**Al AHSA DEVELOPMENT COMPANY**
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Un-audited)**
**FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2019**

**WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

**AL AHSA DEVELOPMENT COMPANY**
(A SAUDI JOINT STOCK COMPANY)

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Al-Bassam & Co.
Allied Accountants

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# INDEPENDENT AUDITOR REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Shareholders
Al Ahsa Development Company
(A Saudi Joint Stock Company)
Al-Ahsa, Kingdom of Saudi Arabia

**Introduction**
We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Ahsa Development Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2019, the condensed consolidated interim statement of profit or loss and other comprehensive income for the three and six months period ended June 30, 2019, and the condensed consolidated interim statements of changes in equity and cash flows for the six months period then ended and summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

**Scope of Review**
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as endorsed in the Kingdom of Saudi Arabia.

**Emphasis of Matter**
As referred to in note (7) to the condensed consolidated interim financial statements, in March 2019, the Group acquired 25% of Twareat Medical Care Company, at a total cost of SR 15.4 million, which includes the option to purchase additional shares. The Group has accounted for this investment as an investment in associate which is originally recognized at cost, to be adjusted subsequently by the share of result, provided that the assets and liabilities of the associate are revaluated at fair value within a period not exceeding one year from the acquisition date.

**Al-Bassam & Co.**
**Allied Accountants**

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3 Dhul-Hijjah 1440 H

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**AL AHSA DEVELOPMENT COMPANY**
(SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2019**

| | Note | June 30, 2019 (Unaudited) SR | December 31, 2018 (Audited) SR |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 175,078,002 | 175,068,407 |
| Intangible assets | | 338,995 | 573,448 |
| Investments in equity instruments designated at fair value through other comprehensive income | 6 | 192,644,981 | 208,820,103 |
| Investment in an associate | 7 | 15,368,818 | - |
| Investment properties | | 124,447,099 | 124,538,937 |
| Right-of-use assets | 5-C | 6,236,280 | - |
| Goodwill | | 2,094,678 | 2,094,678 |
| **Total non-current assets** | | 516,208,853 | 511,095,573 |
| **Current assets** | | | |
| Inventory | | 19,257,197 | 20,997,521 |
| Trade receivables, prepayments and other assets | | 108,719,508 | 96,583,145 |
| Cash and cash equivalents | | 10,875,135 | 81,863,318 |
| | | 138,851,840 | 199,443,984 |
| Assets from discontinued operations | | 110,536 | 110,536 |
| **Total current assets** | | 138,962,376 | 199,554,520 |
| **TOTAL ASSETS** | | 655,171,229 | 710,650,093 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | | 490,000,000 | 490,000,000 |
| Statutory reserve | | 4,627,334 | 4,627,334 |
| Retained earnings | | 9,218,745 | 5,318,685 |
| Reserve for acquisition of additional shares in a subsidiary | 12-B | (33,332,212) | (442,483) |
| Fair value reserve | | 13,119,845 | 19,294,967 |
| Reserve for re-measurement of employees' defined benefit obligations | | 8,948,355 | 6,808,889 |
| **Total equity attributable to shareholders** | | 492,582,067 | 525,607,392 |
| Non-controlling interest | | 65,682,966 | 99,070,091 |
| **TOTAL EQUITY** | | 558,265,033 | 624,677,483 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long term loans – non-current portion | | 20,000,000 | 11,823,353 |
| Lease liabilities - non-current portion | 5-D | 4,095,752 | - |
| Employees' defined benefits obligations | | 25,679,851 | 24,043,519 |
| **Total non-current liabilities** | | 49,775,603 | 35,866,872 |
| **Current liabilities** | | | |
| Long term loan – current portion | | 8,709,377 | 8,068,390 |
| Trade payables, accrued expenses and other liabilities | | 27,916,949 | 32,733,809 |
| Lease liabilities - current portion | 5-D | 1,898,241 | - |
| Zakat provision | | 5,488,742 | 6,186,255 |
| | | 44,013,309 | 46,988,454 |
| Liabilities from discontinued operations | | 3,117,284 | 3,117,284 |
| **Total current liabilities** | | 47,130,593 | 50,105,738 |
| **Total liabilities** | | 96,906,196 | 85,972,610 |
| **TOTAL EQUITY AND LIABILITIES** | | 655,171,229 | 710,650,093 |

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on behalf of the shareholders and were signed on August 3, 2019 corresponding to 2 Dhul-Hijjah 1440H.

