divided into fifty two million and five hundred thousand (52,500,000) ordinary shares, and the Company's capital after the Offering will become Saudi Riyals seven hundred and fifty million (SAR 750,000,000) divided into seventy five million (75,000,000) ordinary shares with a nominal value of SAR 10 per share.

After obtaining the approval of the competent authorities, and concluding the feasibility study, the Extraordinary General Assembly may issue a resolution to increase the Company's capital once or several times through issuing new shares of similar value to the original shares, provided that the original capital has been paid up in full, and in accordance with the Companies Regulations.

This resolution shall further specify the way by which the capital shall be increased, and the shareholders will have the priority rights in the subscription in the new cash shares. The shareholders must be notified of their priority right by way of publishing the resolution to increase the capital and the subscription terms in a daily newspaper. Each shareholder shall announce his desire to exercise his priority right, if he so wishes, within a period of 15 days from the date of publishing the mentioned resolution.

In the event that the existing shareholders decide to practice any of their priority rights, the Shares shall be allocated on a pro rata basis, amongst the shareholders who have expressed their wish to subscribe to the same, in accordance with their current shareholding in the Company, provided that the number of Shares they have subscribed to does not exceed the number of new Shares they have requested. Additionally, the remaining new Shares shall be allocated amongst the existing shareholders who have requested to subscribe to more than their relative ownership, in proportion with the original Shares which they own, provided that the total number of Shares allocated to them does not exceed the number of new Shares which they have requested to subscribe to. The remaining new shares shall be offered for public subscription.

The Company is entitled, pursuant to an Extraordinary General Assembly resolution, and pursuant to acceptable justifications, and after obtaining the approval of the Ministry of Commerce and Industry, to reduce the Company's capital if it exceeds its requirements or if the Company is subjected to any losses. Such resolution shall not be issued until the Auditor's report is studied which demonstrates the justification of such capital reduction and includes the Company's obligations and it reflects how a capital reduction shall affect such obligations; all of which shall be carried out pursuant to the provisions of the Companies Laws. The Resolution shall further include details of the procedures for decreasing the Company's capital. If the capital reduction is due to the capital exceeding the Company's requirements, then the Company's creditors shall be called upon to express their objection to the same, as the case may be, within 60 days of the date on which the resolution to reduce the capital is published in a daily newspaper which is issued in the city where the Company's headquarters are; namely Riyadh. If any of the Company's creditors object to the same and submit to the Company specific documentation which proves the Company's debt within the specified period, then the Company is obliged to immediately repay the mentioned debt if it is due, or to provide an adequate guarantee to cover the debt if it is due at a later date.

## **11 - 11 Shareholder's Rights**

Pursuant to Article (108) of the Companies Law, each Share entitles its holder rights equal to the Company's assets and profits and a right to the Company's assets upon liquidation, the right to attend the General Assembly meetings and to vote on resolutions, the right to request access to the Company's books and files and to monitor the work of the Board of Directors as well as the right to file liability claims against the members of the Board of Directors. However, the mentioned Shares do not entitle the shareholders the right to request redemption of their Shares.

## **11 - 12 General Assemblies**

Duly conducted General Assembly meetings represent all shareholders of the Company, and shall be held in the city where the Company's headquarters are located. Additionally, with the exception of matters which are specific to the Extraordinary General Assembly meetings, the Ordinary General Assembly meetings shall have jurisdiction over all matters relating to the Company.

The Company's Ordinary General Assembly meeting shall be held at least once a year, and that is within 6 months of the end of the Company's financial year. The Company may send out invitations to hold additional Ordinary General Assembly meetings whenever necessary.

The Extraordinary General Assembly shall have jurisdiction over the amendment of the Company's By-laws, exception for the articles which the Company's By-laws do not permit the amendment of. Additionally, the Extraordinary General Assembly may issue resolutions relating to the matters overseen by the Ordinary General Assembly in accordance with the same rules which govern the latter.

The invitation, which includes the date and the agenda of the Ordinary General Assembly meeting, shall be published in the Official Gazette and in a daily newspaper that is distributed in the city where the Company's headquarters are, at least 25 days prior to the scheduled date of the General Assembly meeting. A copy of the invitation and agenda shall be sent to the relevant authorities within the period specified for publishing. The Board of Directors shall issue the invitation to hold the Ordinary General Assembly meeting if so required by the Company's auditors or by a number of shareholders representing no less than 5% of the Company's share capital. The quorum of the Ordinary General Assembly meeting shall not be met unless shareholders constituting no less than 50% of the Company's shareholding are present at the meeting. If the quorum is not met during the first meeting, then an invitation shall be sent out to a second meeting to be held within 30 days of the first meeting. Such invitation shall be published in the same manner as that of the first meeting. The





quorum of the second meeting shall be met regardless of the number of Shares represented. The quorum of an Extra Ordinary General Assembly meeting, however, shall not be met unless at least 50% of the Company's shareholding is represented therein. If the quorum is not met at the first meeting, then a second meeting shall be held within the following (30) days. The quorum of the second meeting shall be met if shareholders representing no less than 25% of the Company's shareholding attend the meeting. The General Assembly meetings shall be chaired by the Chairman of the Board of Directors, or in his absence, by his deputy from among the members of the Board of Directors. The Chairman of the meeting shall appoint a Secretary for the meeting and a person responsible for counting the votes. Minutes of meetings shall be prepared showing the names of the shareholders attending in person or those represented by proxy, in addition to the number of shares they represent and the number of votes for said shares as well as the resolutions which are adopted in the meeting. The minutes shall also include the number of votes in support of or against every resolution, in addition to a clear summary regarding the discussions that took place during the meeting. The minutes shall be kept after the conclusion of each meeting in a special register signed by the Chairman of the General Assembly, the Secretary and the person charged with the duty of counting the votes.

### **11 - 13 Voting Rights**

Each shareholder owning 20 or more Shares shall have the right to attend the General Assembly Meetings. Each shareholder shall be entitled to appoint another shareholder, excluding those who are members of the Board of Directors or are Company employees, to attend the General Assembly meetings on their behalf. The votes in the General Assembly meetings shall be counted on the basis of one vote per Share represented in the meeting. Resolutions of the General Assembly are issued pursuant to the approval of two thirds of the Shares represented at the meeting.

The resolutions of the Extraordinary General Assembly are issued with the approval of two thirds of the Shares represented at the meeting. However, if the resolution adopted relates to the increase or reduction of the Share capital, the extension of the Company's term, the liquidation of the Company prior to the expiry of its term provided for in the Company's By-laws, or the merger of the Company with another company or institution, then the resolution shall not be construed as valid unless it is issued with the majority of three quarters of the Shares represented at the meeting. Each shareholder shall have the right to discuss the items outlined in the General Assembly's agenda and to ask questions to the members of the Board of Directors and the Auditors in relation to such items. The members of the Board of Directors and the Auditor shall respond to the shareholder's questions to the extent that their responses do not negatively affect the Company's interests. If the shareholder considers the response to his question not convincing, he shall appeal to the General Assembly whose decision regarding that particular item shall be final.

### **11 - 14 Shares**

The shares shall be nominal and shall not be issued for less than their nominal value. They may, however, be issued with a value exceeding their nominal value, in which case the difference in value shall be added to the statutory reserve even if the same reaches its maximum limit. The Shares may not be divided vis-à-vis the Company, in that if the Share is owned by multiple individuals, such individuals are required to choose one of them to act on their behalf in relation to the carrying out of the rights relating to the Shares. The mentioned individuals are jointly responsible for the obligations arising out of the ownership of the Share. Additionally, the transfer of ownership of the Share shall be subject to the laws that apply to companies listed for trading; and any transfer of ownership that is contrary to the Company's By-laws shall be null and void.

### **11 - 15 Company's Term**

The Company's term is 99 Georgian calendar years commencing on the date that the resolution of the Minister of Commerce and Industry was issued announcing the Company's conversion into a Joint Stock Company, dated 16/9/1429H (Corresponding to 16/9/2008G). The term of the Company may be extended at any point through a resolution of an Extraordinary General Assembly meeting issued within a period of at least 1 year prior to the expiry of the Company's term.

## 11 - 16 Liquidation of the Company

When the term of the Company expires, or when the Company is liquidated prior to the expiration of its term, the Extraordinary General Assembly shall resolve, pursuant to a proposal by the Board of Directors, the liquidation procedures, and shall appoint one or more liquidators and shall determine their authorities and remuneration. The authorities of the Board of Directors shall expire with the expiration of the Company. However, the Company's Board of Directors shall remain responsible for directing the Company until such time that liquidators are appointed. And for the purposes of the Company, its authorities shall remain in place to the extent that they do not contradict with the authorities of the liquidators.

## 11 - 17 Transfer of Ownership

The transfer of ownership shall be subject to the rules and regulations applicable to the companies listed for trading. Any transfer of ownership contradicting the same shall be null and void. The selling shareholders shall be subject to the Lock-Up Period defined in the **"Offer Summary"** section of this Prospectus, during which they are prohibited from disposing of any of the Shares they own.

## 11 - 18 Repurchase of the Shares

In accordance with Article 105 of the Companies Laws, it is prohibited for a Joint Stock Company to purchase its shares, except in the following cases:

1. If the purpose of purchasing the shares is for the consumption of the shares in accordance with the conditions outlined in Article 104 of the Companies Law, which states that a company's by-laws may provide for the consumption of its shares during the company's establishment if it is a project of gradual consumption or is based on temporary rights.
2. If the purpose of the purchase of shares is to reduce the share capital.
3. If the shares are within a group of monies that the Company purchases with its assets and for which there are no deductions.

Except for the shares offered for the insurance of the members of the Board of Director's liability, the Company is not permitted to pledge its shares, and the shares owned by the Company shall not have any votes in the deliberations of the shareholder's General Assemblies.

## 11 - 19 Zakat

Zakat is payable on behalf of the shareholders, pursuant to the Zakat regulations in the Kingdom of Saudi Arabia. The Company will deduct zakat from the total net profit prior to the distribution of dividends.

## 12. Underwriting

### 12 - 1 Underwriter's Name and Address

Samba Capital and Investment Management Company (the "**Underwriter**"), has, pursuant to the terms of the Underwriting Agreement with the Company, agreed to underwrite all the Offer Shares which amount to 22,500,000 ordinary shares.

#### **Samba Capital & Investment Management Company (Samba Capital)**

Kingdom Tower, 14th Floor

P.O. Box: 220007

Riyadh 11311

Kingdom of Saudi Arabia

Tel: +966 11 477 4770

Fax: +966 11 211 7438

Website: [www.sambacapital.com](http://www.sambacapital.com)

Email: [ipo@sambacapital.com](mailto:ipo@sambacapital.com)

### 12 - 2 Main Terms of the Underwriting Agreement

The terms and conditions of the Underwriting Agreement state the following:

1. The Company and all its Current Shareholders undertake to the Underwriter that on the closing date (as defined in the Underwriting Agreement) they shall carry out the following:
  - Sell and allocate the Offer Shares to any Subscriber whose application has been approved by a Receiving Entity, and/or
  - Sell and allocate of any of the Offer Shares which have not been purchased by the Subscribers, pursuant to the Offer terms, to the Underwriter, and
2. The Underwriter undertakes to the Company to purchase on the allotment date all the Offer Shares which have not been subscribed to by the Subscribers (if any) at the Offer Price.
3. The Underwriter shall receive a consideration for its underwriting being a specified percentage of the total Offering proceeds.

## 13. Expenses

The expected total amount of the Offering proceeds is SAR 630,000,000, of which SAR 20,000,000 shall be paid as costs and expenses incurred in connectin with the Offering. Such costs and expenses include include the Financial Advisor's fees, the Lead Manager's fees, the underwriting fees, the Receiving Entities' fees, the Legal Advisors' fees, the Financial Due Diligence Advisor fees , and Industry and Market Consultant fees, as well as the technical and feasibility studies' costs, marketing, preparation, printing and distribution expenses, as well as any other expenses relating to the Offer.

Below are the details of anticipated expenses relating to the Offering:

**Table 97: Anticipated Expenses Relating to the Offering:**

Item	Value (Saudi Riyals)
Financial Advisor, Lead Manager, Underwriter, and other Advisers fees	15,000,000
Marketing and distribution expenses	2,000,000
Receiving Entities	1,650,000
Other expenses	1,350,000
<b>Total</b>	<b>20,000,000</b>

Source: The Company



## **14. Exemptions**

The Company has not applied to the CMA for any exemption from any of the requirements contained in the Listing Rules.

## 15. Subscription Terms and Conditions

The application for admission and listing has been submitted, pursuant to the Listing Rules issued by the Authority in the Kingdom of Saudi Arabia.

All investors must read the subscription terms and conditions carefully before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to the Receiving Entity is deemed as acceptance of the subscription terms and conditions.

### 15 - 1 Subscription for Offer Shares

The Offer will consist of 22,500,000 fully paid ordinary shares with a nominal value of SAR 10 per share, representing 30% of the share capital of the Company after the Subscription, at an Offer Price of SAR 28 per share with a total value of SAR 630 million.

