

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

**Interim Financial Statements (Unaudited)
for the Three and Nine-month Periods
ended September 30, 2016 and
Independent Auditors' Review Report**

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016

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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

October 19, 2016

To the Shareholders of Al Hammadi Company for Development and Investment
(A Saudi Joint stock Company)

Scope of review

We have reviewed the accompanying interim balance sheet of Al Hammadi Company for Development and Investment (the "Company") as of September 30, 2016 and the interim statement of income for the three and nine-month periods ended September 30, 2016 and the interim statements of cash flows and changes in shareholders' equity for the nine-month period then ended, and the related notes which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion

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

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Omar M. Al Sagga', is written over a horizontal line.


By: _____
Omar M. Al Sagga
License Number 369

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
INTERIM BALANCE SHEET
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at September 30,	
		2016	2015
Assets			
Current assets			
Cash and cash equivalents	4	48,128,067	154,550,370
Accounts receivable - net	3.4	399,366,317	212,222,886
Inventories		34,073,283	23,936,073
Prepayments and other assets		17,818,585	16,832,345
		<u>499,386,252</u>	<u>407,541,674</u>
Non-current assets			
Property and equipment - net	5,6	1,068,332,948	1,096,193,571
Capital work-in-progress	5,14	537,019,084	446,373,233
		<u>1,605,352,032</u>	<u>1,542,566,804</u>
Total assets		<u>2,104,738,284</u>	<u>1,950,108,478</u>
Liabilities			
Current liabilities			
Accounts payable		30,209,907	33,969,583
Revolving short-term loan	6	50,000,000	-
Long-term loans - current portion	6	150,000,000	150,000,000
Accrued and other liabilities		46,563,349	53,063,086
Provision for zakat		8,014,870	7,782,579
		<u>284,788,126</u>	<u>244,815,248</u>
Non-current liabilities			
Long-term loans - non-current portion	6	420,367,700	325,739,325
Employees' termination benefits		39,502,318	29,172,218
		<u>459,870,018</u>	<u>354,911,543</u>
Total liabilities		<u>744,658,144</u>	<u>599,726,791</u>
Shareholders' equity			
Share capital	7	1,200,000,000	1,200,000,000
Statutory reserve	8	20,988,045	11,018,200
Retained earnings	7	139,092,095	139,363,487
Total shareholders' equity		<u>1,360,080,140</u>	<u>1,350,381,687</u>
Total liabilities and shareholders' equity		<u>2,104,738,284</u>	<u>1,950,108,478</u>
Contingencies and commitments	14		



Mohammad Al Hammadi
Chief Executive Officer &
Managing Director




Saed Hussein
Chief Financial Officer


The notes on pages 6 to 13 form an integral part of these interim financial statements.

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

	Notes	Three-month period ended		Nine-month period ended	
		September 30,		September ended 30,	
		2016	2015	2016	2015
Revenues - net		141,350,582	136,798,296	423,591,707	403,635,672
Cost of revenues		(83,831,890)	(78,833,001)	(255,059,033)	(231,462,795)
Gross profit		57,518,692	57,965,295	168,532,674	172,172,877
General and administrative expenses - net	9	(30,271,605)	(26,049,288)	(88,608,284)	(59,199,162)
Operating income		27,247,087	31,916,007	79,924,390	112,973,715
Other income (expenses)					
Financial charges	5,6	(3,262,037)	(2,475,533)	(10,282,143)	(2,537,409)
Other (expenses) income - net		(262,310)	494,771	1,059,546	1,894,778
Income before zakat		23,722,740	29,935,245	70,701,793	112,331,084
Zakat		(2,250,000)	(2,250,000)	(6,750,000)	(6,750,000)
Net income for the period		21,472,740	27,685,245	63,951,793	105,581,084
Earnings per share	11				
Operating income		0.23	0.27	0.67	0.94
Net income for the period		0.18	0.23	0.53	0.88
Average number of shares		120,000,000	120,000,000	120,000,000	120,000,000