| | | |
|---|---|---|
| **Abdulrahman Balghunaim** | **Saad Al Shammary** | **Ahmed Ibrahim** |
| **Chairman** | **Vice Chairman** | **Finance Manager** |

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

**AL AHSA DEVELOPMENT COMPANY**
(SAUDI JOINT STOCK COMPANY)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2019

| | | For the three month period ended June 30 | | For the six month period ended June 30 | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| | Note | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | | **SR** | SR | **SR** | SR |
| Revenues, net | | **58,620,732** | 53,670,314 | **116,242,767** | 106,686,964 |
| Cost of revenues | | **(43,639,638)** | (41,539,731) | **(86,640,272)** | (82,151,516) |
| **Gross profit** | | **14,981,094** | 12,130,583 | **29,602,495** | 24,535,448 |
| General and administrative expenses | | **(15,139,414)** | (12,545,437) | **(29,212,688)** | (27,008,808) |
| Selling and marketing expenses | | **(565,042)** | (356,065) | **(798,602)** | (809,629) |
| **Operating losses** | | **(723,362)** | (770,919) | **(408,795)** | (3,282,989) |
| Dividends income | | **2,413,644** | 1,226,252 | **3,878,438** | 1,568,946 |
| Other income | | **2,177,528** | 1,976,237 | **3,778,102** | 3,020,832 |
| **Net income for the period before zakat** | | **3,867,810** | 2,431,570 | **7,247,745** | 1,306,789 |
| Zakat | | **(889,490)** | (950,000) | **(1,872,822)** | (2,250,000) |
| **Net income / (loss) for the period** | | **2,978,320** | 1,481,570 | **5,374,923** | (943,211) |
| **OTHER COMPREHENSIVE (LOSS) / INCOME** | | | | | |
| ***Item that will not be reclassified subsequently to the profit or loss*** | | | | | |
| Net movement in fair value of equity instruments designated at fair value through other comprehensive income | | **(2,587,053)** | 2,588,988 | **(5,673,823)** | 1,360,129 |
| **Other comprehensive (loss) / income** | | **(2,587,053)** | 2,588,988 | **(5,673,823)** | 1,360,129 |
| **Total comprehensive (loss) / income for the period** | | **391,267** | 4,070,558 | **(298,900)** | 416,918 |
| **Net income / (loss) for the period attributable to:** | | | | | |
| Shareholders | | **1,978,863** | 324,372 | **3,398,761** | (2,462,197) |
| Non-controlling interest | | **999,457** | 1,157,198 | **1,976,162** | 1,518,986 |
| **Net income / (loss) for the period** | | **2,978,320** | 1,481,570 | **5,374,923** | (943,211) |
| **Total comprehensive (loss) / income attributable to:** | | | | | |
| Shareholders | | **(608,190)** | 2,913,360 | **(2,275,062)** | (1,102,068) |
| Non-controlling interest | | **999,457** | 1,157,198 | **1,976,162** | 1,518,986 |
| **Total comprehensive (loss) / income for the period** | | **391,267** | 4,070,558 | **(298,900)** | 416,918 |
| **Earnings / (loss) per share** | | | | | |
| Earnings per share of net income / (loss) for the period | 8 | **0.04** | 0.01 | **0.07** | (0.05) |
| Earnings per share of total comprehensive (loss) / income for the period | 8 | **(0.01)** | 0.06 | **(0.05)** | (0.02) |
| Number of outstanding Shares | | **49,000,000** | 49,000,000 | **49,000,000** | 49,000,000 |

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on behalf of the shareholders and were signed on August 3, 2019 corresponding to 2 Dhul-Hijjah 1440H.

| Abdulrahman Balghunaim | Saad Al Shammary | Ahmed Ibrahim |
|---|---|---|
| Chairman | Vice Chairman | Finance Manager |