The Offer is restricted to:

#### Tranche (A) – Institutional Investors:

This tranche includes a number of institutions (For more information, please refer to section: “**Definitions and Abbreviations**”). The amount of shares allocated to Institutional Investors is 22,500,000 Shares representing 100% of the Offer. In the event that the Individual Investors (known as Tranche (B)) subscribe to the Offer Shares, the Lead Manager may exercise its right to reduce the number of shares allocated to Institutional Investors to 11,250,000 Offer Shares representing 50% of the Offer, subject to CMA's approval. 90% of the Offer Shares in the institutional tranche will be allocated to mutual funds, such percentage is subject to amendment in the event that the other institutions (excluding mutual funds) do not fully subscribe to the remaining percentage (10%), or in the event that the mutual funds do not fully subscribe to the percentage allocated to them (90%).

#### Tranche (B) – Individual Investors:

This tranche comprises individuals having the Saudi Arabian nationality, including a Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe in the names of her minor children for their own benefit, on the condition that she provide proof of motherhood. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the concerned applicant. The amount of Shares allocated to Individual Investors is 11,250,000 Shares representing 50% of the Offer. In the event that the Individual Investors do not subscribe to full amount of Offer Shares allocated to them, the Lead Manager may exercise its right to reduce the number of shares allocated to Individual Investors to match the number of shares that they had subscribed for.

Applicants must sign and submit subscription applications in order to acquire Offer Shares. A signed Subscription Application Form submitted to any of the Receiving Entities represents a legally binding agreement between the Company and the Applicant.

Potential Saudi investors may obtain both the main and mini Prospectuses in addition to the Subscription Application Form from the following Receiving Entities:

#### Receiving Entities

Samba Financial Group  
Main Branch, King Abdulaziz Road  
P.O. Box 833, Al Riyadh 11421 ,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 477 4770  
Fax: +966 (11) 479 9402  
Website: [www.samba.com](http://www.samba.com)  
Email: [customer care@samba.com](mailto:customer care@samba.com)



## Receiving Entities

Al Rajhi Bank  
Main Branch, Al Olaya Main Street  
P.O. Box 28, Al Riyadh 11411,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 211 6000  
Fax: +966 (11) 460 0705  
Website: [www.alrajhibank.com.sa](http://www.alrajhibank.com.sa)  
Email: [contactcenter@alrajhibank.com.sa](mailto:contactcenter@alrajhibank.com.sa)

Al Rajhi Bank مصرف الراجحي



Riyad Bank  
King Abdulaziz Road  
P.O. Box 22622, Al Riyadh 11614,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 3030 401  
Fax: +966 (11) 404 2618  
Website: [www.riyadbank.com](http://www.riyadbank.com)  
Email: [customer care@riyadbank.com](mailto:customer care@riyadbank.com)

بنك الرياض  
riyad bank

Bank Aljazira  
Khalid Bin Alwalid Street  
P.O. Box 6277, Jeddah 21442,  
Kingdom of Saudi Arabia  
Tel: +966 (12) 651 8070  
Fax: +966 (12) 653 2478  
Website: [www.baj.com.sa](http://www.baj.com.sa)  
Email: [info@baj.com.sa](mailto:info@baj.com.sa)

بنك الجزيرة  
BANK ALJAZIRA  
مصرفية إسلامية حديثة  
INNOVATIVE ISLAMIC BANKING

National Commercial Bank  
King Abdulaziz Road  
P.O. Box 3555, Jeddah 21481,  
Kingdom of Saudi Arabia  
Tel: +966 (12) 649 3333  
Fax: +966 (12) 643 7426  
Website: [www.alahli.com](http://www.alahli.com)  
Email: [contactsus@alahli.com](mailto:contactsus@alahli.com)

NCB الأهلي

Arab National Bank  
P.O. Box 56921, Al Riyadh 11564,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 402 9000  
Fax: +966 (11) 402 7747  
Website: [www.anb.com.sa](http://www.anb.com.sa)  
Email: [abinayba@anb.com.sa](mailto:abinayba@anb.com.sa)



Saudi Arabian British Bank  
Prince Abdulaziz Bin Musaeb Bin Jalawi Street  
P.O. Box 9084, Al Riyadh 11412,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 405 0677  
Fax: +966 (11) 405 0660  
Website: [www.sabb.com](http://www.sabb.com)  
Email: [sabb@sabb.com](mailto:sabb@sabb.com)

SABB ساب

## Receiving Entities

Banque Saudi Fransi  
Ma'ather Road  
P.O. Box 56006, Al Riyadh 11554,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 404 2222  
Fax: +966 (11) 404 2311  
Website: [www.alfransi.com.sa](http://www.alfransi.com.sa)  
Email: [communications@alfransi.com.sa](mailto:communications@alfransi.com.sa)



Jadwa Investment  
King Fahad Road  
P.O. Box 60677, Al Riyadh 11555,  
Kingdom of Saudi Arabia  
Tel: +966 (11) 279 1111  
Fax: +966 (11) 279 1571  
Website: [www.jadwa.com](http://www.jadwa.com)  
Email: [info@jadwa.com](mailto:info@jadwa.com)



The Receiving Entities will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from Wednesday 13/8/1435H (corresponding to 11/6/2014G) to Tuesday 19/8/1435H (corresponding to 17/6/2014G). Once the Subscription Application Form is signed and submitted, the Receiving Entities will stamp it and provide the Applicant with a copy of the completed Subscription Application Form. In the event the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Entities, the Subscription Application Form will be considered void.

Each Applicant is required to specify the number of Offer Shares applied for in the Subscription Application Form, in addition to sufficient funds in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 28 per Share.

Subscriptions for less than 10 Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of 10. The maximum number of Shares to be applied for is 250,000 Shares.

Subscription Application Forms should be submitted during the Offering period and accompanied (where applicable) with the following documents. The Receiving Entities will verify all copies against the originals and will return the originals to the Applicant:

- Original and copy of the national identification card (for Individual Investors).
- Original and copy of the family identification card (for family members).
- Original and copy of the power of attorney (for family members).
- Original and copy of the power of custody (for orphans).
- Original and copy of the divorce certificate (for the children of Saudi female divorcees).
- Original and copy of the death certificate (for the children of Saudi female widows).
- Original and copy of the birth certificate (for the children of Saudi female divorcees or widows).

Power of attorney is only allowed for family members (parents and children only). In the event an application is made on behalf of an Applicant (parents and children only), the name of the person signing on behalf of the Applicant should be stated in the Subscription Application Form. The power of attorney must be issued before a notary public for those who are in Saudi Arabia and must be legalized through a Saudi embassy or consulate in the relevant country for the individual investors residing outside Saudi Arabia.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Applicants apply for the same number of Offer Shares as the prime Applicant. In this case:

1. all Offer Shares allocated to the prime Applicant and dependent Applicants will be registered in the prime Applicant's name.
2. the prime Applicant will receive any refund in respect of amounts not allocated and paid for by himself and dependent Applicants.





3. the prime Applicant will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Applicants (in the event the Shares are not sold or transferred).

A separate Subscription Application Form is used in the following cases:

1. the Shares that will be allocated are to be registered in a name other than the name of the prime Applicant/head of family.
2. dependent Applicants apply for a different quantity of Offer Shares than the prime Applicant.
3. the wife subscribes in her name adding allocated shares to her account (she must complete a separate Subscription Application Form as a prime Applicant). In the latter case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Entity.

A Saudi female divorcee or widow who has children from a marriage to a non-Saudi can subscribe on behalf of those children in shares offered by companies in public offering provided she submits proof of motherhood.

During the Offer Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary subscribers. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign Government must be notarized (attested) by a Saudi consulate or embassy in the relevant country.

Each Applicant agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Applicant for an amount equal to the number of Shares applied for multiplied by the Offer Price of SAR 28 per Share. Each Applicant shall have purchased the number of Offer Shares allotted to him/her upon:

1. delivery by the Applicant of the Subscription Application Form to the Receiving Entities.
2. payment in full by the Applicant to the Receiving Entities of the total value of Offer Shares subscribed for.
3. delivery to the Applicant by the Receiving Entities of the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Receiving Entities by authorizing a debit of the Applicant's account held with the Receiving Entity where the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject, in full or in part, such an application. The Applicant shall accept any number of Offer Shares allocated to him or her other than if allocated shares exceed the number of Offer Shares he has applied for.

## **15 - 2 Allotment and Refund of Surplus**

The Receiving Entities shall open an escrow account under the name ("Al Hammadi Company for Development and Investment – IPO Account"), and each Receiving Entity shall deposit all amounts received from the Applicants into the escrow account mentioned above.

Notification of the final allotments and refund of subscription monies, if any, shall be made no later than Tuesday 26/8/1435H (corresponding to 24/6/2014G).

### **Allotment of Offer Shares to Individual Investors**

A minimum of (10) shares shall be allocated to each Individual Investor, with a maximum allotment of (250,000) shares. The remaining shares (if any) shall be allocated on a pro-rata basis. If the number of Shares subscribed to exceeds the number of Shares offered, then the Lead Manager reserves the right to increase the number of Offer Shares allocated to Individual Investors to 50% of the total number Shares offered, and reduce the number of Shares allocated to Institutional Investors to 50% of the total number of Shares offered. If the number of Individual Investors exceeds (1,125,000), then the Company does not guarantee the minimum allotment of Offer Shares, which is (10) Shares per subscriber. In such case, the Offer Shares will be allocated equally among such subscribers. If the number of Individual Investors exceeds (11,250,000) subscribers, then the allotment of the Offer Shares shall be determined in accordance with a mechanism suggested by the Company and the Financial Advisor.

## Allotment of Offer Shares to Institutional Investors

After the allotment of Offer Shares to Individual Investors, the Company will allocate the Offer Shares to Institutional Investors as it deems appropriate. 90% of the Offer Shares allocated to Institutional Investors will be allocated to mutual funds. This percentage will be subject to amendment in the event that the other institutions do not fully subscribe to the remaining percentage (10%), or in the event that the mutual funds do not subscribe to the full portion allocated to them (90%).

## Individual Investors and Institutional Investors

The final number of Offer Shares allocated to each Applicant together with any refunds, will be announced no later than 26/8/1435H (corresponding to 24/6/2014G). The Company shall notify the Applicants of the same by the publication of a notice in local newspapers in Saudi Arabia on the date mentioned above, and will instruct the Receiving Entities to refund the surplus subscription to the Applicants on such date.

The Receiving Entities shall send confirmation / notification letters to the Applicants informing them of the final number of Offer Shares allocated to each of them, together with the amounts, if any, to be refunded. The Receiving Entities will also refund the Applicants any monies in respect of which no Offer Shares have been allocated to the relevant Applicant, as provided in the confirmation/notification letters. For further information, Applicants should contact the branches of the Receiving Entities at which they subscribed.

## 15 - 3 Times and Circumstances when Listing may be suspended or Cancelled:

### 15 - 3 - 1 Suspension or Cancellation of Listing

1. The CMA may suspend or cancel Listing at any time as it deems appropriate in any of the following circumstances:
  - the CMA considers it necessary for the protection of investors or the maintenance of an orderly market;
  - the issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law and its Implementing Regulations, including a failure to pay on time any fees or fines due to the CMA;
  - the liquidity requirements set out in paragraph (a) of Article 13 of the Listing Rules are no longer met;
  - the CMA considers that the issuer does not have a sufficient level of operations or sufficient assets to warrant the continued trading of its securities on the Exchange;
  - the CMA considers that the issuer or its business is no longer suitable to warrant the continued listing of its securities on the Exchange; or
  - in the case of cross-listed securities, the listing of the foreign issuer's securities has been suspended or cancelled elsewhere.
2. Where a suspension of an issuer continues for six (6) months, without the issuer taking appropriate action to resume its trading, the CMA may cancel the listing.
3. Upon an announcement of an extraordinary general assembly's approval on a capital increase resulting in a reverse takeover, the issuer's listing shall be cancelled. The issuer must submit a new application for registration and admission to listing in accordance with these Rules, should it wish to list its securities.

### 15 - 3 - 2 Voluntary Cancellation or Suspension of a Listing

1. An issuer whose securities have been admitted to listing may not suspend or cancel the listing of its securities on the Exchange without the prior approval of the CMA. The issuer must provide the following information to the CMA:
  - The specific reasons for the request for suspension or cancellation.
  - A copy of the form of the announcement referred to in paragraph (3) below.
  - If the cancellation is going to take place as a result of a takeover or other corporate action by the issuer, a copy of the relevant documentation and a copy of each related communication to shareholders.
2. Once approval from the CMA has been obtained for the cancellation of listing, an issuer must obtain the consent of its extraordinary Assembly.



3. Where a suspension or cancellation is made at the issuer's request, the issuer must announce as soon as possible the reason for the suspension or cancellation, the anticipated period of the suspension, the nature of the event resulting in the suspension or the cancellation which affects the issuer's activities.
4. The CMA may accept or reject the request for suspension or cancellation at its discretion.

