

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

**Interim Financial Statements (Unaudited) for
the Three-Month Period Ended March 31,
2014 and Independent Auditors' Report**

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014

	<u>PAGE</u>
Independent auditors' report	1
Interim balance sheet	2
Interim statement of income	3
Interim statement of cash flow	4
Interim statement of changes in shareholders' equity	5
Notes to the interim financial statements	6 - 12

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

	Notes	As at March 31,	
		2014 (unaudited)	2013 (unaudited)
Assets			
Current assets			
Cash and cash equivalents	4	23,347,264	9,753,955
Accounts receivable - net		128,053,613	106,844,967
Due from related parties		232,114	86,834
Inventories - net		16,756,517	13,720,981
Prepayments and other assets		<u>17,433,576</u>	<u>12,315,240</u>
		185,823,084	142,721,977
Non-current assets			
Property and equipment - net		360,825,741	367,426,073
Capital work-in-progress		<u>781,770,118</u>	<u>382,634,498</u>
Total assets		<u>1,328,418,943</u>	<u>892,782,548</u>
Liabilities			
Current liabilities			
Accounts payable		32,282,418	31,599,092
Short-term loans		16,581,768	12,312,201
Due to related parties		808,039	1,311,768
Accrued and other liabilities		19,730,120	14,974,689
Provision for zakat		<u>1,190,229</u>	<u>4,513,148</u>
		70,592,574	64,710,898
Non-current liabilities			
Long-term loans		622,274,590	218,942,151
Employees' termination benefits		<u>15,733,767</u>	<u>10,710,181</u>
Total liabilities		<u>708,600,931</u>	<u>294,363,230</u>
Shareholders' equity			
Share capital	5	525,000,000	420,000,000
Statutory reserve		12,198,267	34,048,015
Retained earnings		<u>82,619,745</u>	<u>144,370,303</u>
Total shareholders' equity		<u>619,818,012</u>	<u>598,419,318</u>
Total liabilities and shareholders' equity		<u>1,328,418,943</u>	<u>892,782,548</u>
Contingencies and commitments	8		

The notes on pages 6 to 12 form an integral part of these financial statements.

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

	Notes	Three-month period March 31,	
		2014 (unaudited)	2013 (unaudited)
Revenues - net		122,041,694	104,835,395
Cost of revenues		<u>(67,330,222)</u>	<u>(57,498,050)</u>
Gross profit		54,711,472	47,337,345
Operating expenses			
General and administrative expenses		<u>(18,751,409)</u>	<u>(17,246,577)</u>
Operating income		35,960,063	30,090,768
Other income (expenses)			
Financial charges		(37,280)	(19,396)
Other income - net		<u>352,515</u>	<u>807,747</u>
Income before zakat		36,275,298	30,879,119
Zakat - net		<u>(2,050,000)</u>	<u>(1,050,000)</u>
Net income for the period		<u>34,225,298</u>	<u>29,829,119</u>
Earnings per share (Saudi Riyal):			
Operating income		<u>0.68</u>	<u>0.57</u>
Non-operating income - other income		<u>0.01</u>	<u>0.02</u>
Net income		<u>0.65</u>	<u>0.57</u>
Average number of shares		<u>52,500,000</u>	<u>52,500,000</u>

The notes on pages 6 to 12 form an integral part of these financial statements.

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

	<u>Three-month period March 31,</u>	
	<u>2014</u> (unaudited)	<u>2013</u> (unaudited)
Cash flows from operating activities:		
Net income for the period	34,225,298	29,829,119
<u>Adjustments for non-cash items:</u>		
Depreciation	3,345,491	3,345,740
Provision for doubtful debts	6,059,368	6,000,000
Provision for zakat, net	2,050,000	1,050,000
Provision for employees' termination benefits	1,291,458	1,802,192
<u>Changes in working capital:</u>		
Accounts receivable - net	2,348,289	(5,889,155)
Due from/to related parties	219,871	298,861
Inventories	(1,196,691)	1,655,299
Prepayments and other current assets	(3,303,336)	(4,702,484)
Accounts payable	110,899	(1,140,486)
Accrued and other current liabilities	176,983	(265,703)
Zakat paid	(4,468,374)	-
Employees' termination benefits paid	(362,944)	(752,826)
Net cash generated from operating activities	<u>39,496,312</u>	<u>31,231,191</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,602,764)	(425,826)
Additions on capital work-in-progress	(116,698,637)	(103,105,744)
Net cash utilized in investing activities	<u>(118,301,401)</u>	<u>(103,531,570)</u>
Cash flows from financing activities:		
Proceeds from loans	60,827,107	18,616,737
Payment of loans	(1,873,338)	-
Net cash generated from financing activities	<u>58,953,769</u>	<u>18,616,737</u>
Net change in cash and cash equivalents	(18,851,320)	(53,683,642)
Cash and cash equivalents, at beginning of period	<u>42,198,584</u>	<u>63,437,597</u>
Cash and cash equivalents, at end of period	<u>23,347,264</u>	<u>9,753,955</u>