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

**AL AHSA DEVELOPMENT COMPANY**
(SAUDI JOINT STOCK COMPANY)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

| | Share Capital | Statutory reserve | Retained earnings / (accumulated losses) | Reserve for acquisition of additional shares in a subsidiary | Fair value reserve | Reserve for re-measurement of employees' defined benefit obligations | Total equity attributable to shareholders of the Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | SR | SR | SR | SR | SR | SR | SR | SR | SR |
| Balance as at January 1, 2018 | 490,000,000 | 3,905,208 | (7,750,591) | (442,483) | 36,506,906 | 549,039 | 522,768,079 | 89,532,347 | 612,300,426 |
| Net (loss) / income for the period | - | - | (2,462,197) | - | - | - | (2,462,197) | 1,518,986 | (943,211) |
| Other comprehensive loss | - | - | - | - | 1,360,129 | - | 1,360,129 | - | 1,360,129 |
| Total comprehensive (loss) / income for the period | - | - | (2,462,197) | - | 1,360,129 | - | (1,102,068) | 1,518,986 | 416,918 |
| Balance at June 30, 2018 (Unaudited) | 490,000,000 | 3,905,208 | (10,212,788) | (442,483) | 37,867,035 | 549,039 | 521,666,011 | 91,051,333 | 612,717,344 |
| | | | | | | | | | |
| Balance as at January 1, 2019 | 490,000,000 | 4,627,334 | 5,318,685 | (442,483) | 19,294,967 | 6,808,889 | 525,607,392 | 99,070,091 | 624,677,483 |
| Gain on sale of investment in equity instruments at fair value through other comprehensive income | - | - | **501,299** | - | **(501,299)** | - | - | - | - |
| Net income for the period | - | - | **3,398,761** | - | - | - | **3,398,761** | **1,976,162** | **5,374,923** |
| Other comprehensive loss | - | - | - | - | **(5,673,823)** | - | **(5,673,823)** | - | **(5,673,823)** |
| **Total comprehensive income / (loss) for the period** | - | - | **3,398,761** | - | **(5,673,823)** | - | **(2,275,062)** | **1,976,162** | **(298,900)** |
| **Transactions with owners in their capacity as owners** | | | | | | | | | |
| The effect of acquisition of additional shares in a subsidiary (Note 12-B) | - | - | - | **(32,889,729)** | - | **2,139,466** | **(30,750,263)** | **(35,363,287)** | **(66,113,550)** |
| Balance as at June 30, 2019 (Unaudited) | **490,000,000** | **4,627,334** | **9,218,745** | **(33,332,212)** | **13,119,845** | **8,948,355** | **492,582,067** | **65,682,966** | **558,265,033** |

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on behalf of the shareholders and were signed on August 3, 2019 corresponding to 2 Dhul-Hijjah 1440H.

| Abdulrahman Balghunaim | Saad Al Shammary | Ahmed Ibrahim |
|---|---|---|
| Chairman | Vice Chairman | Finance Manager |

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

**AL AHSA DEVELOPMENT COMPANY**
(SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

| | For the six month period ended | |
|---|---|---|
| | **June 30, 2019 (Unaudited)** | June 30, 2018 (Unaudited) |
| | **SR** | SR |
| **OPERATING ACTIVITIES** | | |
| Net income for the period before zakat | **7,247,745** | 1,306,789 |
| *Adjustments for:* | | |
| Depreciation | **7,064,676** | 7,517,860 |
| (Gain) / loss from disposal of property, plant and equipment | **(19,942)** | 51,438 |
| Amortization of right of use | **592,166** | - |
| Cost of financing of right of use assets | **149,536** | - |
| Amortization of intangible assets | **234,453** | 330,393 |
| Dividends income | **(3,878,438)** | (1,568,946) |
| Provision for doubtful debts | **-** | 439,065 |
| Reversal of impairment | **(1,130,000)** | - |
| Employees' defined benefits obligations | **2,415,482** | 2,546,870 |
| | **12,675,678** | 10,623,469 |
| **Changes in operating assets and liabilities:** | | |
| Trade receivables, prepayments and other assets | **(9,711,595)** | (17,826,904) |
| Inventory | **1,740,324** | 3,866,239 |
| Trade payables, accrued expenses and other liabilities | **(4,816,860)** | 10,086,421 |
| Cash (used in) / from operations | **(112,453)** | 6,749,225 |
| Zakat paid | **(2,570,335)** | (3,534,921) |
| Employees' defined benefits obligations paid | **(779,150)** | (1,010,980) |
| **Net cash (used in) / from operating activities** | **(3,461,938)** | 2,203,324 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(7,133,890)** | (11,278,583) |
| Proceeds from disposal of property, plant and equipment | **171,399** | 111,570 |
| Cash dividend received | **1,828,429** | 1,568,946 |
| Proceeds from sale of investments by fair value through other comprehensive income | **10,501,299** | - |
| Paid to purchase extra share in a subsidiary | **(66,113,550)** | - |
| Purchase to acquire an investment in an associate | **(15,000,000)** | - |
| Paid to purchase equity instruments by fair value through other comprehensive income | **-** | (10,000,000) |
| **Net cash used in investing activities** | **(75,746,313)** | (19,598,067) |
| **FINANCING ACTIVITIES** | | |
| Lease liabilities paid | **(597,566)** | - |
| Repayment of loans | **(15,501,527)** | - |
| Loans draw down | **24,319,161** | 6,115,141 |
| **Net cash from financing activities** | **8,220,068** | 6,115,141 |
| **Net change in cash and cash equivalents** | **(70,988,183)** | (11,279,602) |
| Cash and cash equivalent as at 1 January | **81,863,318** | 85,005,863 |
| **Cash and cash equivalents as at 30 June** | **10,875,135** | 73,726,261 |
| **Non-cash transaction :** | | |
| IFRS 9 adoption effect | **-** | 45,367,906 |
| Change in fair value reserve | **6,175,122** | 1,360,129 |