### **15 - 3 - 3 Temporary Suspension**

1. An issuer may request a temporary trading suspension upon the occurrence of an event that occurs during the trading period which requires immediate disclosure under the Listing Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period
2. To enable the CMA to assess the need for the trading suspension and the appropriate duration of the trading suspension, the request must be supported by:
  - The specific reasons for the temporary suspension request and the duration of the requested suspension.
  - A copy of the announcement referred to in paragraph (3) below.
3. Where a trading suspension is made at the issuer's request, the issuer must announce, as soon as possibly practicable, the reason for the trading suspension, the anticipated period of the trading suspension, the event affecting the issuer's activities and the current state of events with respect to the issuer's activities.
4. The CMA may accept or reject a request for temporary suspension as it sees fit.
5. The CMA may impose a temporary suspension without a request from the issuer where the CMA becomes aware of information or circumstances affecting the issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. An issuer whose securities are subject to a trading suspension must continue to comply with the Capital Markets Law and its Implementing Regulations.
6. A temporary suspension will be lifted following the elapse of the period referred to in the announcement specified in paragraph (3) above, unless the CMA decides otherwise.

### **15 - 3 - 4 Lifting of Suspension**

1. Where a listing has been suspended, the lifting of such suspension will depend on:
  - The events which led to the suspension have been sufficiently remedied, and the suspension is no longer necessary for the protection of investors; and
  - The issuer complying with any other conditions that the CMA may require.
2. The CMA may lift a suspension even where the issuer has not requested it.

### **15 - 3 - 5 Re-listing of Cancelled Securities**

An issuer is required to submit a new application for registration and admission to listing in order to re-list securities which have been cancelled.

### **15 - 3 - 6 Miscellaneous Provisions:**

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs ; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the proper written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

### 15 - 3 - 7 Resolutions and Approvals Pursuant to Which the Shares shall be Offered:

The resolutions and approvals pursuant to which the Offer Shares shall be offered by are as follows:

1. The Company's Board of Directors resolution dated 23/4/1435H (corresponding to 23/2/2014G).
2. The Company's Extraordinary General Assembly resolution to increase the Company's capital to SAR 750 million and offering the increase Shares for public subscription, according to this Prospectus and completion of the increase procedures at MoCI pursuant to completion of the Offer and allocation.
3. The approval of the CMA to offer of the increase Shares for public subscription on 20/7/1435H (corresponding to 19/5/2014G).

The Current Shareholders are subject to the Lock-Up Period defined in the "**Offer Summary**" section of this Prospectus, where they are prohibited from dealing with any of the Company Shares which they own. After the expiration of the Lock-Up Period, the Current Shareholders shall be permitted to deal in their Shares subject to obtaining the prior approval of the CMA to do so.

This Prospectus is issued in the Arabic language.

The distribution of this Prospectus or the sale of Offer Shares in any country other than Saudi Arabia is expressly prohibited. The Company, the Financial Advisor and Lead Manager request the recipients of this Prospectus to identify any statutory restrictions relating to this Offering and subscription to the Offer Shares and to abide by the same.



## 16. Acknowledgements Relating to the Offer and the Allotment Process and Details of the Capital Market

### 16 - 1 Acknowledgements and Declarations Relating to the Offer

By completing and submitting the Subscription Application Form, the subscriber:

- agrees to subscribe to the Company's Shares in the number of such Shares specified in the Subscription Application Form;
- warrants that he/she has read the Prospectus and understood all its contents;
- accepts the By-Laws of the Company and all subscription instructions and terms mentioned in the Prospectus;
- declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed for Shares and the Company has the right to reject all duplicate applications;
- accepts the number of shares allocated to him and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form;
- warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Entity;
- retains his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by omitting major information that should have been part of the Prospectus and could affect his/her decision to subscribe to the Shares.

### 16 - 2 The Offer

The initial public offering of 22,500,000 ordinary shares fully paid with a nominal value of SAR (10) each, and at a price of SAR 28 per share, representing 30% of the issued share capital of the Company after the Offering. The Offer is restricted to two tranches of investors; Tranche (A) Institutional Investors (please refer to the section: "**Definitions and Abbreviations**") and Tranche (B) Individual Investors. Please refer to section 15 "**Subscription Terms and Conditions**" of this Prospectus.

### 16 - 3 Allotment and Refund of Surplus

The Receiving Entities shall open an escrow account under the name ("Al Hammadi Company for Development and Investment – IPO Account"), and each Receiving Entity shall deposit all amounts received from the Applicants into the escrow account mentioned above.

Notification of the final allotments and refund of subscription monies, if any, shall be made no later than 26/8/1435H (corresponding to 24/6/2014G).

#### Allotment of Offer Shares to Individual Investors

A minimum of (10) shares shall be allocated to each Individual Investor, with a maximum allotment of (250,000) shares. The remaining shares (if any) shall be allocated on a pro-rata basis. If the number of Shares subscribed to exceeds the number of Shares offered, then the Lead Manager reserves the right to increase the number of Offer Shares allocated to Individual Investors to 50% of the total number Shares offered, and reduce the number of Shares allocated to Institutional Investors to 50% of the total number of Shares offered. If the number of Individual Investors exceeds (1,125,000), then the Company does not guarantee the minimum allotment of Offer Shares, which is (10) Shares per subscriber. In such case, the Offer Shares will be allocated equally among such subscribers. If the number of Individual Investors exceeds (11,250,000) subscribers, then the allotment of the Offer Shares shall be determined in accordance with a mechanism suggested by the Company and the Financial Advisor.

#### Allotment of Offer Shares to Institutional Investors

After the allotment of Offer Shares to Individual Investors, the Company will allocate the Offer Shares to Institutional Investors as it deems appropriate. 90% of the Offer Shares allocated to Institutional Investors will be allocated to mutual funds. This percentage will be subject to amendment in the event that the other institutions do not fully subscribe to the remaining percentage (10%), or in the event that the mutual funds do not subscribe to the full portion allocated to them (90%).

## Individual Investors and Institutional Investors

The final number of Offer Shares allocated to each Applicant together with any refunds, will be announced no later than 26/8/1435H (corresponding to 24/6/2014G). The Company shall notify the Applicants of the same by the publication of a notice in local newspapers in Saudi Arabia on the date mentioned above, and will instruct the Receiving Entities to refund the surplus subscription to the Applicants on such date.

The Receiving Entities shall send confirmation / notification letters to the Applicants informing them of the final number of Offer Shares allocated to each of them, together with the amounts, if any, to be refunded. The Receiving Entities will also refund the Applicants any monies in respect of which no Offer Shares have been allocated to the relevant Applicant, as provided in the confirmation/notification letters. For further information, Applicants should contact the branches of the Receiving Entities at which they subscribed.

### 16 - 4 The Saudi Arabian Stock Exchange (Tadawul)

“Tadawul” was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in Saudi Arabian equities was introduced.

The market capitalisation was SAR 8.9 trillion by the close of business on 6 /8/ 1435H (corresponding to 4/6/2013G), and 159 companies were listed and traded on Tadawul as of that date.

### 16 - 5 Entering Orders

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 am to 3:30 pm during which orders are executed. However, during other than those times, orders can be entered, amended or deleted from 10:00 am until 11:00 am. New entries and inquiries can be made from 10:00 am of the opening phase (starting at 11:00 am).

Transactions are processed by an automated matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit, provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, notably Tadawul's website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed. Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of the supervision is to ensure fair trading and an orderly market.

### 16 - 6 Trading on Tadawul

It is expected that dealing in the Shares will commence on Tadawul after finalisation of the allotment process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

Shares can only be traded after allocated Shares have been credited to the Subscriber's accounts at Tadawul, the Company has been registered on the Official List and its shares are listed on the Exchange. Pre-trading is strictly prohibited and subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.



## 17. Documents Available for Inspection

The following documents shall be available for inspection at the head office of the Company at Khalid Ibn Yazid Ibn Muawiyah Street, North the Real Estate Company, Al Olaya, Riyadh, from 9:00 a.m. to 5:00 p.m. from 28/7/1435H (corresponding to 27/5/2014G) to 19/8/1435H (corresponding to 17/6/2014G), two weeks prior to the Offer Date and during the Offer Period:

- CMA approval to the Offer.
- Company's commercial registration certificate issued by the Ministry of Commerce and Industry.
- Shareholders' resolution in relation to the conversion of the Company from a limited liability company to a joint stock company.
- Ministerial Resolution Number Q/316 dated 16/9/1429H (corresponding to 16/9/2008G) announcing the conversion of the Company from a limited liability company to a Saudi Joint Stock Company.
- The Company's By-Laws, together with any amendments thereto.
- The Evaluation Report prepared by the Financial Advisor.
- Audited consolidated Financial Statements for the Company as at and for the financial years ending on 31 December 2010G, 2011G, and 2012G and the financial period ending on 31st December 2013G.
- The written consent from Samba Capital and Investment Management Company (Samba Capital) to reference to them as the Financial Advisors and the Underwriters in this Prospectus.
- The Written consent from the Law Office of Looaye Mohammad Al-Akkas - Lawyers and Legal Consultants, in association with Vinson & Elkins LLP to reference to them as legal advisors to the Offer in this Prospectus.
- The written consent from Roland Berger Strategy Consultants Middle East W.L.L.P. to reference to them as Market Advisors in this Prospectus.
- The written consent from Ernst & Young to reference to them as financial due diligence advisor in this Prospectus.
- The written consent from the Auditors to publish the audited reports which they had prepared in this Prospectus.
- The written consent from Shari'ah Review Bureau to refer to them as Shari'ah Compliance Advisor in this Prospectus.
- The Market Reports prepared by Roland Berger Strategy Consultants Middle East W.L.L.P.
- Contracts and agreements with related parties.
- The agreement for the opening of the Offer account.
- The feasibility study of Al Nuzha Hospital Project.



## 18. Auditor's Financial Report





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

**Financial Statements for the year ended  
December 31, 2013 and Independent  
Auditors' Report**



## **INDEPENDENT AUDITORS' REPORT**

February 24, 2014

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, 2013 and the statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (24) 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 information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statements 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, 2013 and the results of its operations and its cash flows for the year then ended, in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-Laws with respect to the preparation and presentation of financial statements.

**PricewaterhouseCoopers**

By:   
Mohammed A. Al Obaidi  
License Number 367

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T: +966 (11) 465-4240, F: +966 (11) 465-1663, [www.pwc.com/middle-east](http://www.pwc.com/middle-east)*

License No. 25, Licensed Partners: Omar M. Al Sagga (369), Khalid A. Mahdhar (368), Mohammed A. Al Obaidi (367), Ibrahim R. Habib (383), Yaseen A. Abu Alkheir (375), Ali A. Alotaibi (379), Bader I. Benmohareb (471)

**AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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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)

		As at December 31,	
	Notes	2013	2012
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	42,198,584	63,437,597
Accounts receivable - net	5	136,461,270	106,955,812
Due from related parties	18	350,433	70,566
Inventories	6	15,559,826	15,376,280
Prepayments and other assets	7	14,130,240	7,612,756
		208,700,353	193,453,011
<b>Non-current assets</b>			
Property and equipment - net	8	362,568,468	370,345,987
Capital work-in-progress	9	665,071,481	279,528,754
<b>Total assets</b>		1,236,340,302	843,327,752
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		32,171,519	32,739,578
Overdraft bank accounts		1,873,339	-
Due to related parties	18	706,487	996,639
Accrued and other liabilities	11	19,553,137	15,240,392
Provision for zakat	19	3,608,603	3,463,148
		57,913,085	52,439,757
<b>Non-current liabilities</b>			
Long-term loans	10	578,029,250	212,637,615
Employees' termination benefits	12	14,805,253	9,660,181
<b>Total liabilities</b>		650,747,588	274,737,553
<b>Shareholders' equity</b>			
Share capital	13	525,000,000	420,000,000
Statutory reserve	14	12,198,267	34,048,015
Retained earnings		48,394,447	114,542,184
Total shareholders' equity		585,592,714	568,590,199
<b>Total liabilities and shareholders' equity</b>		1,236,340,302	843,327,752
Contingencies and commitments	24		

The notes on pages 6 to 20 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)

		<b>For the year ended December 31,</b>	
	<b>Notes</b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Revenues - net	15	434,075,699	378,684,499
Cost of revenues	16	<u>(248,913,513)</u>	<u>(215,575,032)</u>
Gross profit		185,162,186	163,109,467
<b>Operating expenses</b>			
General and administrative expenses	17	<u>(73,067,139)</u>	<u>(70,770,339)</u>
Operating income		112,095,047	92,339,128
<b>Other income (expenses)</b>			
Financial charges		(319,889)	(1,656,867)
Other - net		<u>3,927,357</u>	<u>6,088,190</u>
Income before zakat		115,702,515	96,770,451
Zakat - net	19	<u>(4,200,000)</u>	<u>(2,500,000)</u>
Net income		<u><u>111,502,515</u></u>	<u><u>94,270,451</u></u>
<b>Earnings per share:</b>	21		
Average number of shares		<u>52,500,000</u>	<u>52,500,000</u>
Operating income		<u>2.14</u>	<u>1.76</u>
Non-operating income - other income		<u>0.07</u>	<u>0.08</u>
Net income		<u><u>2.12</u></u>	<u><u>1.80</u></u>

The notes on pages 6 to 20 form an integral part of these financial statements.