The notes on pages 6 to 12 form an integral part of these financial statements.

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

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2013	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>
December 31, 2013	<u>525,000,000</u>	<u>12,198,267</u>	<u>48,394,447</u>	<u>585,592,714</u>
Net income for the period	<u>-</u>	<u>-</u>	<u>34,225,298</u>	<u>34,225,298</u>
Balance as at March 31, 2014	<u>525,000,000</u>	<u>12,198,267</u>	<u>82,619,745</u>	<u>619,818,012</u>

The notes on pages 6 to 12 form an integral part of these financial statements.

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Al Hammadi Development and Investment Company (the "Company") was established to trade in wholesale and retail of medical equipment and 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).

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, Alnozha	1010374270	Riyadh	Under construction
Al Hammadi Hospital, AlSuwaidi	1010374269	Riyadh	Under construction
Al Hammadi for Maintenance & Operations	1010374273	Riyadh	No activity

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 financial statements and its notes must be read with the year ended December 31, 2013 and the notes which are mentioned with these financial statements.

The board of directors approved the accompanying financial statements for issuance on 13 Rajab 1435H (corresponding to May 12, 2014).

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
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
(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; 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

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 period ended March 31, 2014 and for the year ended December 31, 2013, 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, 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

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
 (All amounts in Saudi Riyals unless otherwise stated)

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 except projects in progress. Lands are not depreciated. 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	6-10
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.

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.

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
(All amounts in Saudi Riyals unless otherwise stated)

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.

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

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
(All amounts in Saudi Riyals unless otherwise stated)

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, 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 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).

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
 (All amounts in Saudi Riyals unless otherwise stated)

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

	2014 (unaudited)	2013 (unaudited)
Cash in hand	866,342	4,496,355
Cash at banks	<u>22,480,922</u>	<u>5,257,600</u>
	<u>23,347,264</u>	<u>9,753,955</u>

5. Share capital

The Company's share capital of Saudi Riyals 525 million at March 31, 2014 consist of 52,500,000 shares (March 31, 2013: 42,000,000 shares) fully paid shares of Saudi Riyals 10 each and owned by Saudi shareholders as follows:

Shareholders	(unaudited) March 31, 2014		
	Number of shares	Share capital	%
Jadwa Medical Opportunity Company	15,750,000	157,500,000	30.000
Mr. Saleh Mohammed Al Hammadi	7,500,000	75,000,000	14.286
Dr. Abdulaziz Mohammed Al Hammadi	7,500,000	75,000,000	14.286
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	4.509
Ms. Hend Bint Fahd Al-Dekheel	1,987,625	19,876,250	3.786
Mr. Turki Ibrahim Mansour Al Rajhi	1,748,750	17,487,500	3.331
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>

AL HAMMADI DEVELOPMENT AND INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014
(All amounts in Saudi Riyals unless otherwise stated)

6. 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.

7. Dividends

During March 31, 2014, the Company did not distribute any dividends to the shareholders (2013: Nil).

8. Contingencies and commitments

The Company had outstanding letters of credit and guarantee from a local bank amounting to Saudi Riyals 58,942,705 as at March 31, 2014 (March 31, 2013: Saudi Riyals 73,874,100).

The Company had capital commitments amounting to Saudi Riyals 236,209,281 as at March 31, 2014 related to capital work in progress with related parties (March 31, 2013: Saudi Riyals 488,365,502).