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on behalf of the shareholders and were signed on August 3, 2019 corresponding to 2 Dhul-Hijjah 1440H.

| **Abdulrahman Balghunaim** | **Saad Al Shammary** | **Ahmed Ibrahim** |
|---|---|---|
| **Chairman** | **Vice Chairman** | **Finance Manager** |

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

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Al-Ahsa Development Company ("the Company") is a Saudi Joint Stock Company established as per Ministerial Decree No. 573 dated 14 Rabea II 1414H corresponding to 1 October 1993 and registered under Commercial Register No. 2252021816 dated 1 Jumada II 1414H corresponding to 15 November 1993.

The authorized, issued and paid up share capital amounted to SR 490 million divided into 49 million shares with par value of SR 10 per share.

The main activity of Al-Ahsa Development Company is the medical operation of private and governmental hospitals and other activities related to hospital activities. Activity requires a license from the Ministry of Health.

These company's head office is located in Al Ahsa, Kingdom of Saudi Arabia.

### 1.1 Structure of the group

These condensed consolidated interim financial statements include the financial statements of the Company and the following subsidiaries:

| Company | Legal Form | Incorporation Country | Effective ownership 2019 | Effective ownership 2018 |
|---|---|---|---|---|
| Saudi-Japanese Textile Manufacturing Company (A) | Limited Liability Company | Saudi Arabia | 100% | 100% |
| Al-Ahsa Food Industries Company (B) | Limited Liability Company | Saudi Arabia | 100% | 100% |
| Al-Ahsa Medical Services Company (C) | Closed Joint Stock Company | Saudi Arabia | 69.93% | 53.61% |

The assets, liabilities and result of operations of the three subsidiaries of the company have been included in the accompanying condensed consolidated interim financial statements.

**A. Saudi-Japanese Textile Manufacturing Company**

Saudi-Japanese Textile Manufacturing Company is a Saudi limited liability company registered under Commercial Register No. 2257025539 dated 12 Rabee II 1419 H corresponding to 6 August 1998. On 10 October 2016 the Board of Directors approved the appointment of a liquidator to liquidate the Saudi-Japanese Textile Manufacturing Company. A liquidator has been appointed for the subsidiary and liquidation procedures are under process.

**B. Al-Ahsa Food Industries Company**

Al-Ahsa Food Industries Company is a Saudi limited liability company registered under Commercial Register No. 2252023850 dated 7 Muharram 1416H corresponding to June 6, 1995. The principle activities of Al-Ahsa Food Industries Company are in the production of dates and their derivatives and is wholly owned by the Company. The subsidiary's accumulated losses exceeded its capital. Under the provisions of Article 181 of the Companies Law, the shareholders are required to resolve to continue in the business and provide support to the subsidiary or liquidate it, the resolution must be published in the Official Gazette. At their meeting on March 14, 2019, the shareholders resolved to continue to support the subsidiary and provide it with the necessary funding.

**C. Al-Ahsa Medical Services Company**

Al-Ahsa Medical Services Company is a closed joint stock company under Commercial Register No. 2252025213 dated 29 Sha'ban 1420H corresponding to December 8, 1999. Al-Ahsa Medical Services Company is engaged in the establishment, management, operation and maintenance of hospitals. On May 1, 2019, The Company acquired additional 16.32% of the subsidiary's equity shares from the non-controlling interest, this resulted in an increase in the ownership of the subsidiary from 53.61% to 69.93%.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The condensed consolidated interim financial statements for the six-months period ended June 30, 2019 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA). The accompanying condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and hence should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2018.