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

**STATEMENT OF CASH FLOW**

(All amounts in Saudi Riyals unless otherwise stated)

	<b>For the year ended December 31,</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Cash flows from operating activities:</b>		
Net income	111,502,515	94,270,451
<b>Adjustments for non-cash items:</b>		
Depreciation	13,614,163	13,597,745
Provision for doubtful debts	22,963,729	25,861,356
Provision for zakat	4,200,000	2,500,000
Provision for employees' termination benefits	5,444,577	4,429,620
<b>Changes in working capital:</b>		
Accounts receivable - net	(52,469,187)	(23,235,460)
Due from/to related parties	(570,019)	(148,749)
Inventories	(183,546)	(162,127)
Prepayments and other current assets	(6,517,484)	(1,205,716)
Accounts payable	(568,059)	5,110,680
Accrued and other current liabilities	4,312,745	3,402,691
Zakat paid	(4,054,545)	(3,236,852)
Employees' termination benefits paid	(299,505)	(320,993)
Net cash generated from operating activities	<u>97,375,384</u>	<u>121,160,144</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(5,836,644)	(38,351,584)
Additions on capital work-in-progress	<u>(385,542,727)</u>	<u>(227,172,034)</u>
Net cash utilized in investing activities	<u>(391,379,371)</u>	<u>(265,523,618)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term loans	365,391,635	212,637,615
Proceeds from short-term loans	22,201,824	62,750,000
Repayment of short-term loans	(20,328,485)	(102,750,000)
Dividends paid	<u>(94,500,000)</u>	<u>-</u>
Net cash generated from financing activities	<u>272,764,974</u>	<u>172,637,615</u>
<b>Net change in cash and cash equivalents</b>	<b>(21,239,013)</b>	<b>28,274,141</b>
Cash and cash equivalents, at beginning of year	<u>63,437,597</u>	<u>35,163,456</u>
<b>Cash and cash equivalents, at end of year</b>	<b><u>42,198,584</u></b>	<b><u>63,437,597</u></b>
<b>Supplemental non-cash information:</b>		
Transfer from retained earnings to capital to increase share capital (Note 14)	<u>72,000,000</u>	<u>120,000,000</u>
In-kind dividends paid (Note 14)	<u>33,000,000</u>	<u>-</u>

The notes on pages 6 to 20 form an integral part of these financial statements.

**AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY**  
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**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>
<b>January 1, 2013</b>	420,000,000	34,048,015	114,542,184	568,590,199
Net income for the year	-	-	111,502,515	111,502,515
Transfer to statutory Reserve	-	11,150,252	(11,150,252)	-
Dividends paid	-	-	(94,500,000)	(94,500,000)
Transfer from retained earnings to share capital	<u>105,000,000</u>	<u>(33,000,000)</u>	<u>(72,000,000)</u>	<u>-</u>
<b>December 31, 2013</b>	<u>525,000,000</u>	<u>12,198,267</u>	<u>48,394,447</u>	<u>585,592,714</u>
<b>January 1, 2012</b>	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>
<b>December 31, 2012</b>	<u>420,000,000</u>	<u>34,048,015</u>	<u>114,542,184</u>	<u>568,590,199</u>

The notes on pages 6 to 20 form an integral part of these financial statements.

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**1. General information**

Al Hammadi Development and Investment Company (the "Company") was established to trade in wholesale and retail of medical equipment and medicines, 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 mentioned above.

The board of directors approved the accompanying financial statements for issuance on February 24, 2014.

**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 are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.

**2.3 Segment reporting**

**(a) Business segment**

A business segment is 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.



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(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

The presentation of financial statements is 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, 2013 and 2012, 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 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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**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.

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**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.

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**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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**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**

	<b>2013</b>	<b>2012</b>
Cash in hand	2,436,726	3,010,064
Cash at banks	<u>39,761,858</u>	<u>60,427,533</u>
	<u>42,198,584</u>	<u>63,437,597</u>

**5. Accounts receivable - net**

	<b>2013</b>	<b>2012</b>
Trade	147,596,560	112,130,425
Receivables not yet billed	<u>8,528,231</u>	<u>9,983,135</u>
	156,124,791	122,113,560
Less: Provision for doubtful debts	<u>(19,663,521)</u>	<u>(15,157,748)</u>
	<u>136,461,270</u>	<u>106,955,812</u>

Movement in provision for doubtful debts is as follows:

	<b>2013</b>	<b>2012</b>
Balance at January 1	15,157,748	3,690,588
Additions	22,963,729	25,861,356
Write-offs	<u>(18,457,956)</u>	<u>(14,394,196)</u>
Balance at December 31	<u>19,663,521</u>	<u>15,157,748</u>

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**6. Inventories**

	<b>2013</b>	<b>2012</b>
Medicines	9,764,894	9,356,769
Medical tools and supplies	4,536,692	4,313,944
Non-medical tools and supplies	1,130,751	1,587,996
Spare parts and supplies not held for sale	<u>127,489</u>	<u>117,571</u>
	<u><b>15,559,826</b></u>	<u><b>15,376,280</b></u>

**7. Prepayments and other current Assets**

	<b>2013</b>	<b>2012</b>
Prepayments to suppliers	4,616,313	1,704,864
Consultations and IPO expenses	4,613,010	1,300,538
Rent and medical insurance	3,528,487	2,741,897
Advances to employees	1,079,980	982,382
Margin Deposit	36,000	36,000
Other	<u>256,450</u>	<u>847,075</u>
	<u><b>14,130,240</b></u>	<u><b>7,612,756</b></u>

**8. Property and equipment - net**

	<b>January 1, 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2013</b>
<b>Cost:</b>				
Lands	262,396,467		-	262,396,467
Buildings	196,983,088	-	-	196,983,088
Medical equipment and tools	112,548,237	2,710,187	-	115,258,424
Furniture, fixtures and office equipment	43,102,770	2,137,457	-	45,240,227
Vehicles	<u>2,932,118</u>	<u>989,000</u>	<u>(209,250)</u>	<u>3,711,868</u>
Total	<u>617,962,680</u>	<u>5,836,644</u>	<u>(209,250)</u>	<u>623,590,074</u>
<b>Accumulated depreciation:</b>				
Buildings	123,736,583	5,909,493	-	129,646,076
Medical equipment and tools	88,968,100	4,624,958	-	93,593,058
Furniture, fixtures and office equipment	33,232,475	2,477,235	-	35,709,710
Vehicles	<u>1,679,535</u>	<u>602,473</u>	<u>(209,246)</u>	<u>2,072,762</u>
Total	<u>247,616,693</u>	<u>13,614,159</u>	<u>(209,246)</u>	<u>261,021,606</u>
	<u><b>370,345,987</b></u>			<u><b>362,568,608</b></u>

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	<b>January 1, 2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2012</b>
<b>Cost:</b>				
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>
<b>Accumulated depreciation:</b>				
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>

The above lands include a land in total amount of Saudi Riyals 86,987,035 serving as a loan collateral for the Ministry of finance as a loan guarantee, in addition to a land in the amount of Saudi Riyals 67,000,000 pledged to a local bank loan as a guarantee. (Please refer to Note 10).

**9. 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:

	<b>2013</b>	<b>2012</b>
Opening balance	279,528,754	52,356,720
Additions during the year	385,542,727	227,172,034
Transfers to fixed assets	-	-
	<u>665,071,481</u>	<u>279,528,754</u>

These constructions are financed through loans from a local commercial bank (Please refer to Note 10 and Note 24). The total cost of loans which is capitalized on these constructions is Saudi Riyals 16,287,896 as of December 31, 2013. (2012: Saudi Riyals 2,421,517).

**10. Long-term loans**

	<b>2013</b>	<b>2012</b>
Loan from the Ministry of Finance	75,907,200	-
Loans from commercial banks	<u>502,122,050</u>	<u>212,637,615</u>
	<u>578,029,250</u>	<u>212,637,615</u>

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**10.1 Loan from the Ministry of Finance**

The loan agreement with the Saudi Ministry of Finance is to obtain a loan of Saudi Riyals 149.1 million in purpose of establishing the hospital building (Al Swaidi branch) and purchasing of medical equipment and furniture. The Company has used part of the loan in the amount of Saudi Riyals 75.9 million as of December 31, 2013. The annual installment is determined in light of how much is actually spent from the value of the loan at the end of the implementation period of this specific contract after dividing the total disbursements to twenty annual installments. The maturity of the first installment will be after five year from the date of the agreement which is September 18, 2013. This loan is secured by a mortgage of the property, plant and equipment for Al Swaidi branch. This loan does not have any financing commissions.

**10.2 Loans from commercial banks**

The Company has held many different facilities and loans agreements with local commercial banks. Those loans carry finance commissions based on the rates prevailing in the market. These agreements include bank facilities of Saudi Riyals 1.1 billion as at December 31, 2013 in form of long term loans. 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. In addition, These bank facilities include Saudi Riyals 147.8 million in the form of LCs limit to be repaid after three years period on quarterly basis with a grace period of three years. The maturity of the first installment will be on June 30, 2015. The bank facilities also include Saudi Riyals 150 million as a long-term loan to be repaid after a five years period on half year basis. The maturity of the first will be at October 20, 2015. Also, these facilities include a long term loan of Saudi Riyals 300 million to be repaid after three years period on half year basis with a grace period of two years. The maturity of the first payment will be at June 5, 2016. The purpose of these loans are principally to finance the purchase of lands for the Company, constructions of branches and accommodation for staff and purchase of medical equipment. The Company used Saudi Riyals 504 million of the total amount of these facilities at the date of these financial statements.

The facilities agreements referred to above also include facilities for the issuance of letters of guarantee and letters of credit in addition to overdraft account amounting to Saudi Riyals 51 million. The company has used approximately Saudi Riyals 1.9 million of the total value of these facilities as at the date of the 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. The carrying value of these loans are in Saudi Riyals.



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**10.3 Long term loans maturities**

The maturities of long-term loan are as follow:

	<b>2013</b>	<b>2012</b>
2014	-	-
2015	110,310,000	85,310,000
2016	173,096,242	77,327,615
2017	170,619,565	50,000,000
2018	48,096,243	-
After that	<u>75,907,200</u>	<u>-</u>
	<u><b>578,029,250</b></u>	<u><b>212,637,615</b></u>

**11. Accrued and other current liabilities**

	<b>2013</b>	<b>2012</b>
Employees' benefits	6,110,236	5,365,955
Patients' deposits	5,620,870	5,383,804
Medical education fund	3,518,654	2,714,967
Accrued interest	1,823,115	-
Amounts due for external medical services	1,417,457	922,418
Social insurance	355,682	281,378
Other	<u>707,123</u>	<u>571,870</u>
	<u><b>19,553,137</b></u>	<u><b>15,240,392</b></u>

**12. Employees' termination benefits**

	<b>2013</b>	<b>2012</b>
Balance at January 1	9,660,181	5,551,554
Provision	5,444,577	4,429,620
Payments	<u>(299,505)</u>	<u>(320,993)</u>
Balance at December 31	<u><b>14,805,253</b></u>	<u><b>9,660,181</b></u>

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**13. Share capital**

The Company's share capital of Saudi Riyals 525 million at December 31, 2013 consist of 52,500,000 shares (2012: 42,000,000 shares) fully paid shares of Saudi Riyals 10 each and owned by Saudi shareholders as follows:

**2013**

<b><u>Shareholders</u></b>	<b><u>Number of shares</u></b>	<b><u>Share capital</u></b>	<b><u>%</u></b>
Jadwa Medical Opportunity Company	15,750,000	157,500,000	30.000
Mr. Saleh Bin Mohammed Al Hammadi	7,500,000	75,000,000	14.290
Dr. Abdulaziz Bin Mohammed Al Hammadi	7,500,000	75,000,000	14.290
Mr. Faisal Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000
Mr. Mohammed Abdulaziz Al Hammadi	3,675,000	36,750,000	7.000
Mr. Abdulaziz Saleh Al Hammadi	3,675,000	36,750,000	7.000
Mr. Mohammed Saleh Al Hammadi	3,675,000	36,750,000	7.000
Ms. Al Joharah Ibrahim Bin Aoun	2,367,375	23,673,750	4.500
Ms. Hend Bint Fahd Al-Dekheel	1,987,625	19,876,250	3.790
Mr. Turki Ibrahim Mansour Al Rajhi	1,748,750	17,487,500	3.330
Mr. Ibrahim Bin Mansour Al Rajhi	945,000	9,450,000	1.800
Mr. Sami Abdullah Al Saeed	1,250	12,500	0.002
	<u>52,500,000</u>	<u>525,000,000</u>	<u>100.000</u>

**2012**

Jadwa Medical Opportunity Company	12,600,000	126,000,000	30.000
Mr. Saleh Bin Mohammed Al Hammadi	9,573,900	95,739,000	22.800
Dr. Abdulaziz Bin Mohammed Al Hammadi	4,650,100	46,501,000	11.070
Mr. Faisal Abdulaziz Al Hammadi	2,940,000	29,400,000	7.000
Mr. Mohammed Abdulaziz Al Hammadi	2,940,000	29,400,000	7.000
Ms. Hend Bint Fahd Al-Dekheel	2,940,000	29,400,000	7.000
Mr. Abdulaziz Saleh Al Hammadi	2,100,000	21,000,000	5.000
Mr. Mohammed Saleh Al Hammadi	2,100,000	21,000,000	5.000
Mr. Turki Ibrahim Mansour Al Rajhi	1,400,000	14,000,000	3.330
Mr. Ibrahim Bin Mansour Al Rajhi	756,000	7,560,000	1.800
	<u>42,000,000</u>	<u>420,000,000</u>	<u>100.000</u>

The Company increased its share capital on June 17, 2013 from Saudi Riyals 420 million to Saudi Riyals 525 million and the number of shares from 42 million shares to 52.5 million shares by 25% of share capital 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, 2012 by amount of Saudi Riyals 72 million and from the statutory reserve as at December 31, 2012 by amount of Saudi Riyals 33 million based on the approval of the extraordinary general assembly at their meeting on 8 Shaaban 1434H corresponding to June 17, 2013. The related legal formalities were completed during December 31, 2013.

