

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

Interim Financial Statements (Unaudited)  
For the Three and Nine-month Periods  
Ended September 30, 2015 and  
Review report

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY  
(A Saudi Joint Stock Company)  
INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015

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## REVIEW REPORT

October 21, 2015

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

### Scope of review

We have reviewed the accompanying interim balance sheet of Al Hammadi Development and Investment Company (the "Company") as of September 30, 2015 and the interim statement of income for the three and nine-month periods ended September 30, 2015 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

By: \_\_\_\_\_  
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License Number 369

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

	Notes	As at September 30,	
		2015	2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	155,085,101	595,816,011
Accounts receivable - net	3,4	214,223,995	122,224,766
Due from related parties		123,678	281,935
Inventories		23,938,073	17,622,056
Prepayments and other assets		14,172,827	9,396,957
		<u>407,541,674</u>	<u>746,341,725</u>
<b>Non-current assets</b>			
Property and equipment - net	5,6	1,096,193,571	361,569,988
Capital work-in-progress	5	446,373,233	957,366,294
		<u>1,542,566,804</u>	<u>1,318,936,282</u>
<b>Total assets</b>		<u>1,950,108,478</u>	<u>2,064,278,007</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		62,405,004	31,193,814
Bank facilities - overdraft		-	1,157,426
Long-term loans - current portion	6	100,000,000	35,310,000
Due to related parties		609,382	578,289
Accrued and other liabilities		24,018,283	22,507,420
Provision for zakat		7,782,579	3,290,229
		<u>194,815,248</u>	<u>94,037,178</u>
<b>Non-current liabilities</b>			
Long-term loans - non-current portion	6	375,739,325	666,731,082
Employees' termination benefits		29,172,218	17,414,195
		<u>404,911,543</u>	<u>684,145,277</u>
<b>Total liabilities</b>		<u>599,726,791</u>	<u>778,182,455</u>
<b>Shareholders' equity</b>			
Share capital	7	1,200,000,000	750,000,000
Statutory reserve	8	11,018,200	392,460,092
Retained earnings		139,363,487	143,635,460
<b>Total shareholders' equity</b>		<u>1,350,381,687</u>	<u>1,286,095,552</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,950,108,478</u>	<u>2,064,278,007</u>
<b>Contingencies and commitments</b>	13		

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

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

	Notes	Three-month period ended September 30,		Nine-month period ended September ended 30,	
		2015	2014	2015	2014
Revenues - net		136,798,299	108,827,497	403,635,672	352,530,452
Cost of revenues		(78,256,835)	(64,092,808)	(227,868,471)	(199,403,159)
<b>Gross profit</b>		<b>58,541,464</b>	<b>44,734,689</b>	<b>175,767,201</b>	<b>153,127,293</b>
General and administrative expenses	9	(26,625,457)	(19,963,711)	(62,793,486)	(56,696,470)
<b>Operating income</b>		<b>31,916,007</b>	<b>24,770,978</b>	<b>112,973,715</b>	<b>96,430,823</b>
Other income (expenses)					
Financial charges	5,6	(2,475,533)	(4,517)	(2,537,409)	(30,801)
Other income - net		494,771	1,704,148	1,894,778	2,990,991
Income before zakat		29,935,245	26,470,609	112,331,084	99,391,013
Zakat - net		(2,250,000)	(1,050,000)	(6,750,000)	(4,150,000)
<b>Net income for the period</b>		<b>27,685,245</b>	<b>25,420,609</b>	<b>105,581,084</b>	<b>95,241,013</b>
Earnings per share (Saudi Riyal):	11				
Operating income		0.27	0.21	0.94	0.80
Net income for the period		0.23	0.21	0.88	0.79
Average number of shares		120,000,000	120,000,000	120,000,000	120,000,000

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

	Notes	Nine-month period September 30,	
		2015	2014
<b>Cash flows from operating activities:</b>			
Net income for the period		105,581,084	95,241,013
<b>Adjustments for non-cash items:</b>			
Depreciation		17,088,137	10,379,559
Gain from sale of property and equipment		(12,955)	-
provision for doubtful debts		6,225,230	15,677,435
Provision for zakat		6,750,000	4,150,000
Provision for employees' termination benefits		12,114,049	3,516,328
<b>Changes in working capital:</b>			
Accounts receivable		(88,330,697)	(1,440,931)
Due from/to related parties		497,995	(59,700)
Inventories		(5,622,322)	(2,062,230)
Prepayments and other current assets		(1,623,689)	4,733,283
Accounts payable		28,489,978	(977,705)
Accrued and other current liabilities		1,088,507	2,954,283
Zakat paid		(3,307,650)	(4,468,374)
Employees' termination benefits paid		(1,895,681)	(907,386)
<b>Net cash generated from operating activities</b>		<b>77,041,986</b>	<b>126,735,575</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property and equipment		17,000	-
Purchase of property and equipment		(5,472,322)	(9,381,079)
Additions on capital work-in-progress		(164,217,502)	(292,294,813)
<b>Net cash utilized in investing activities</b>		<b>(169,672,824)</b>	<b>(301,675,892)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from loans		-	124,011,832
Payment of loans		(220,960,963)	-
Net change in bank facilities overdraft		-	(715,913)
Increase in share capital	7	-	225,000,000
Proceeds from share premium, net	8	-	380,261,825
Dividends paid	12	(75,000,000)	-
<b>Net cash generated from financing activities</b>		<b>(295,960,963)</b>	<b>728,557,744</b>
<b>Net change in cash and cash equivalents</b>		<b>(388,591,801)</b>	<b>553,617,427</b>
Cash and cash equivalents, at beginning of period		543,676,902	42,198,584
<b>Cash and cash equivalents, at end of period</b>		<b>155,085,101</b>	<b>595,816,011</b>
<b>Non-cash transactions:</b>			
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	748,533,707	-