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

	Notes	Nine-month period September 30,	
		2016	2015
Cash flows from operating activities:			
Net income for the period		63,951,793	105,581,084
<u>Adjustments for non-cash items:</u>			
Depreciation		39,819,705	17,088,137
Gain from sale of property and equipment		-	(12,955)
provision for doubtful debts		16,011,510	6,225,230
Provision for zakat		6,750,000	6,750,000
Provision for employees' termination benefits		8,361,886	12,114,049
<u>Changes in working capital:</u>			
Accounts receivable		(165,953,080)	(85,719,187)
Inventories		(6,851,052)	(5,622,322)
Prepayments and other current assets		(3,682,819)	(4,283,207)
Accounts payable		(6,155,168)	(543,553)
Accrued and other current liabilities		1,606,433	30,133,310
Zakat paid		(8,767,709)	(3,307,650)
Employees' termination benefits paid		(1,451,564)	(1,895,681)
Net cash (utilized in) generated from operating activities		(56,360,065)	76,507,255
Cash flows from investing activities:			
Proceeds from sale of property and equipment		-	17,000
Purchase of property and equipment		(4,908,491)	(5,472,322)
Additions on capital work-in-progress		(84,575,229)	(164,217,502)
Net cash utilized in investing activities		(89,483,720)	(169,672,824)
Cash flows from financing activities:			
Proceeds from loans		294,628,375	-
Payment of loans		(100,000,000)	(220,960,963)
Dividends paid	12	(90,000,000)	(75,000,000)
Net cash generated from (utilized in) financing activities		104,628,375	(295,960,963)
Net change in cash and cash equivalents		(41,215,410)	(389,126,532)
Cash and cash equivalents, at beginning of period		89,343,477	543,676,902
Cash and cash equivalents, at end of period	4	48,128,067	154,550,370
Non-cash transactions:			
Transferred from retained earnings to increase the share capital	7	-	58,000,000
Transferred from statutory reserve to increase the share capital	7,8	-	392,000,000
Transferred from capital work-in-progress to property and equipment	5	17,634,720	748,533,707


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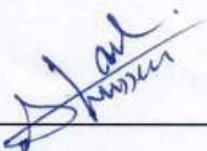
The notes on pages 6 to 13 form an integral part of these interim financial statements.

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

	Notes	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2016 (audited)		1,200,000,000	14,592,866	171,535,481	1,386,128,347
Net income for the nine-month period ended September 30, 2016		-	-	63,951,793	63,951,793
Transfer to statutory reserve	8	-	6,395,179	(6,395,179)	-
Dividend paid	12	-	-	(90,000,000)	(90,000,000)
September 30, 2016 (unaudited)		1,200,000,000	20,988,045	139,092,095	1,360,080,140
January 1, 2015 (audited)		750,000,000	392,460,092	177,340,511	1,319,800,603
Net income for the nine-month period ended September 30, 2015		-	-	105,581,084	105,581,084
Transfer to statutory reserve	8	-	10,558,108	(10,558,108)	-
Dividend paid	12	-	-	(75,000,000)	(75,000,000)
Transfer to increase share capital	7,8	450,000,000	(392,000,000)	(58,000,000)	-
September 30, 2015 (unaudited)		1,200,000,000	11,018,200	139,363,487	1,350,381,687



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 Managing Director



Saed Hussein
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AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
 (All amounts in Saudi Riyals unless otherwise stated)

1. General information

Al Hammadi Company for Development and Investment (the "Company") was established as a limited liability company under Commercial Registration No. 1010196714 issued on Safar 23, 1425H (corresponding to April 13, 2004) in Riyadh. On Ramadan 16, 1429H (corresponding to September 16, 2008) Ministry of Commerce issued the resolution No. Q/316 to approve the Company's transformation into a closed joint stock company.

The Company has been transferred to public listed company after taken the approval from the Capital Market Authority on May 19, 2014 for issuing 22.5 million shares in an initial public offering at Saudi Riyals 10 per share.

The Company registered address is Al Olaya, P.O. Box 55004, Riyadh 11534, Saudi Arabia.

The Company established to engage in the activities of wholesale and retail trading of medical equipment. Establishing, maintaining, managing and operating hospitals and medical centers. Wholesale and retail trading of food and beverages. Purchasing and rentals of lands for constructing buildings and investing them by means of selling or renting in favor of the Company. Initiating or sharing in different industrial projects. Initiating commercial centers, operating, and maintaining them. Construction and building work and maintaining the same in Saudi Arabia.