**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)

**14. 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.

**15. Revenues - net**

	<b>2013</b>	<b>2012</b>
Doctors' fees and other medical treatments	195,544,114	173,200,127
Pharmacy	117,110,655	103,782,206
Laboratory	90,041,391	79,107,585
X-Rays	52,255,879	47,290,017
Room charges	46,575,878	44,244,275
Physical therapy	3,171,975	4,668,276
Gross revenues	504,699,892	452,292,486
Less: Discounts	(70,624,193)	(73,607,987)
	<u>434,075,699</u>	<u>378,684,499</u>

**16. Cost of revenues**

	<b>2013</b>	<b>2012</b>
Medical costs	115,691,699	102,371,929
Salaries and related benefits	115,221,001	96,699,348
Depreciation	10,428,676	10,434,744
Repairs and maintenance	4,127,660	2,486,169
Utilities	3,444,477	3,582,842
	<u>248,913,513</u>	<u>215,575,032</u>

**17. General and administrative expenses**

	<b>2013</b>	<b>2012</b>
Provision for doubtful debts	22,963,729	25,861,355
Salaries and related benefits	27,127,740	19,929,179
Non-medical Materials consumed	5,293,460	4,888,894
Depreciation	3,185,483	3,163,001
Rentals	3,399,263	3,695,459
Repairs and maintenance	1,553,488	1,760,303
Utilities	861,119	895,710
Insurance	856,320	834,217
Donations and contributions	226,500	236,935
Advertisement and public relations	184,965	785,925
Stationery	87,144	93,682
Other	7,327,927	8,625,679
	<u>73,067,139</u>	<u>70,770,339</u>

**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)

**18. Related party matters**

**18.1 Related party transactions**

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

	<b>2013</b>	<b>2012</b>
Completed works for capital work in progress from a company affiliated to a shareholder	279,763,001	215,620,719
Purchases from a company owned by relatives of the shareholders	5,891,803	4,395,503
Salaries and other benefits paid to relatives of the shareholders	4,211,662	2,665,219
Rental expense paid to related parties	300,000	250,000

Also, see Note 24 regarding dividends.

**18.2 Related party balances**

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

(i) Due from related parties

	<b>2013</b>	<b>2012</b>
Mr Ibrahim Mansour Al Rajhi (Shareholder)	166,933	69,571
Aziz Limited Company for Contracting and Medical Services	-	995
Ms. Haya Al Hamadi	150,000	-
Mohammed Al Hamadi Establishment for Information Technology	<u>33,500</u>	<u>-</u>
	<u><b>350,433</b></u>	<u><b>70,566</b></u>

(ii) Due to related parties

	<b>2013</b>	<b>2012</b>
Aktel Trading Company	706,487	995,034
Mohammed Al Hamadi Establishment for Information Technology	<u>-</u>	<u>1,605</u>
	<u><b>706,487</b></u>	<u><b>996,639</b></u>

**AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012**  
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**19. Zakat matters**

**19.1 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:

	<b>2013</b>	<b>2012</b>
<b>Calculation of zakat base:</b>		
Shareholders' equity at beginning of year	568,590,199	474,319,748
Adjusted net income for the year	129,565,022	115,011,457
Provisions at beginning of year	24,817,929	10,205,290
Long-term loans	578,029,250	212,637,615
Less:		
Property and equipment - net	(362,568,468)	(370,345,987)
Capital work-in-progress	(665,071,481)	(279,528,754)
Spare parts and supplies not held for sale	(127,489)	(117,571)
Dividends paid	<u>(94,500,000)</u>	<u>-</u>
Estimated zakat base for the Company	<u><u>178,734,962</u></u>	<u><u>162,181,798</u></u>

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

**19.2 Calculation of adjusted net income**

	<b>2013</b>	<b>2012</b>
Income before zakat	115,702,515	96,770,451
Add:		
Salaries and other benefits paid to relatives of the shareholders	4,211,662	2,665,219
Change in provision for employees' termination benefits	5,145,072	4,108,627
Change in provision for doubtful debts	<u>4,505,773</u>	<u>11,467,160</u>
Adjusted net income for the year	<u><u>129,565,022</u></u>	<u><u>115,011,457</u></u>

**19.3 Provision for zakat**

	<b>2013</b>	<b>2012</b>
Balance at January 1	3,463,148	4,200,000
Provision for the year	4,200,000	3,463,148
Reversals of prior years provisions	-	(963,148)
Payments	<u>(4,054,545)</u>	<u>(3,236,852)</u>
Balance at December 31	<u><u>3,608,603</u></u>	<u><u>3,463,148</u></u>

**19.4 Status of final assessments**

The company has ended its Zakat statues and received the final zakat assessments for the financial years up to the year ended December 31, 2007. The company also obtained the final assessment for the period ended September 30, 2008, the date when the legal entity of the company changed from a limited liability company to a closed joint stock company. Based on these assessments, there were not any additional amounts owed by the Company for the years and the period mentioned above.

**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)

The company has filed its zakat returns with the DZIT for the period ended December 31, 2009 and the financial years ended December 31, 2010 until December 31, 2012, and has obtained the restricted certificates. The company did not receive any zakat assessments at those periods / years until December 31, 2013, and there are no estimates of any additional amounts expected to be claimed by the Department of Zakat. Accordingly, no provision in the accompanying financial statements.

**20. Operating leases**

The company has operating leases related to the accommodation of the staff. The rental expenses is Saudi Riyals 3.4 million for the year ended December 31, 2013 (2012: Saudi Riyals 3.7 million).

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

	2013	2012
2013	-	2,144,973
2014	1,682,594	1,343,550
2015	2,332,737	-
2016	215,993	-
	<u>4,231,324</u>	<u>3,488,523</u>

**21. Earnings per share**

Earnings per share for the year has been computed by dividing the operating income and net income for the year by weighted average of number of shares outstanding during the years 2012 and 2013, which was 52.5 million shares. Earnings per share from main operations and net income for the year ended December 31, 2012 has been recomputed retroactively on the basis of the new number of shares further to the increase in the company's capital worth 105 million Saudi riyals (Note: 13).

**22. 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.

**23. Dividends**

During 2013, the Company did not distribute any dividends to the shareholders (2012: Nil).

During 2013, the Company distributed dividends of Saudi Riyals 94.5 million (2012: Nil). An amount of Saudi Riyals 42 million is related to 2012 net income and an amount of Saudi Riyals 52.5 million related to 2013 net income.

**24. Contingencies and commitments**

The Company had outstanding letters of credit and guarantee from a local bank amounting to Saudi Riyals 73,335,679 as at December 31, 2013 (2012: Saudi Riyals 89,225,260).

The Company had capital commitments amounting to Saudi Riyals 340,616,280 as at December 31, 2013 related to capital work in progress with related parties (2012: Saudi Riyals 620,379,281).

**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: Mohammed A. Al Obaidi  
License Number 367

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License No. 25, Licensed Partners: Omar M. Al Sagga (369), Khalid A. Mahdhar (368), Mohammed A. Al Obaidi (367), Ibrahim R. Habib (383), Yaseen A. Abu Alkheir (375), Ali A. Alotaibi (379)

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

**BALANCE SHEET**

(All amounts in Saudi Riyals unless otherwise stated)

		As at December 31,	
	Notes	2012	2011
<b>Assets</b>			
<b>Current assets</b>			
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
<b>Non-current assets</b>			
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>
<b>Total assets</b>		<u><u>843,327,752</u></u>	<u><u>564,343,638</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
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
<b>Non-current liabilities</b>			
Long-term loans	9	212,637,615	-
Employees' termination benefits	11	<u>9,660,181</u>	<u>5,551,554</u>
<b>Total liabilities</b>		<u><u>274,737,553</u></u>	<u><u>90,023,890</u></u>
<b>Shareholders' equity</b>			
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><u>568,590,199</u></u>	<u><u>474,319,748</u></u>
Total liabilities and shareholders' equity		<u><u>843,327,752</u></u>	<u><u>564,343,638</u></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)

		<b>For the year ended December 31,</b>	
	<b>Notes</b>	<b>2012</b>	<b>2011</b>
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
<b>Operating expenses</b>			
General and administrative expenses	16	<u>(70,770,339)</u>	<u>(55,501,232)</u>
Operating income		92,339,128	92,148,694
<b>Other income (expenses)</b>			
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>
<b>Earnings per share:</b>	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>

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

	<b>For the year ended December 31,</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Cash flows from operating activities:</b>		
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>
<b>Cash flows from investing activities:</b>		
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>
<b>Cash flows from financing activities:</b>		
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>
<b>Net change in cash and cash equivalents</b>	<b>28,274,141</b>	<b>14,407,306</b>
Cash and cash equivalents, at beginning of year	<u>35,163,456</u>	<u>20,756,150</u>
<b>Cash and cash equivalents, at end of year</b>	<b><u>63,437,597</u></b>	<b><u>35,163,456</u></b>
<b>Supplemental non-cash information:</b>		
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>
<b>January 1, 2012</b>	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>
<b>December 31, 2012</b>	<u>420,000,000</u>	<u>34,048,015</u>	<u>114,542,184</u>	<u>568,590,199</u>
<b>January 1, 2011</b>	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)	<u>-</u>	<u>-</u>	<u>(60,000,000)</u>	<u>(60,000,000)</u>
<b>December 31, 2011</b>	<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)

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**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**  
**(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)

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(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.

**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)

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**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.



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**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.

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**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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**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**

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

**5. Accounts receivable - net**

	<b>2012</b>	<b>2011</b>
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><u>107,938,194</u></u>	<u><u>110,564,090</u></u>

Movement in provision for doubtful debts is as follows:

	<b>2012</b>	<b>2011</b>
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><u>15,157,748</u></u>	<u><u>3,690,588</u></u>

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**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
<b>Cost:</b>				
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>
<b>Accumulated depreciation:</b>				
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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	<b>January 1, 2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2011</b>
<b>Cost:</b>				
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
<b>Total</b>	<b>567,003,199</b>	<b>41,610,135</b>	<b>(29,002,238)</b>	<b>579,611,096</b>
<b>Accumulated depreciation:</b>				
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
<b>Total</b>	<b>249,865,673</b>	<b>12,964,742</b>	<b>(28,811,467)</b>	<b>234,018,948</b>
	<b>317,137,526</b>			<b>345,592,148</b>

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:

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

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**

	<b>2012</b>	<b>2011</b>
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	571,870	446,378
	<u>15,240,392</u>	<u>11,837,701</u>

**11. Employees' termination benefits**

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

<b><u>Shareholders</u></b>	<b><u>Number of shares</u></b>	<b><u>Share capital</u></b>	<b><u>%</u></b>
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	756,000	7,560,000	1.80
	<u>42,000,000</u>	<u>420,000,000</u>	<u>100.00</u>

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**2011**

<b>Shareholders</b>	<b>Number of shares</b>	<b>Share capital</b>	<b>%</b>
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	1,500,000	15,000,000	5.00
	<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**

	<b>2012</b>	<b>2011</b>
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**

	<b>2012</b>	<b>2011</b>
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><b>215,575,032</b></u>	<u><b>183,011,504</b></u>

**16. General and administrative expenses**

	<b>2012</b>	<b>2011</b>
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><b>70,770,339</b></u>	<u><b>55,501,232</b></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:

	<b>2012</b>	<b>2011</b>
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

	<b>2012</b>	<b>2011</b>
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

	<b>2012</b>	<b>2011</b>
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:

	<b>2012</b>	<b>2011</b>
<b>Calculation of zakat base:</b>		
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**

	<b>2012</b>	<b>2011</b>
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**

	<b>2012</b>	<b>2011</b>
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.

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

**Financial Statements for the year ended  
December 31, 2011 and Independent  
Auditors' Report**

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## **INDEPENDENT AUDITORS' REPORT**

May 6, 2012

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

### **Scope of audit**

We have audited the accompanying balance sheet of Al Hammadi Company for Development and Investment (a Saudi Closed Joint Stock Company) (the "Company") as of December 31, 2011 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, 2011 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: \_\_\_\_\_  
Mohammed A. Al Obaidi  
License Number 367

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

**BALANCE SHEET**

(All amounts in Saudi Riyals unless otherwise stated)

		As at December 31,	
	Notes	2011	2010
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	35,163,456	20,756,150
Accounts receivable - net	5	110,564,090	132,934,575
Due from related parties	16	28,413	818,322
Inventories	6	15,214,153	11,596,736
Prepayments and other assets		<u>5,424,658</u>	<u>8,210,772</u>
		166,394,770	174,316,555
<b>Non-current assets</b>			
Property and equipment - net	7	<u>397,948,868</u>	<u>317,137,526</u>
<b>Total assets</b>		<u><u>564,343,638</u></u>	<u><u>491,454,081</u></u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable		27,628,898	21,842,750
Short-term loan	8	40,000,000	-
Due to related parties	16	805,737	1,104,387
Accrued and other liabilities	9	11,837,701	11,720,027
Provision for zakat	17	<u>4,200,000</u>	<u>9,685,073</u>
		84,472,336	44,352,237
<b>Non-current liabilities</b>			
Employees' termination benefits	10	<u>5,551,554</u>	<u>2,722,670</u>
<b>Total liabilities</b>		<u><u>90,023,890</u></u>	<u><u>47,074,907</u></u>
<b>Shareholders' equity:</b>			
Share capital	11	300,000,000	300,000,000
Statutory reserve	12	24,620,970	15,626,913
Retained earnings		<u>149,698,778</u>	<u>128,752,261</u>
Total shareholders' equity		<u><u>474,319,748</u></u>	<u><u>444,379,174</u></u>
<b>Total liabilities and shareholders' equity</b>		<u><u>564,343,638</u></u>	<u><u>491,454,081</u></u>
Contingencies and commitments	21		

The notes on pages 6 to 18 form an integral part of these financial statements.