Starting from January 1, 2019, the group adopted International Financial Reporting Standard (IFRS 16) "Lease Contracts", Changes in significant accounting policies are described in note 4 and 5.

### 2.2 Preparation of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements have been prepared under the historical cost convention except for the recognition of the defined benefit obligation of employees at present value of future liabilities using the projected unit credit method and equity instruments at fair value through other comprehensive income that are measured at fair value.

These condensed consolidated interim financial statements are presented in Saudi Riyals which represent the Group's functional currency.

The principal accounting policies applied in the preparation of condensed consolidated interim financial statements are consistent with those of the previous financial year and the respective comparative interim reporting period, except for the adoption of new and amended standards as referred to in note 4.

The preparation of condensed consolidated interim financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the condensed consolidated interim financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation related to the application of IFRS 16 which are disclosed in note 4 and note 5.

## 3. BASIS OF CONSOLIDATION

The condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries detailed in note 1. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of the subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

## 3. BASIS OF CONSOLIDATION (Continued)

Consolidated profit or loss and each component of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 4. SIGNIFICANT ACCOUNTING POLICES

### 4.1 New standards amendments to standards and interpretations

The Group has adopted International Financial Reporting Standard No. 16 "Leases" effective January 1, 2019. The impact of the application of IFRS 16 is shown in Note 4-3 and Note 5.

There are a number of other new standards and amendments to the Standards effective from January 1, 2019, which had no material impact on the Group's condensed consolidated interim financial statements.

There are a number of amendments to the standards that are effective from January 1, 2020, however management expects that these amendments will have no material impact when applied to the Group's condensed consolidated interim financial statements. The Group did not select early application of any new standards or amendments in 2019.

### 4.2 New accounting policy applied

During the period ended June 30, 2019, the Group has invested in an associate. The accounting policy applied to accounting for investment in an associate is as follows:

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In case the shareholding in an associate do not create significant influence, the Group classifies this investment as investment accounted for using the equity method of accounting.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to the statement of profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes separately in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized in the statement of profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICES (Continued)

### 4.3 Changes in accounting policies

**IFRS 16 – "Leases"**

IFRS 16 replaces International Accounting Standard 17, "Leases" and IFRIC 4 "Determining whether an arrangement involves a lease" and IFRIC 15 "Operating lease - Incentives "and ex-IFRIC 27" Valuation of the substance of transactions involving the legal form of a lease ".

IFRS 16 "Leases" introduces a single accounting model included in the tenants' financial position. The lessee recognizes the right of use which represents the right to use the asset in question and the obligation of the lease that represents its obligation to pay the lease payments. There are optional exceptions to short-term leases and low-value leases. Lessor accounting remains similar to current standards - that is, lessors continue to classify leases as finance leases or operating leases.

In accordance with the transition provisions mentioned in IFRS 16, the Group has adopted IFRS 16 in accordance with the revised retrospective approach and therefore the cumulative effect of applying IFRS 16 will be recognized as in January 1, 2019 with no comparison information adjusted.

Assets and liabilities arising from a lease are initially measured on a present value basis as follows:

A) Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

B) Lease liabilities include the net present value of the following lease payments:
-Fixed payments (including in-substance fixed payments), less any lease incentives receivable
-Variable lease payments that are based on an index or a rate
-Amounts expected to be payable by the lessee under residual value guarantees
-The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
-Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are deducted using the additional borrowing rate, which represents the price that the tenant will pay to borrow the money needed to obtain an asset of similar value in a similar economic environment on similar terms and conditions.

Payments relating to short term leases and rentals of impaired assets are recognized on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease period of 12 months or less.

The lease terms are renegotiated on an individual basis and have a wide range of terms and conditions. The lease agreements do not impose any obligations, but the leased assets may not be used as security for borrowing purposes.