These interim financial statements also include the results of operations of the Branches, each branch it has a separate commercial registration as follows:

Branch name	Commercial Registration No.	City	Status
Al Hammadi Hospital, Olaya*	1010263026	Riyadh	Active
Al Hammadi Hospital, AlSuwaidi**	1010374269	Riyadh	Active
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh	Under construction
Al Hammadi for Maintenance & Operations	1010374273	Riyadh	No activity

* On February 7, 2016, the Company announced an electrical contact incident in the electricity circuit breakers room at the basement of Al Hammadi Hospital, Olaya branch building. Accordingly, the Company evacuated all inpatients and outpatients until completing the maintenance works. The Company obtained all required approvals from the concerned authorities to re-open Al Hammadi Hospital, Olaya branch after the completion of the maintenance work on August 7, 2016 where the Company announced on Tadawul that the estimated financial effect resulting from the period of closing the hospital is almost Saudi Riyals 20 million. The Company believes that the assets losses are covered under an insurance policy covering the Company's property and equipment with an insurance company in Saudi Arabia. Nonetheless, the Company believes that these losses are insignificant as most of the properties and equipment damaged by the electricity circuit incident are fully depreciated. A total of Saudi Riyals 11.5 million was incurred as maintenance and safety works cost as a result of this incident.

** The Company has received the final approval from the Ministry of Health on July 26, 2015 to commence the commercial run of Al Hammadi Hospital, AlSuwaidi branch, whereas, all required medical and construction system tests were completed, and all required medical and administrative staff have been provided to commence the commercial run. The Company started accepting patients at Al Hammadi Hospital - AlSuwaidi branch on August 1, 2015 (see Note 5).

The board of directors approved the accompanying financial statements for issuance on October 18, 2016.

1.1 Interim financial statements

The Company prepares its interim financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public accountants ("SOCPA"). Each interim period is an integral part of the financial year. Revenues, expenses and provisions for a period are recorded and presented in the interim financial statements for that period. The results for the interim period may not give an accurate indication of the annual operating results. These interim financial statements and its notes must be read with the annual

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FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
(All amounts in Saudi Riyals unless otherwise stated)

audited financial statements for the year ended December 31, 2015 and the notes which are mentioned with these financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim 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 interim 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 interim 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.
- (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

The presentation of interim 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 exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the interim statement of income, which were not significant for the nine-month period ended September 30, 2016 and 2015, respectively.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
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FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
(All amounts in Saudi Riyals unless otherwise stated)

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and other short-term 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 interim 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 interim 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.

2.8 Property and equipment

Property and equipment are carried at cost, less accumulated depreciation. Lands are not depreciated which is carried at cost. Depreciation is charged to the interim 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
Equipment and tools	10-20
Furniture, fixtures and office equipment	4-10
Vehicles	4

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

Maintenance and normal repairs, which do not materially extend the estimated useful life of an asset, are charged to the interim 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 and being transfer to property and equipment.

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 assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than goodwill 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 periods / years. A reversal of an

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impairment loss recognized as income immediately in the interim statement of income. Impairment losses recognized on goodwill are not reversible, if any.

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 during the period of construction. Other borrowing costs are charged to the interim statement of income.

2.12 Accounts payable and accruals

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

2.13 Provisions

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

2.14 Zakat

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat is estimated, accrued and charged to the interim 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 interim 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 interim 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, goods are delivered and accepted by customer, 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. Other revenue are recorded when realized.

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, are made on consistent basis.

2.18 Dividends

Dividends are recorded in the interim financial statements in the period in which they are approved by the General Assembly of the Company upon on board of directors recommended.

2.19 Operating lease

Rental expenses under operating leases are charged to the interim 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.

AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
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FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
(All amounts in Saudi Riyals unless otherwise stated)

3. Financial instruments and risk management

Financial instruments carried on the interim balance sheet include cash and cash equivalents, accounts receivable and other current assets, accounts payable, loans, accrued and other current liabilities. 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 interim 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.

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.

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. The Company has also some transaction in Euro and US Dollars (pegged to Saudi Riyals). The management believes no significant exposure to currency risk during the nine-month period ended September 30, 2016 and 2015.

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.

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 disclosed net of provision for doubtful debts. As of September 30, 2016, approximately 83% of accounts receivable balance was due from various governmental entities and insurance companies (September 30, 2015: 86% approximately).