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

**STATEMENT OF INCOME**

(All amounts in Saudi Riyals unless otherwise stated)

	<b>Notes</b>	<b><u>For the year ended December 31,</u></b>	
		<b><u>2011</u></b>	<b><u>2010</u></b>
Revenues - net	13	330,661,430	301,548,682
Cost of revenues	14	<u>(183,011,504)</u>	<u>(165,152,670)</u>
Gross profit		147,649,926	136,396,012
<b>Operating expenses</b>			
General and administrative expenses	15	<u>(55,501,232)</u>	<u>(48,521,510)</u>
Operation income		92,148,694	87,874,502
<b>Other income (expenses)</b>			
Financial charges		(1,613,349)	(5,364,722)
Other - net		<u>1,339,691</u>	<u>1,382,862</u>
Income before zakat		91,875,036	83,892,642
Zakat - net	17	<u>(1,934,462)</u>	<u>(4,023,466)</u>
Net income		<u><u>89,940,574</u></u>	<u><u>79,869,176</u></u>
<b>Earnings per share:</b>	18		
Operating income		<u><u>3.07</u></u>	<u><u>2.93</u></u>
Non-operating income – other income		<u><u>0.04</u></u>	<u><u>0.05</u></u>
Net income		<u><u>3.00</u></u>	<u><u>2.66</u></u>

The notes on pages 6 to 18 form an integral part of these financial statements.



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

**STATEMENT OF CASH FLOW**

(All amounts in Saudi Riyals unless otherwise stated)

	<b>For the year ended Decembe31,</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Cash flows from operating activities:</b>		
Net income	89,940,574	79,869,176
<b>Adjustments for non-cash items:</b>		
Depreciation	12,964,742	13,828,049
Provision for doubtful debts	18,362,935	16,000,461
Provision for zakat	1,934,462	4,023,466
Employees' termination benefits	4,072,120	3,233,954
Gain from disposal of property and equipment	(53,529)	-
<b>Change in working capital:</b>		
Accounts receivable - net	(29,269,034)	(44,260,988)
Due from related parties	789,909	62,743,141
Inventories	(3,617,417)	(1,002,026)
Prepayments and other current assets	2,786,114	(2,703,494)
Accounts payable	5,786,148	3,349,997
Due to related parties	(298,650)	384,956
Accrued and other current liabilities	117,674	3,281,505
Zakat paid	(7,419,535)	-
Employees' termination benefits paid	(1,243,236)	(2,056,823)
Net cash generated from operating activities	<u>94,853,277</u>	<u>136,691,374</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of property and equipment	244,300	-
Purchase of property and equipment	(93,966,855)	(4,272,560)
Net cash utilized in investing activities	<u>(93,722,555)</u>	<u>(4,272,560)</u>
<b>Cash flows from financing activities:</b>		
Repayments of long-term loans	-	(98,200,000)
Proceeds from short-term loan	40,000,000	-
Due to shareholders	-	(21,704,318)
Dividends paid	(26,723,416)	(11,889,955)
Net cash generated from (utilized in) financing activities	<u>13,276,584</u>	<u>(131,794,273)</u>
<b>Net change in cash and cash equivalents</b>	<b>14,407,306</b>	<b>624,541</b>
Cash and cash equivalents, at beginning of year	<u>20,756,150</u>	<u>20,131,609</u>
<b>Cash and cash equivalents, at end of year</b>	<b><u>35,163,456</u></b>	<b><u>20,756,150</u></b>
<b>Supplemental non-cash information:</b>		
In-kind dividends paid (Note 20)	<u>33,276,584</u>	<u>-</u>

The notes on pages 6 to 18 form an integral part of these financial statements.

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(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>
<b>January 1, 2011</b>	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 20)	-	-	(60,000,000)	(60,000,000)
<b>December 31, 2011</b>	<u>300,000,000</u>	<u>24,620,970</u>	<u>149,698,778</u>	<u>474,319,748</u>
<b>January 1, 2010</b>	300,000,000	7,639,995	68,759,958	376,399,953
Net income for the year	-	-	79,869,176	79,869,176
Transfer to statutory reserve	-	7,986,918	(7,986,918)	-
Dividends paid	-	-	(11,889,955)	(11,889,955)
<b>December 31, 2010</b>	<u>300,000,000</u>	<u>15,626,913</u>	<u>128,752,261</u>	<u>444,379,174</u>

The notes on pages 6 to 18 form an integral part of these financial statements.

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011**  
(All amounts in Saudi Riyals unless otherwise stated)

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**1. General information**

Al Hammadi Company for Development and Investment (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 ("CR") 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 legal structure of the Company was changed from a limited liability company to a closed joint stock company and simultaneously, the name changed from Al Hammadi Hospital Company to Al Hammadi Company for Development and Investment and the share capital increased from SR 50 million to SR 300 million. This was achieved by capitalization of SR 200,866,435 from retained earnings and statutory reserve and the remaining amount of SR 49,133,565 was transferred from shareholders credit account in accordance with the approval from Ministry of Commerce and Industry No. (316/Q) dated 16 Ramadan 1429H (corresponding to September 16, 2008). However, the Company's first financial period, after the change of the legal structure, started from October 1, 2008 to December 31, 2009 in accordance with the shareholders' resolution.

The accompanying financial statements were approved for issue by the management on May 6, 2012.

**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 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.

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**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.

(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 ("SR") 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the years ended December 31, 2011 and 2010, respectively, are recognized in the statement of income.

**2.5 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments 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 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.

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

## **2.8 Property and equipment**

Property and equipment are carried at cost less accumulated depreciation except projects in progress. Land is 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, fixture and office equipment	6-10
Motor 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 Impairment of non-current assets**

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels 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 is recognized as income immediately in the statement of income. Impairment losses recognized on intangible assets are not reversible.

## **2.10 Borrowings**

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

## **2.11 Accounts payable and accruals**

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011**  
(All amounts in Saudi Riyals unless otherwise stated)

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**2.12 Provisions**

Provisions are recognized when; the Company has a present legal or constructive obligation as a result 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.

**2.13 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 statements of income. Any differences in the estimate is recorded when the final assessment is approved at which time the provision is adjusted.

**2.14 Employees' termination benefits**

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

**2.15 Revenue**

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

**2.16 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, are made on a consistent basis.

**2.17 Dividends**

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

**2.18 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.

**2.19 Reclassification**

Certain amounts have been reclassified in the comparative 2010 financial statements to conform with 2011 presentation.

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011**  
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**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 asset and liability is 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 commission rate risk principally relates to its borrowings are subject to repricing on periodic basis.

**3.3 Price risk**

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, 2011**  
(All amounts in Saudi Riyals unless otherwise stated)

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**3.6 Fair value**

Fair value is the amount for which an asset could 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**

	<b>2011</b>	<b>2010</b>
Cash in hand	3,745,467	2,809,578
Cash at banks	<u>31,417,989</u>	<u>17,946,572</u>
	<u><u>35,163,456</u></u>	<u><u>20,756,150</u></u>

**5. Accounts receivable - net**

	<b>2011</b>	<b>2010</b>
Trade	103,455,778	139,227,098
Receivables not yet billed to patients	10,103,598	5,954,061
Due from employees	<u>695,302</u>	<u>922,318</u>
	<u>114,254,678</u>	<u>146,103,477</u>
Less: Provision for doubtful debts	<u>(3,690,588)</u>	<u>(13,168,902)</u>
	<u><u>110,564,090</u></u>	<u><u>132,934,575</u></u>

The above trade accounts receivable include SR 1,536,055 at December 31, 2011 (2010: SR 15,676,240) of receivables from certain individuals that the Company deems to be ultimately collectible. However, in the event that the amounts are not collected, the shareholders have resolved to absorb the losses resulting from such receivables.

See also Note 20 for dividends.

Movement in provision for doubtful debts is as follows:

	<b>2011</b>	<b>2010</b>
Balance at January 1	13,168,902	9,222,973
Additions	18,362,935	16,000,461
Write-offs	<u>(27,841,249)</u>	<u>(12,054,532)</u>
Balance at December 31	<u><u>3,690,588</u></u>	<u><u>13,168,902</u></u>



**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011**  
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**6. Inventories**

	2011	2010
Medicines	9,977,255	6,744,902
Medical tools and supplies	3,546,982	3,082,667
Non-medical tools and supplies	1,558,683	1,613,050
Spare parts and supplies not held for sale	<u>131,233</u>	<u>156,117</u>
	<u>15,214,153</u>	<u>11,596,736</u>

**7. Property and equipment - net**

	January 1, 2011	Additions	Disposals	December 31, 2011
<b>Cost:</b>				
Land	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
Motor vehicles	2,527,403	1,043,000	(1,317,626)	2,252,777
Projects in progress	-	52,356,720	-	52,356,720
Total	<u>567,003,199</u>	<u>93,966,855</u>	<u>(29,002,238)</u>	<u>631,967,816</u>
<b>Accumulated depreciation:</b>				
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	<u>2,357,390</u>	<u>231,574</u>	<u>(1,132,589)</u>	<u>1,456,375</u>
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>397,948,868</u>

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011**  
(All amounts in Saudi Riyals unless otherwise stated)

	<b>January 1, 2010</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2010</b>
<b>Cost:</b>				
Land	195,718,808	-	-	195,718,808
Buildings	196,713,088	270,000	-	196,983,088
Medical equipment and tools	120,874,344	2,621,081	-	123,495,425
Furniture, fixtures and office equipment	46,896,996	1,381,479	-	48,278,475
Motor vehicles	2,527,403	-	-	2,527,403
Total	<u>562,730,639</u>	<u>4,272,560</u>	<u>-</u>	<u>567,003,199</u>
<b>Accumulated depreciation:</b>				
Buildings	106,004,285	5,906,566	-	111,910,851
Medical equipment and tools	91,820,233	5,525,671	-	97,345,904
Furniture, fixtures and office equipment	35,944,013	2,307,515	-	38,251,528
Motor vehicles	2,269,093	88,297	-	2,357,390
Total	<u>236,037,624</u>	<u>13,828,049</u>	<u>-</u>	<u>249,865,673</u>
	<u>326,693,015</u>			<u>317,137,526</u>

The above land includes five plots in the total amount of SR 69,398,800 at December 31, 2011 (2010: SR 32,839,130) owned by the Company and registered under the name of the shareholders.

**8. Short-term loan**

During year ended December 31, 2011, the Company obtained a short-term loan of SR 40 million from a local commercial bank. The purpose of this loan is principally to finance the purchase of lands for the Company. The loan bears financial charges at market rates, and is repayable on January 7, 2012.

The covenants of short-term loan require the Company to maintain certain level of financial conditions.

**9. Accrued and other current liabilities**

	<b>2011</b>	<b>2010</b>
Employees' benefits	4,539,522	3,736,725
Patients' deposits	4,137,300	4,775,564
Medical education fund	2,017,511	1,598,672
Amounts due to external medical services	481,629	423,357
Social insurance	215,361	199,327
Other	<u>446,378</u>	<u>986,382</u>
	<u>11,837,701</u>	<u>11,720,027</u>

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011**  
(All amounts in Saudi Riyals unless otherwise stated)

**10. Employees' termination benefits**

	<b>2011</b>	<b>2010</b>
Balance at January 1	2,722,670	1,545,539
Provision	4,072,120	3,233,954
Payments	<u>(1,243,236)</u>	<u>(2,056,823)</u>
Balance at December 31	<u>5,551,554</u>	<u>2,722,670</u>

**11. Share capital**

The Company's share capital of SR 300 million at December 31, 2011 consists of 30,000,000 fully paid shares of SR 10 each and is owned by Saudi shareholders as follows:

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

**12. Statutory reserve**

In accordance with its Articles of Association 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.