## 5. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was from 4.5%.

### A- Impact of application of IFRS 16

| | January 1, 2019 (Unaudited) |
|---|---|
| | SR |
| Operating lease commitments at December 31, 2018 | 8,219,240 |
| The lease liability recognized on January 1, 2019 (discounted using the Group's incremental borrowing rate) | 6,442,023 |
| It is divided into: | |
| Current lease liabilities | 1,640,823 |
| Non-current lease liabilities | 4,801,200 |

### B- The following right of use assets are included in the Group's leases:

| | **December 31, 2018 (Audited)** | **Re-Effect of application of IFRS 16** | January 1, 2019 (Unaudited) |
|---|---|---|---|
| | SR | SR | SR |
| Assets right of use | - | 6,828,446 | 6,828,446 |
| Prepayments | 386,423 | (386,423) | - |
| Lease liabilities | - | 6,442,023 | 6,442,023 |

### C- Right of use assets related to the Group's leases are as follows:

| | **June 30, 2019 (Unaudited)** | January 1, 2019 (Unaudited) |
|---|---|---|
| | **SR** | SR |
| Land | **1,602,719** | 1,632,913 |
| Buildings | **4,633,561** | 5,195,533 |
| | **6,236,280** | 6,828,446 |

### D- The lease liabilities relating to the Group's leases are as follows:

| | **June 30, 2019 (Unaudited)** | January 1, 2019 (Unaudited) |
|---|---|---|
| | **SR** | SR |
| Current portion | **1,898,241** | 1,640,823 |
| Non-current portion | **4,095,752** | 4,801,200 |
| | **5,993,993** | 6,442,023 |

## 6. INVESTMENTS IN EQUITY INSTRUMENTSS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| | SR | SR |
| A) Quoted in the stock market | 52,075,263 | 57,873,727 |
| B) Unquoted in the stock market | 140,569,718 | 150,946,376 |
| | 192,644,981 | 208,820,103 |

### A) Quoted in the stock market

| | Fair Market Value | |
|---|---|---|
| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
| | SR | SR |
| Takween Advanced Industries | 12,279,423 | 15,176,107 |
| Saudi Ground Services Company | 39,795,840 | 42,697,620 |
| | 52,075,263 | 57,873,727 |

* On October 15, 2018, the shareholders of National Aviation Ground Support Company (NAGS) resolved to approve the transfer of NAGS's shares in the Saudi Ground Services Company (SGS) to the investment portfolio of NAGS's shareholders. Since Al Ahsa Development Company owns 5% of the National Aviation Ground Support Company, the Company's share of this transaction was 1,381,800 shares equivalent to 0.735% of the total issued shares in SGS. The legal formalities for the transfer of these shares to the Group have been completed.

### B) Unquoted in the stock market

| | Ownership % | | | |
|---|---|---|---|---|
| | June 30, 2019 | December 31, 2018 | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
| | | | SR | SR |
| Industrialization and Energy Services Co. TAQA | 1.36 | 1.36 | 95,832,100 | 95,832,100 |
| Taalem Investment Co. Ltd | 12.78 | 12.78 | 21,171,018 | 21,171,018 |
| Arab Paper Manufacturing Co. (Waraq) | 4.70 | 4.70 | 19,563,000 | 19,563,000 |
| Derayah Finance Company Fund | - | - | - | 10,376,658 |
| National Aviation Ground Support Company | 5.00 | 5.00 | 4,003,600 | 4,003,600 |
| Al Ahsa Tourism & Leisure Co. | 7.57 | 7.57 | - | - |
| Arab Company for Industrial Fibers (Ibn Rushd) | 0.42 | 0.42 | - | - |
| | | | 140,569,718 | 150,946,376 |

The unquoted equity instruments in the Saudi stock market were evaluated by an independent valuation expert accredited by the Saudi Authority for Accredited Valuer "Taqeem" who issued a report evaluating all investments. The independent valuation expert issued his report on the value of these investments as at 31 December 2018. The method of comparable companies was used to assess all investments to similar GCC companies and others except for Taleem Investment Company Limited which has been valuated based on yield to maturity method. As for the Derayah Finance Company Fund, the management of the Fund provides the fair value of the units invested in the Fund at the end of each financial period. During April, 2019, the company has sold Deraya Finance Company Fund and recognized gains amounting to SR 501,299.

## 6. EQUITY INSTRUMENTSS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

The movement on equity instruments designated at fair value through other comprehensive income is as follows:

| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| | SR | SR |
| Opening balance | 208,820,103 | 157,303,756 |
| Impact of adoption of IFRS 9 | - | 45,367,906 |
| Balance as at January 1 | 208,820,103 | 202,671,662 |
| Additions | - | 57,119,380 |
| Disposals | (10,000,000) | (33,759,000) |
| Change in fair value | (6,175,122) | (17,211,939) |
| Closing balance | 192,644,981 | 208,820,103 |

The fair value hierarchy of the above financial instruments, valuation techniques used and key inputs for valuation of fair value are disclosed in Note 10.