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

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

	Notes	Share capital	Statutory reserve	Retained earnings	Total
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)	-
<b>September 30, 2015 (unaudited)</b>		<b>1,200,000,000</b>	<b>11,018,200</b>	<b>139,363,487</b>	<b>1,350,381,687</b>
January 1, 2014 (audited)		525,000,000	12,198,267	48,394,447	585,592,714
Net income for the nine-month period ended September 30, 2014		-	-	95,241,013	95,241,013
Increase in share capital by issuing shares	7	225,000,000	-	-	225,000,000
Share premium, net	7,8	-	380,261,825	-	380,261,825
<b>September 30, 2014 (unaudited)</b>		<b>750,000,000</b>	<b>392,460,092</b>	<b>143,635,460</b>	<b>1,286,095,552</b>

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

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE-MONTH PERIOD ENDED September 30, 2015**  
(All amounts in Saudi Riyals unless otherwise stated)

**1. General information**

Al Hammadi Development and Investment Company (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.

On Rajab 20, 1435H (corresponding to May 19, 2014) the Company obtained approval from the Capital Market Authority ("CMA") to issue 22.5 million shares in an initial public offering and the Company's shares listed in Saudi Stock Exchange (Tadawul) on Ramadan 17, 1435H (corresponding to July 14, 2014) (see Note 7).

The Company was established to engage in the activities of wholesale and retail trading of medical equipment, in addition to establishing, maintaining, managing and operating hospitals and medical centers and wholesale and retail trading of food and beverages and purchasing and rentals of lands for constructing buildings on it and investing it by selling or renting in favor of the company and initiating or sharing in various industrial projects and constructing , operating and maintaining and building work and maintaining it in the Kingdom of Saudi Arabia.

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

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

- \* The Company has received the final approval from the Ministry of Health on July 26, 2015 to commence the commercial run of the 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. Accordingly, the financial effect of the commercial run started during three-month period ended September 30, 2015 (see also Note 5).

The board of directors approved the accompanying financial statements for issuance on October 18, 2015.

**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 audited financial statements for the year ended December 31, 2014 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").



**AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
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(All amounts in Saudi Riyals unless otherwise stated)

**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 at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the nine-month periods ended September 30, 2015 and 2014, respectively, are recognized in the interim 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**

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.

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**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
Medical equipment and tools	10
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 years. A reversal of an 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. 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 Department of Zakat and Income Tax ("DZIT"). 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.

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**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, 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, 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.

**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

**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 interim balance sheet include cash and cash equivalents, accounts receivable, prepayments and other current assets, 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 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.

**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 relate to its borrowings and are subject to change on periodic basis.

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**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. As of September 30, 2015, 85.8% approximately of accounts receivable balance was due from various governmental entities and insurance companies (September 30, 2014: 86.9% 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.

**4. Cash and cash equivalents**

	2015	2014
Cash in hand	1,176,353	1,033,159
Cash at banks	153,908,748	594,782,852
	<u>155,085,101</u>	<u>595,816,011</u>

**5. Capital work-in-progress**

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). During the three-month period ended September 30, 2015, the financing cost relating to Al Hammadi Hospital, AlSuwaidi branch amounting to Saudi Riyals 2.2 million was included in financial charges in the interim income statement starting from the commercial run date.

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

These constructions are financed through Share capital subscription proceeds, loan from Ministry of Finance and loans from local commercial banks (see notes 6,7 and 13). The total cost of loans which is capitalized on these constructions is Saudi Riyals 12.2 million as of September 30, 2015 (September 30, 2014: Saudi Riyals 33 million).

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**6. Long-term loans**

	2015	2014
Loan from the Ministry of Finance	88,239,325	88,239,325
Loans from commercial banks	<u>387,500,000</u>	<u>613,801,757</u>
	475,739,325	702,041,082
Current portion	<u>(100,000,000)</u>	<u>(35,310,000)</u>
	375,739,325	666,731,082
Non-current portion	<u>375,739,325</u>	<u>666,731,082</u>

**6.1 Loans 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 for Saudi Riyals 88.2 million as of September 30, 2015. 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 Hammadi Hospital, AISuwaiti branch. This loan is in Saudi Riyals. This loan does not carry any financing commissions.