**13. Revenues - net**

	<b>2011</b>	<b>2010</b>
Doctors' fees and other medical treatment	159,580,972	147,519,384
Pharmaceutical items	86,332,227	77,496,021
Laboratory	63,268,015	56,825,826
X-Rays	38,205,648	34,617,325
Room charges	37,784,338	37,175,915
Physical therapy	<u>3,638,820</u>	<u>3,437,531</u>
Gross revenue	388,810,020	357,072,002
Less: Discounts	<u>(58,148,590)</u>	<u>(55,523,320)</u>
	<u>330,661,430</u>	<u>301,548,682</u>

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
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**14. Cost of revenues**

	<b>2011</b>	<b>2010</b>
Medical costs	85,684,174	78,637,477
Salaries and related benefits	80,511,484	67,060,356
Depreciation	10,371,794	11,062,440
Repairs and maintenance	3,372,675	4,672,316
Utilities	<u>3,071,377</u>	<u>3,720,081</u>
	<u><b>183,011,504</b></u>	<u><b>165,152,670</b></u>

**15. General and administrative expenses**

	<b>2011</b>	<b>2010</b>
Provision for doubtful debts	18,362,935	16,000,461
Salaries and related benefits	16,272,458	14,686,553
Materials consumed non-medical	6,251,352	5,198,703
Depreciation	2,592,948	2,765,609
Rent	2,587,467	2,487,751
Repairs and maintenance	1,383,301	896,766
Utilities	767,844	656,485
Insurance	633,015	477,787
Donations and contributions	250,584	82,941
Advertisement and public relations	239,597	573,081
Stationery	75,939	89,182
Other	<u>6,083,792</u>	<u>4,606,191</u>
	<u><b>55,501,232</b></u>	<u><b>48,521,510</b></u>

**16. Related party matters**

**16.1 Related party transactions**

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

	<b>2011</b>	<b>2010</b>
Completed works for projects in progress from a company affiliated to a shareholder	45,755,148	-
Lands purchased from the shareholders	36,559,670	-
Purchases from a company owned by relatives of the shareholders	4,947,134	6,346,334
Salaries and other benefits paid to relatives of the shareholders	2,057,812	2,048,096
Rent expense paid to related parties	250,000	250,000

Also see Note 20 regarding dividends.

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011**  
(All amounts in Saudi Riyals unless otherwise stated)

**16.2 Related party balances**

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

(i) Due from related parties

	2011	2010
Aziz Limited Company for Contracting and Medical Services	-	169,861
Mohammed Al Hammadi Establishment for Information Technology	-	648,461
Other	28,413	-
	<u>28,413</u>	<u>818,322</u>

(ii) Due to related parties

	2011	2010
Aktel Trading Company	633,973	1,104,387
Mohammed Al Hamadi Establishment for Information Technology	171,764	-
	<u>805,737</u>	<u>1,104,387</u>

**17. Zakat matters**

**17.1 Components of zakat base**

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

	2011	2010
<b>Calculation of zakat base:</b>		
Shareholders' equity at beginning of year	444,379,174	376,399,953
Adjusted net income for the year	87,283,418	91,063,798
Provisions at beginning of year	15,891,572	10,768,512
Short-term loan	40,000,000	-
Less:		
Property and equipment - net	(397,948,868)	(317,137,526)
Spare parts and supplies not for sale	(131,233)	(156,117)
Dividends paid	(60,000,000)	-
Estimated zakat base of the Company	<u>129,474,063</u>	<u>160,938,620</u>

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

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
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**17.2 Calculation of adjusted net income**

	<b>2011</b>	<b>2010</b>
Income before zakat	91,875,036	83,892,642
Add:		
Salaries and other benefits paid to relatives of the shareholders	2,057,812	2,048,096
Change in provision for employees' termination benefits	2,828,884	1,177,131
Change in provision for doubtful debts	<u>(9,478,314)</u>	<u>3,945,929</u>
Adjusted net income for the year	<u><u>87,283,418</u></u>	<u><u>91,063,798</u></u>

**17.3 Provision for zakat**

	<b>2011</b>	<b>2010</b>
Balance at January 1	9,685,073	5,661,607
Provision for the year	4,200,000	4,023,466
Reversals of prior years provision	(2,265,538)	-
Payments	<u>(7,419,535)</u>	<u>-</u>
Balance at December 31	<u><u>4,200,000</u></u>	<u><u>9,685,073</u></u>

**17.4 Status of final assessments**

The Company has filed its zakat declarations with the DZIT for the years up to December 31, 2010 and has obtained restricted certificates through December 31, 2010.

**18. Earnings per share**

Earnings per share for the years ended December 31, 2011 and 2010 has been computed by dividing the operating income, non-operating income – other income and net income for year by weighted average number of shares outstanding during such years, which is 30,000,000 share.

**19. Segment information**

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

**20. Dividends**

During 2011, dividends distribution amounting to SR 60 million at the rate of SR 2 per outstanding share, in the form of cash dividends amounting to SR 26,723,416 and in-kind dividends in the form of accounts receivable amounting to SR 33,276,584, were made.

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011**  
(All amounts in Saudi Riyals unless otherwise stated)

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**21. Contingencies and commitments**

The Company had outstanding letters of credit and guarantee amounting to SR 3,154,832 at December 31, 2011 (2010: SR 1,520,100) with a local bank.

The Company has capital commitments amounting to SR 50,444,852 at December 31, 2011 related to projects in progress with related parties.

**22. Subsequent events**

Subsequent to the date of these financial statements, the Board of Directors in their meeting on 24 Safar 1433H (corresponding to January 18, 2012) recommended a share capital increase from SR 300 million into SR 420 million and the increase number of shares from 30 million to 42 million through the distribution of two shares for every five shares in the form of bonus shares through the transfer from retained earnings. The proposed increase in the share capital is subject to the approval of the shareholders of the Company in their upcoming general assembly meeting.

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

**Financial Statements for the year ended  
December 31, 2010 and Independent  
Auditors' Report**



**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(A Saudi Closed Joint Stock Company)**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010**

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**INDEPENDENT AUDITORS' REPORT**

May 29, 2011

To the Shareholders of Al Hammadi Company for Development and Investment:

Scope of audit

We have audited the accompanying balance sheet of Al Hammadi Company for Development and Investment (a Saudi Closed Joint Stock Company) (the "Company") as of December 31, 2010 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, 2010 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 Bay-Laws with respect to the preparation and presentation of financial statements.

PricewaterhouseCoopers

By:

  
Mohammed A. Al Obaidi  
License Number 367

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

		<b>As at December 31,</b>	
	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	20,756,150	20,131,609
Accounts receivable - net	5	132,934,575	104,674,048
Due from related parties	16	818,322	63,561,463
Inventories	6	11,596,736	10,594,710
Prepayments and other receivables		<u>8,210,772</u>	<u>5,507,278</u>
		174,316,555	204,469,108
<b>Non-current assets</b>			
Property and equipment	7	<u>317,137,526</u>	<u>326,693,015</u>
<b>Total assets</b>		<u><u>491,454,081</u></u>	<u><u>531,162,123</u></u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable		21,842,750	18,492,753
Current portion of long-term loan		-	32,733,333
Due to shareholders	8	-	21,704,318
Due to a related party	16	1,104,387	719,431
Accrued and other liabilities	9	11,720,027	8,438,522
Zakat payable	17	<u>9,685,073</u>	<u>5,661,607</u>
		44,352,237	87,749,964
<b>Non-current liabilities</b>			
Long-term loan, non-current		-	65,466,667
Employees' termination benefits	10	<u>2,722,670</u>	<u>1,545,539</u>
<b>Total liabilities</b>		<u><u>47,074,907</u></u>	<u><u>154,762,170</u></u>
<b>Shareholders' equity:</b>			
Share capital	11	300,000,000	300,000,000
Statutory reserve	12	15,626,913	7,639,995
Retained earnings		<u>128,752,261</u>	<u>68,759,958</u>
Total shareholders' equity		<u><u>444,379,174</u></u>	<u><u>376,399,953</u></u>
Total liabilities and shareholders' equity		<u><u>491,454,081</u></u>	<u><u>531,162,123</u></u>
Contingencies	20		

The notes on pages 6 to 18 form an integral part of these financial statements.

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

	<b>Notes</b>	<b>For the year ended December 31, 2010</b>	<b>For the period from October 1, 2008 to December 31, 2009</b>
Revenues - net	13	301,548,682	309,883,624
Cost of revenues	14	<u>(162,449,889)</u>	<u>(184,090,931)</u>
Gross profit		139,098,793	125,792,693
<b>Operating expenses</b>			
General and administrative expenses	15	<u>(51,224,291)</u>	<u>(44,846,015)</u>
Operation income		87,874,502	80,946,678
<b>Other income (expenses)</b>			
Financial charges		(5,364,722)	(767,642)
Other		<u>1,382,862</u>	<u>2,116,948</u>
Income before zakat		83,892,642	82,295,984
Zakat	17	<u>(4,023,466)</u>	<u>(5,896,031)</u>
Net income for the year/period		<u><u>79,869,176</u></u>	<u><u>76,399,953</u></u>
<b>Earnings per share:</b>	18		
Operating income		<u><u>2.93</u></u>	<u><u>2.70</u></u>
Non-operating income		<u><u>0.05</u></u>	<u><u>0.05</u></u>
Net income for the year/period		<u><u>2.66</u></u>	<u><u>2.55</u></u>

The notes on pages 6 to 18 form an integral part of these financial statements.

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

	For the year ended December 31, <u>2010</u>	For the period from October 1, 2008 to December <u>31, 2009</u>
<b>Cash flows from operating activities:</b>		
Net income for the year/period	79,869,176	76,399,953
<u>Adjustments for non-cash items:</u>		
Depreciation	13,828,049	17,485,382
Provision for doubtful debts	16,000,461	6,679,216
Zakat provision	4,023,466	5,896,031
Employees' termination benefits	3,233,954	3,576,680
<u>Change in working capital:</u>		
Accounts receivable - net	(44,260,988)	(1,327,481)
Due from related parties	62,743,141	66,160,867
Inventories	(1,002,026)	1,275,357
Prepayments and other receivables	(2,703,494)	(1,555,068)
Accounts payable	3,349,997	7,874,452
Due to a related party	384,956	356,788
Accrued and other liabilities	3,281,505	76,275
Zakat paid	-	(7,399,120)
Employees' termination benefits paid	(2,056,823)	(3,049,526)
Net cash generated from operating activities	<u>136,691,374</u>	<u>172,449,806</u>
<b>Cash flows from investing activity -</b>		
Purchase of property and equipment	<u>(4,272,560)</u>	<u>(101,897,852)</u>
<b>Cash flows from financing activities:</b>		
Repayments of long-term loan	(98,200,000)	(100,000,000)
Due to shareholders	(21,704,318)	33,240,040
Dividends paid	(11,889,955)	-
Net cash utilized in financing activities	<u>(131,794,273)</u>	<u>(66,759,960)</u>
<b>Net change in cash and cash equivalents</b>	624,541	3,791,994
Cash and cash equivalents, at beginning of year/period	<u>20,131,609</u>	<u>16,339,615</u>
<b>Cash and cash equivalents, at end of year/period</b>	<u><u>20,756,150</u></u>	<u><u>20,131,609</u></u>
<b>Supplemental non-cash information:</b>		
Increase in share capital through transfer from retained earnings and statutory reserve	<u>-</u>	<u>200,866,435</u>
Increase in share capital through transfer from shareholders credit account	<u>-</u>	<u>49,133,565</u>

The notes on pages 6 to 18 form an integral part of these financial statements.

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
**(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>
<b>January 1, 2010</b>	300,000,000	7,639,995	68,759,958	376,399,953
Net income for the year	-	-	79,869,176	79,869,176
Transfer to statutory reserve	-	7,986,918	(7,986,918)	-
Dividends paid	-	-	(11,889,955)	(11,889,955)
<b>December 31, 2010</b>	<u>300,000,000</u>	<u>15,626,913</u>	<u>128,752,261</u>	<u>444,379,174</u>
<b>October 1, 2008</b>	50,000,000	20,086,643	180,779,792	250,866,435
Transfer from shareholders account to share capital	49,133,565	-	-	49,133,565
Transfer from statutory reserve to share capital (see Note 1)	20,086,643	(20,086,643)	-	-
Transfer from retained earnings to share capital (see Note 1)	180,779,792	-	(180,779,792)	-
Net income for the period	-	-	76,399,953	76,399,953
Transfer to statutory reserve	-	7,639,995	(7,639,995)	-
<b>December 31, 2009</b>	<u>300,000,000</u>	<u>7,639,995</u>	<u>68,759,958</u>	<u>376,399,953</u>

The notes on pages 6 to 18 form an integral part of these financial statements.

**AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010**  
(All amounts in Saudi Riyals unless otherwise stated)

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**1. General information**

Al Hammadi Company for Development and Investment (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 ("CR") 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 legal structure of the Company was changed from a limited liability company to a closed joint stock company and simultaneously, the name changed from Al Hammadi Hospital Company to Al Hammadi Company for Development and Investment and the share capital increased from SR 50 million to SR 300 million. This was achieved by capitalization of SR 200,866,435 from retained earnings and statutory reserve and the remaining amount of SR 49,133,565 was transferred from shareholders credit account in accordance with the approval from Ministry of Commerce and Industry No. (316/Q) dated 16 Ramadan, 1429H (corresponding to September 16, 2008). However, the Company's first financial period, after the change of the legal structure, started from October 1, 2008 to December 31, 2009 in accordance with the shareholders' resolution.

The accompanying financial statements were approved for issue by the management on May 29, 2011.

**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 periods 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 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.

### **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.

#### **(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 ("SR") 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the year/period ended December 31, 2010 and 2009, respectively, are recognized in the statement of income.

### **2.5 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments 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 income statement and reported under "General and administrative expenses". When 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.