## 7. INVESTMENT IN AN ASSOCIATE

In March 2019, the Group acquired 25% of Twareat Medical Care Company at a total cost of SR 15.4 million, which is initially recognized at cost, with the assets and liabilities of the associate being evaluated within a period not exceeding one year from the date of acquisition. The above cost includes an option to acquire more shares in Twareat Medical Care Company which has not been evaluated until the date of the financial statements. The Company's share in the results of the associate was not recognized as the financial statements of the associate were not available as at June 30, 2019. The Group's management believes that the impact on the interim condensed consolidated financial statements if the Group recognized its share in the results of the associate for the period will not be material.

Twareat for Medical Services Company is a limited liability company registered in the Kingdom of Saudi Arabia. The main activity of the company is the provision of administrative services, medical support services, human health activities and social work.

## 8. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share of income / (loss) for the period is calculated by dividing the net income / (loss) for the period by the weighted average number of shares outstanding during the period. Earnings / (loss) per share is as follows:

| | For the six-months period ended June 30 | |
|---|---|---|
| | 2019 (Unaudited) | 2018 (Unaudited) |
| | SR | SR |
| Net income / (loss) for the period attributable to shareholders | 3,398,761 | (2,462,197) |
| Weighted average number of shares | 49,000,000 | 49.000.000 |
| Earnings / (loss) per share from income / (loss) for the period | 0.07 | (0.05) |

| | 2019 (Unaudited) | 2018 (Unaudited) |
|---|---|---|
| | SR | SR |
| Total comprehensive loss for the period attributable to shareholders | (2,275,062) | (1,102,068) |
| Weighted average number of shares | 49,000,000 | 49.000.000 |
| Loss per share from the total comprehensive loss for the period | (0.05) | (0.02) |

## 9. SEGMENTAL REPORTING

The main activities of the Group are categorized into three main business sectors, the manufacturing sector represented by Al-Ahsa Food Industries Company specializing in the production and packaging of dates; the medical services sector represented by Al-Ahsa Medical Services company and Investment sector represented by Al-Ahsa Development Company. The financial information as at 30 June 2019 and 30 June 2018 and for the period then ended are summarized in accordance with the main activities as follows:

| | Manufacturing Sector | Medical Services Sector | Investment Sector | Total |
|---|---|---|---|---|
| **30 June 2019 (unaudited)** | **SR** | **SR** | **SR** | **SR** |
| Property, Plant & Equipment | **5,938,395** | **168,380,430** | **759,177** | **175,078,002** |
| Total Assets | **18,108,332** | **300,535,566** | **336,527,331** | **655,171,229** |
| Total Liabilities | **2,923,349** | **82,595,455** | **11,387,392** | **96,906,196** |
| Revenues, net | **8,076,324** | **108,166,443** | **-** | **116,242,767** |
| Income / (Loss) from continuing operations | **(508,502)** | **4,700,802** | **3,055,445** | **7,247,745** |
| Net income / (loss) | **(508,502)** | **3,677,980** | **2,205,445** | **5,374,923** |
| 30 June 2018 (unaudited) | | | | |
| Property, Plant & Equipment | 6,964,127 | 162,577,625 | 980,319 | 170,522,071 |
| Total Assets | 19,865,406 | 281,856,329 | 403,742,612 | 705,464,347 |
| Total Liabilities | 2,357,394 | 80,582,708 | 9,806,901 | 92,747,003 |
| Revenues, net | 8,232,574 | 98,454,390 | - | 106,686,964 |
| Income (loss) from continuing operations | (1,202,047) | 4,024,384 | (1,515,548) | 1,306,789 |
| Net (loss) / income | (1,202,047) | 3,274,383 | (3,015,547) | (943,211) |

## 10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise trade payables, accrued expenses, other payables and loans. The Group's principal financial assets comprise cash and cash equivalents, investments in equity instruments designated by fair value through other comprehensive income, and trade and other receivables.