On January 19, 2015, the Company also signed a financing contract with the 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 AISuwaiti hospital. The company did not use this financing yet as of September 30, 2015. The loan was obtained by a means of collateralizing a piece of land on which Al Hammadi Hospital, AISuwaiti branch was established, to the benefit of the Ministry of Finance. The loan is to be repaid over 20 equal annual instalments after a grace period of 5 years. This loan is in Saudi Riyals. This loan does not carry any financing commissions.

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

**6.2 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 in the form of long-term loans of Saudi Riyals 1.1 billion as at September 30, 2015. The used part of these facilities is as follows:

- 1) 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 first three installments were repaid on March 31, June 30, and September 30, 2015. Therefore, the outstanding loan balance amounted to Saudi Riyals 112.5 million as at September 30, 2015.
- 2) Saudi Riyals 140.4 million as a long-term loan in the form of LCs limit to be repaid after three years period on quarterly basis with a grace period of three years. The first installment amounting to Saudi Riyals 2.9 million was repaid on June 30, 2015. Also, the second installment amounting to Saudi Riyals 12.5 million was repaid on September 30, 2015. Therefore, the outstanding loan balance amounted to Saudi Riyals 125 million as at September 30, 2015.
- 3) 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 instalment will be on October 20, 2015. Therefore, the outstanding loan balance amounted to Saudi Riyals 150 million as at September 30, 2015.

The purposes 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 used part of these facilities outstanding as loans as previously noted amounted to Saudi Riyals 387.5 million as at September 30, 2015 (September 30, 2014: Saudi Riyals 613.8 million).

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The facilities agreements referred to above 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 Saudi Riyals 6.7 million of the total value of these facilities as at the September 30, 2015 (September 30, 2014: Saudi Riyals 2.8 million).

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 which the Company complied with as of September 30, 2015. These loans are in Saudi Riyals.

**7. Share capital**

The Company's share capital of Saudi Riyals 1,200 million at September 30, 2015 consist of 120,000,000 shares (September 30, 2014: 75,000,000 shares) fully paid shares of Saudi Riyals 10 each.

On 8 Jumadah<sup>1</sup> 1435H (corresponding to March 9, 2014) General Assembly resolved to increase the share capital from Saudi Riyals 525 million to Saudi Riyals 750 million by increasing the number of shares from 52.5 million shares to 75 million shares at Saudi Riyals 10 per share. On May 19, 2014, the Company obtained approval from the Capital Market Authority to issue 22.5 million shares in an initial public offering during the period from June 11, 2014 to June 17, 2014 and generating share premium amounted to Saudi Riyals 18 per share with a net amount of Saudi Riyals 380.2 million after deducting underwriting expenses amounted to Saudi Riyals 24.7 million. The net share premium was transferred to the statutory reserve according to Article No. 98 of Saudi Regulations for Companies. The net underwriting collection is Saudi Riyals 618.3 which includes issued par value amounted to Saudi Riyals 225 million in addition to total premium share amounted to Saudi Riyals 405 million after discounted the underwriter fees amounted to Saudi Riyals 11.7 million.

Furthermore, 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 from retained earnings account to share capital account.

**8. Statutory reserve**

In accordance with 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 50% of the capital. This statutory reserve is not available for distribution to shareholders currently. During the quarter ended June 30, 2014 an amount of Saudi Riyals 380.3 was transferred to the statutory reserve in accordance with Article No. 98 of Saudi Regulations for Companies. Furthermore, An amount of Saudi Riyals 392 million was transferred during the quarter ended June 30, 2015 from statutory reserve to increase share capital (see Note 7).

**9. General and administrative expenses – net**

As of September 30, 2015, general and administrative expenses balance include an amount related to collection of a previously written-off receivable, where during the three-month period ended March 31, 2015, the Company collected an amount of Saudi Riyals 9.8 million related to a written-off receivable in prior years. 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.

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**11. Earnings per share**

Basic earnings per share from operating income and from net income for the period have been computed by dividing the operating income and the 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, 2015 and 2014. Earnings per share from operating income and from net income for the period ended September 30, 2014 has been recalculated retroactively based on the new number of shares to show the effect of share capital increase by an amount of Saudi Riyals 450 Million.

**12. Dividends**

In its meeting held on April 15, 2015, the Company's ordinary general assembly meeting approved the board of directors' recommendation in its meeting held on January 19, 2015 to distribute cash dividends amounting to Saudi Riyals 75 million for the year 2014 at Saudi Riyals 1 per share (September 30, 2014 : Nil).

**13. Contingencies and commitments**

The Company had outstanding letters of credit and guarantee from a local bank amounting to Saudi Riyals 6.7 million as at September 30, 2015 (September 30, 2014: Saudi Riyals 2.8 million).

The Company had capital commitments amounting to Saudi Riyals 177 million as at September 30, 2015 (September 30, 2014: Saudi Riyals 329.5 million) related to capital work in progress with subsidiaries to related parties.