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

## **2.8 Property and equipment**

Property and equipment are carried at cost less accumulated depreciation. Land is not depreciated. Depreciation is charged to the income statement, 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, fixture and office equipment	6-10
Motor vehicles	4

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

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

## **2.9 Impairment of non-current assets**

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels 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 is recognized as income immediately in the statement of income. Impairment losses recognized on intangible assets are not reversible.

## **2.10 Borrowings**

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

## **2.11 Accounts payable and accruals**

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

## **2.12 Provisions**

Provisions are recognized when; the Company has a present legal or constructive obligation as a result 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.

## **2.13 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 statements of income. Any differences in the estimate is recorded when the final assessment is approved at which time the provision is adjusted.

## **2.14 Employees' termination benefits**

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

## **2.15 Revenue**

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

## **2.16 General and administrative expenses**

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

## **2.17 Dividends**

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

## **2.18 Operating leases**

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

## **2.19 Reclassification**

Certain amounts have been reclassified in the comparative 2009 financial statements to conform with 2010 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 a related party and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is 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 is currently not exposed to interest rate risks, as it does not hold any interest bearing asset and liabilities.

#### **3.3 Price risk**

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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**3.6 Fair value**

Fair value is the amount for which an asset could 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**

	<b>2010</b>	<b>2009</b>
Cash in hand	2,809,578	3,547,007
Cash at banks	<u>17,946,572</u>	<u>16,584,602</u>
	<u>20,756,150</u>	<u>20,131,609</u>

**5. Accounts receivable - net**

	<b>2010</b>	<b>2009</b>
Trade	139,227,098	106,909,357
Receivables not yet billed to patients	5,954,061	5,731,288
Due from employees	<u>922,318</u>	<u>1,256,376</u>
	146,103,477	113,897,021
Less: Provision for doubtful debts	<u>(13,168,902)</u>	<u>(9,222,973)</u>
	<u>132,934,575</u>	<u>104,674,048</u>

The above trade accounts receivable include SR 15,676,240 at December 31, 2010 (2009: SR 15,982,070) of receivables from certain individuals that the Company deems to be ultimately collectible. However, in the event that the amounts are not collected, the shareholders have resolved to absorb the losses resulting from such receivables.

Movement in provision for doubtful debts is as follows:

	<b>2010</b>	<b>2009</b>
Beginning of the year/period	9,222,973	5,605,973
Additions	16,000,461	6,679,216
Write-offs	<u>(12,054,532)</u>	<u>(3,062,216)</u>
December 31	<u>13,168,902</u>	<u>9,222,973</u>

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**6. Inventories**

	<b>2010</b>	<b>2009</b>
Medicines	6,744,902	7,267,912
Medical tools and supplies	3,082,667	1,957,876
Non-medical tools and supplies	1,613,050	1,215,772
Spare parts not held for sale	<u>156,117</u>	<u>153,150</u>
	<u><u>11,596,736</u></u>	<u><u>10,594,710</u></u>

**7. Property and equipment**

	<b>January 1, 2010</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2010</b>
<b>Cost:</b>				
Land	195,718,808	-	-	195,718,808
Buildings	196,713,088	270,000	-	196,983,088
Medical equipment and tools	120,874,344	2,621,081	-	123,495,425
Furniture, fixtures and office equipment	46,896,996	1,381,479	-	48,278,475
Motor vehicles	<u>2,527,403</u>	<u>-</u>	<u>-</u>	<u>2,527,403</u>
Total	<u><u>562,730,639</u></u>	<u><u>4,272,560</u></u>	<u><u>-</u></u>	<u><u>567,003,199</u></u>
<b>Accumulated depreciation:</b>				
Buildings	106,004,285	5,906,566	-	111,910,851
Medical equipment and tools	91,820,233	5,525,671	-	97,345,904
Furniture, fixtures and office equipment	35,944,013	2,307,515	-	38,251,528
Motor vehicles	<u>2,269,093</u>	<u>88,297</u>	<u>-</u>	<u>2,357,390</u>
Total	<u><u>236,037,624</u></u>	<u><u>13,828,049</u></u>	<u><u>-</u></u>	<u><u>249,865,673</u></u>
	<u><u>326,693,015</u></u>			<u><u>317,137,526</u></u>

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	<b>October 1, 2008</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2009</b>
<b>Cost:</b>				
Land	108,731,773	86,987,035	-	195,718,808
Buildings	194,555,619	2,157,469	-	196,713,088
Medical equipment and tools	111,858,967	9,015,377	-	120,874,344
Furniture, fixtures and office equipment	43,512,210	3,384,786	-	46,896,996
Motor vehicles	2,174,218	353,185	-	2,527,403
Total	<u>460,832,787</u>	<u>101,897,852</u>	<u>-</u>	<u>562,730,639</u>
<b>Accumulated depreciation:</b>				
Buildings	98,649,854	7,354,431	-	106,004,285
Medical equipment and tools	84,702,444	7,117,789	-	91,820,233
Furniture, fixtures and office equipment	33,025,745	2,918,268	-	35,944,013
Motor vehicles	2,174,199	94,894	-	2,269,093
Total	<u>218,552,242</u>	<u>17,485,382</u>	<u>-</u>	<u>236,037,624</u>
	<u>242,280,545</u>			<u>326,693,015</u>

The above land includes three plots in the total amount of SR 32,839,130 at December 31, 2010 and 2009 owned by the Company and registered under the name of one of the shareholders.

**8. Due to shareholders**

Due to shareholders represented amounts paid by the shareholders on behalf of the Company. The amounts were repaid in full during 2010.

**9. Accrued and other current liabilities**

	<b>2010</b>	<b>2009</b>
Patients' deposits	4,775,564	2,599,509
Employees' benefits	3,736,725	3,381,875
Medical education fund	1,598,672	807,926
Amounts due to external medical services	423,357	652,766
Social insurance	199,327	164,428
Other	<u>986,382</u>	<u>832,018</u>
	<u>11,720,027</u>	<u>8,438,522</u>

**10. Employees' termination benefits**

	<b>2010</b>	<b>2009</b>
Balance, beginning of the year/period	1,545,539	1,018,385
Provision	3,233,954	3,576,680
Payments	<u>(2,056,823)</u>	<u>(3,049,526)</u>
December 31	<u>2,722,670</u>	<u>1,545,539</u>

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**11. Share capital**

The Company's share capital of SR 300,000,000 at December 31, 2010 and 2009 consists of 30,000,000 fully paid shares of SR 10 each and is owned by Saudi shareholders as follows:

<u>Shareholders</u>	<u>Number of shares</u>	<u>Share capital</u>
Mr. Saleh Bin Mohammad Al Hammadi	7,855,000	78,550,000
Dr. Abdulaziz Bin Mohammed Al Hammadi	7,445,000	74,450,000
Mr. Faisal Abdulaziz Al Hammadi	2,100,000	21,000,000
Mr. Mohammed Abdulaziz Al Hammadi	2,100,000	21,000,000
That Al Thamanian Company	2,100,000	21,000,000
Mr. Abdulaziz Mohammed Al Shomaisy	1,500,000	15,000,000
Mr. Mohammed Saleh Al Hammadi	1,500,000	15,000,000
Mr. Ibrahim Bin Mansour Al Rajhi	1,450,000	14,500,000
Saleh Abdulaziz Babker Son's Company for Trading and Contracting	750,000	7,500,000
Al Hammadi Company for Commercial Investment	<u>3,200,000</u>	<u>32,000,000</u>
	<u>30,000,000</u>	<u>300,000,000</u>

**12. Statutory reserve**

In accordance with its Articles of Association 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.

**13. Revenues - net**

	<b>2010</b>	<b>For the period from October 1, 2008 to December 31, 2009</b>
Doctors' fees and other medical treatment	147,519,384	160,185,048
Pharmaceutical items	77,496,021	82,725,731
Laboratory	37,175,915	60,270,912
Room charges	56,825,826	44,058,253
X-Rays	34,617,325	34,107,091
Physical therapy	<u>3,437,531</u>	<u>2,917,328</u>
Gross revenue	357,072,002	384,264,363
Less: Discounts	<u>(55,523,320)</u>	<u>(74,380,739)</u>
	<u>301,548,682</u>	<u>309,883,624</u>

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**14. Cost of revenues**

	<b>2010</b>	<b>For the period from October 1, 2008 to December 31, 2009</b>
Medical costs	75,749,134	91,688,911
Salaries and related benefits	67,245,918	69,764,163
Depreciation	11,062,440	13,988,306
Repairs and maintenance	4,672,316	4,783,938
Utilities	<u>3,720,081</u>	<u>3,865,613</u>
	<u>162,449,889</u>	<u>184,090,931</u>

**15. General and administrative expenses**

	<b>2010</b>	<b>For the period from October 1, 2008 to December 31, 2009</b>
Provision for doubtful debts	16,000,461	6,679,216
Salaries and related benefits	13,670,420	15,271,789
Materials consumed non-medical	5,198,703	7,291,248
Depreciation	2,765,609	3,497,076
Rent	2,487,751	1,612,917
Stationery	2,425,998	2,869,941
Insurance	1,308,358	1,218,331
Repairs and maintenance	896,766	1,195,984
Utilities	656,485	682,167
Advertisement and public relations	573,081	480,368
Catering supplies	551,527	555,051
Professional fees	230,000	230,000
Donations and contributions	82,941	40,264
Other	<u>4,376,191</u>	<u>3,221,663</u>
	<u>51,224,291</u>	<u>44,846,015</u>



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**16. Related party matters**

**16.1 Related party transactions**

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

	<b>2010</b>	<b>For the period from October 1, 2008 to December 31, 2009</b>
Sales and other services rendered to an affiliate of a shareholder	-	216,872
Salaries and other benefits paid to relatives of the shareholders	2,048,096	2,572,790
Rent expense paid to related parties	250,000	250,000
Maintenance expenses paid to Mohammed Al Hammadi Establishment for Information Technology	-	317,242
Purchases from a company owned by relatives of the shareholders	6,346,334	5,666,071
Equipment and other services provided by an affiliate of the shareholders	-	2,042,661
Commission charged to shareholders	-	10,335,950

**16.2 Related party balances**

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

(i) Receivables from related parties

	<b>2010</b>	<b>2009</b>
Due from Aziz Limited Company for Contracting and Medical Services	169,861	43,344,674
Al Hammadi Establishment for Hospitals Operation and Management	-	19,544,601
Mohammed Al Hammadi Establishment for Information Technology	648,461	381,237
Other relatives of shareholders	<u>-</u>	<u>290,951</u>
	<u>818,322</u>	<u>63,561,463</u>

(ii) Payable to related party

	<b>2010</b>	<b>2009</b>
Aktel Trading Company	<u>1,104,387</u>	<u>719,431</u>

See also (Note 8) for the balance due to shareholders at December 31, 2010 and 2009.

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**17. Zakat matters**

**17.1 Components of zakat base**

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

	<b>2010</b>	<b>2009</b>
<b>Calculation of zakat base:</b>		
Shareholders' equity at beginning of year/period	376,399,953	250,866,435
Adjusted net income for the year/period	91,063,798	89,012,928
Due to shareholders	-	21,254,976
Provisions at beginning of year/period	10,768,512	6,624,358
Term-loan used to purchase property and equipment	-	86,987,035
Less:		
Property and equipment - net	(317,137,526)	(326,693,015)
Spare parts not for sale	<u>(156,117)</u>	<u>(153,150)</u>
Estimated zakat base of the Company*	<u>160,938,620</u>	<u>127,899,567</u>

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

\* For financial purposes, the zakat base for the fifteen-month period ended December 31, 2009 were computed on a pro-rata basis.

**17.2 Calculation of adjusted net income**

	<b>2010</b>	<b>For the period from October 1, 2008 to December 31, 2009</b>
Income before zakat	83,892,642	82,295,984
Add:		
Salaries and other benefits paid to relatives of the shareholders	2,048,096	2,572,790
Change in provision for employees' termination benefits	1,177,131	527,154
Change in provision for doubtful debts	<u>3,945,929</u>	<u>3,617,000</u>
Adjusted net income for the year/period	<u>91,063,798</u>	<u>89,012,928</u>

**17.3 Provision for zakat**

	<b>2010</b>	<b>2009</b>
Balance at beginning of the year/period	5,661,607	7,164,696
Provision: Current year	4,023,466	5,200,000
Previous years	-	696,031
Payments	<u>-</u>	<u>(7,399,120)</u>
December 31	<u>9,685,073</u>	<u>5,661,607</u>

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**17.4 Status of final assessments**

The Company has filed its zakat declarations with the DZIT for the years up to December 31, 2009 and has obtained restricted certificates through 2009.

**18. Earnings per share**

Earnings per share for the year/period ended December 31, 2010 and 2009 has been computed by dividing the operating income, non-operating income and net income for year/period by weighted average number of shares outstanding during such periods, which is 30,000,000, respectively.

**19. Segment information**

The Company commenced commercial activities under new legal structure from October 1, 2008 and since commencement of activities under new legal structure, the Company's operations are substantially from health-care services. Accordingly, segment information is not applicable. Furthermore, the Company's operations are conducted in Saudi Arabia.

**20. Contingencies**

The Company had outstanding letters of credit and guarantee amounting to approximately SR 1,520,100 at December 31, 2010 (2009: SR 520,000) with a local bank.

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