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.

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.

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FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
 (All amounts in Saudi Riyals unless otherwise stated)

4. Cash and cash equivalents

	2016	2015
Cash on hand	1,373,526	641,622
Cash at banks	46,754,541	153,908,748
	<u>48,128,067</u>	<u>154,550,370</u>

5. Capital work-in-progress

The capital work-in-progress comprises mainly the costs incurred for the construction of Al Hammadi Hospital, Al-Nuzha branch in addition to the staff accommodation.

These capital work-in-progress are financed through IPO proceeds, loans from Ministry of Finance and loans from local commercial banks (see notes 6, 7 and 14).

The balance of capital work-in-progress related to Al Hammadi Hospital, AlSuwaidi branch amounting to Saudi Riyals 748.5 million, which includes capitalized financing cost amounting to Saudi Riyals 35.3 million, has been transferred to property and equipment on August 1, 2015 (date of commercial run). No cost of loan was capitalized during the nine-month period ended September 30, 2016 (September 30, 2015: Saudi Riyals 12.2 million). The financing cost carried during the same period amounting to Saudi Riyals 10.3 million was included in financial charges in the interim income statement.

6. Long-term loans

	2016	2015
Loans from the Ministry of Finance	282,867,700	88,239,325
Loans from commercial banks	337,500,000	387,500,000
	<u>620,367,700</u>	<u>475,739,325</u>
Revolving short-term loan	(50,000,000)	-
Current portion	<u>(150,000,000)</u>	<u>(150,000,000)</u>
Non-current portion	<u>420,367,700</u>	<u>325,739,325</u>

6.1 Loans from the Ministry of Finance

The loans agreements with the Saudi Ministry of Finance is to obtain a loan of Saudi Riyals 149.1 million for the purpose of constructing Al Hammadi Hospital, AlSuwaidi branch project and purchasing its medical and non-medical equipment. The Company has received and utilized part of the loan amounting to Saudi Riyals 144.2 million as at September 30, 2016. 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 equal annual installments. The maturity of the first installment will be after five years from the date of the agreement, which is September 18, 2013. This loan collateralized by a mortgage of the property and equipment of Al Hammadi Hospital, AlSuwaidi branch. This loan is in Saudi Riyals and does not carry any financing commissions.

On January 19, 2015, the Company also signed a financing agreement with the Saudi Ministry of Finance to obtain a long-term loan amounting to Saudi Riyals 27.5 million to finance the construction of the housing compound related to Al Hammadi Hospital, AlSuwaidi branch project. The Company received this financing as of September 30, 2016. The facility approved by a means of collateralizing a piece of land on which Al Hammadi Hospital, AlSuwaidi branch was established, to the benefit of the Saudi Ministry of Finance. The loan is to be repaid over 20 equal annual instalments after a grace period of 5 years starting from the date of signing this contract. This loan is in Saudi Riyals and does not carry any financing commissions.

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On July 9, 2015, the Company also signed a financing agreement with the Saudi Ministry of Finance to obtain a long-term loan amounting to Saudi Riyals 197.6 million to finance part of the construction and furnishing cost of the Al Hammadi Hospital, Al-Nuzha branch project. The Company has received part of the loan amounting to Saudi Riyals 111.2 million as of September 30, 2016. The facility was approved by a means of collateralizing a piece of land on which Al Hammadi Hospital, Al-Nuzha branch was established, to the benefit of the Saudi Ministry of Finance. The loan will be repaid over 20 equal annual instalments after a grace period of 5 years starting the date of signing this contract. This loan is in Saudi Riyals and does not carry any financing commissions.

6.2 Loans from commercial banks

The Company has several facilities and loans agreements with local banks. Those loans carry finance commissions based on the rates prevailing in the market. These agreements include bank facilities in the form of long-term loans from local banks of Saudi Riyals 548 million as at September 30, 2016 used as follows:

- 1) Saudi Riyals 150 million as a long-term loan to be repaid over a three years period on quarterly basis with a grace period of two years. The outstanding loan balance amounted to Saudi Riyals 62.5 million as at September 30, 2016.
- 2) Saudi Riyals 147.6 million as a long-term loan in the form of LCs facility to be repaid over a three years period on quarterly basis with a grace period of three years. The outstanding loan balance amounted to Saudi Riyals 75 million as at September 30, 2016.
- 3) Saudi Riyals 150 million as a long-term loan to be repaid over a three years period on half-year basis. The outstanding loan balance amounted to Saudi Riyals 100 million as at September 30, 2016.
- 4) Saudi Riyals 50 million as a mid loan to finance the working capital to be prepaid over a three years period on quarterly basis with a grace period of one year starting from the date of withdrawing the amount. The outstanding loan balance amounted to Saudi Riyals 50 million as at September 30, 2016.
- 5) Revolving short-term loan to finance the working capital amounting Saudi Riyals 50 million and payment is expected to be within 12 months from the date of the Company interim financial statement, accordingly with no maturity date. The standing balance of the loan is Saudi Riyals 50 million as of September 30, 2016.

As at September 30, 2016, the Company has an unutilized facility limit with one of the local banks amounting to Saudi Riyals 150 million in the form of LCs facility for financing Al Hammadi Hospital, Al Nuzha branch project.

The facilities agreements referred to above include facilities for the issuance of letters of guarantee, letters of credit in addition to overdraft account amounting to Saudi Riyals 51 million. The Company has used Saudi Riyals 2 million of the total value of these facilities in form of LGs as at September 30, 2016 (September 30, 2015: Saudi Riyals 6.7 million) (see Note 14).

The long-term loans carry a special commission equal to the prevailing rates between the local commercial banks ("SIBOR"), plus a certain profit margin to be paid on quarterly or semi-annually basis, with a grace period of two to three 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. These loans are in Saudi Riyals.

7. Share capital

The Company's share capital of Saudi Riyals 1,200 million at September 30, 2016 consist of 120,000,000 shares (September 30, 2015: 120,000,000 shares) fully paid shares of Saudi Riyals 10 each.

In its meeting held on April 15, 2015, the Company's extraordinary general assembly approved the board of directors' recommendation in its meeting held on January 19, 2015 to increase the Company's share capital from Saudi Riyals 750 million to Saudi Riyals 1,200 million by offering 3 bonus shares for every 5 shares owned, increasing the Company's number of shares from 75 million shares to 120 million shares by way of transferring Saudi Riyals 392 million from statutory reserve account and Saudi Riyals 58 million

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from retained earnings account to share capital account. The formalities for a capital increase were completed during 2015.

8. Statutory reserve

In accordance with the New Saudi Regulations for Companies and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% (previously 50%) of the capital. This statutory reserve is not available for distribution to shareholders currently. An amount of Saudi Riyals 392 million was transferred during the quarter ended September 30, 2015 from statutory reserve to increase share capital (see Note 7).

9. General and administrative expenses - net

General and administrative expenses balance for nine-month period ended September 30, 2015 include an amount of Saudi Riyals 9.8 million related to collection of a previously written-off receivable and was collected during three-month period ended March 31, 2015. This amount is credited against "General and administrative expenses" in the interim statement of income.

10. Segment information

The Company's operations are principally comprised of one operating segment, which is the health-care services as of the date of the accompanying financial statements. Accordingly, segment information is not applicable. Furthermore, all of the Company's operations are conducted in Saudi Arabia.

11. Earnings per share

Basic earnings per share from operating income and net income for the period have been calculated by dividing the income from operations and net income for the period over the weighted average number of shares outstanding during the period amounting to 120 million shares as of September 30, 2016 and 2015.

12. Dividends

In its meeting held on May 29, 2016, the Company's ordinary general assembly meeting approved the board of directors' recommendation in its meeting held on February 23, 2016 to distribute cash dividends amounting to Saudi Riyals 90 million for the year 2015 at Saudi Riyals 0.75 per share at September 30, 2016 (September 30, 2015: Saudi Riyals 75 million).

13. Reclassification

Certain comparative amounts have been reclassified to conform to current period presentation.

14. Contingencies and commitments

The Company had outstanding letters of guarantee from a local bank amounting to Saudi Riyals 2 million as at September 30, 2016 (September 30, 2015: Saudi Riyals 6.7 million). Issued in the ordinary course of business.

The Company also had capital commitments amounting to Saudi Riyals 100 million as at September 30, 2016 (September 30, 2015: Saudi Riyals 177 million) related to capital work in progress with subsidiaries to related parties.