**Classification of financial instruments**

| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| | SR | SR |
| **Financial assets at fair value** | | |
| Investments in equity instruments designated by fair value through other comprehensive income | **192,644,981** | 208,820,103 |
| | **192,644,981** | 208,820,103 |
| **Financial assets at amortized cost** | | |
| Trade receivables and other assets | **101,386,510** | 86,585,580 |
| Cash and cash equivalent | **10,875,135** | 81,863,318 |
| | **304,906,626** | 377,269,001 |
| **Financial liabilities at amortized cost** | | |
| Trade payables, accrued expenses and other liabilities | **27,916,949** | 32,733,809 |
| Lease liabilities | **5,993,993** | - |
| Loans | **28,709,377** | 19,891,743 |
| | **62,620,319** | 52,625,552 |

## 10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

**Risk management of financial instruments**

The Group's activities are exposed to various financial risks such as fair value measurement, credit risk, liquidity risk, foreign currency risk and capital management risk. Management reviews and approves policies to manage each of these risks, which are summarized as follows:

**Fair value measurement of financial instruments**

Fair value is the amount at which an asset is sold or a liability settled between willing parties in the arm's length transactions at the date there is a presumption that the Company is a going concern entity where there is no intention or requirement to materially reduce the volume of its operations or to conduct a transaction on adverse terms.

A financial instrument is considered to be listed in the active market if the quoted prices are readily and regularly available from an intermediary, industry group, pricing services or regulatory body, and these prices represent market transactions that have occurred on an active and regular basis on a commercial basis.

When measuring fair value, the Group uses observable market information whenever possible to the inputs used in valuation methods as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained on the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities directly (eg prices) or indirectly derived from prices.

Level 3: inputs for assets or liabilities not based on observable market information (non-observable inputs).

The following schedule presents an analysis of financial instruments carried at fair value according to the fair value hierarchy:

| | **30 June 2019 (Unaudited)** | | | |
|---|---|---|---|---|
| | **Level 1 (SR)** | **Level 2 (SR)** | **Level 3 (SR)** | **Total (SR)** |
| Investments in equity instruments designated by fair value through other comprehensive income | **52,075,263** | **-** | **140,569,718** | **192,644,981** |
| | **52,075,263** | **-** | **140,569,718** | **192,644,981** |

| | 31 December 2018 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 (SR) | Level 2 (SR) | Level 3 (SR) | Total (SR) |
| Investments in equity instruments designated by fair value through other comprehensive income | 57,873,727 | - | 150,946,376 | 208,820,103 |
| | 57,873,727 | - | 150,946,376 | 208,820,103 |

During the period, there were no transfers from the first to the second and the third level.

Although management believes that the fair value measurements for investments included in Level 3 are appropriate, the use of other methods or assumptions may result in different fair value measurements. Level 3 includes non-current local and non-local investments where the Group relies on its assessment of the net asset value based on the most recent audited financial statements available to determine the fair value of these investments. Other valuation techniques use discounted cash flow models based on expected dividends for which no information is available. Accordingly, the potential impact of the use of valuation techniques based on alternative assumptions cannot be determined.

## 10 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

**Credit risk**

Credit risk is the risk that one party may fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk which represents the balances due from customers and cash balances. Cash and cash equivalents are placed with banks and institutions with sound credit ratings. Trade and other receivables are mainly due from customers in the local market and related parties and are shown at their estimated recoverable amount as follows:

| | June 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| | SR | SR |
| Trade receivables and other assets | 101,386,510 | 86,585,580 |
| Cash and cash equivalents | 10,875,135 | 81,863,318 |
| | 112,261,645 | 168,448,898 |

The carrying amount of financial assets represents the maximum exposure to credit risk.

Credit risk on accounts receivable and bank balances is limited to:

- Cash balances held with banks with a high credit rating.
- Accounts receivable, net of provision for impairment of trade receivables.

The Group manages credit risk relating to amounts due from customers through the ongoing monitoring in accordance with the specific policies and procedures. The Group minimizes its credit risk relating to customers by setting credit limits for each customer and monitoring existing receivables on an ongoing basis. The balances are monitored and the Group's exposure to the risk of bad debts is not material.

**Liquidity risk**

Liquidity risk is the difficulty that an entity encounters in raising funds to meet the obligations in connection with the financial instruments. Liquidity risk can result from the inability to sell financial assets quickly and at its approximate fair value. The contractual maturities of financial liabilities at the end of the financial period are as follows, the amounts are presented in total and are not discounted and include estimated interest payments.

| | | 30 June 2019 (unaudited) Total undiscounted amounts | | |
|---|---|---|---|---|
| | Book value | Upon request or less than one year | From 1 to 5 years | More than 5 years |
| | SR | SR | SR | SR |
| **Financial liabilities at amortized cost** | | | | |
| Trade payables, accrued expenses and other liabilities | 27,916,949 | 27,916,949 | - | - |
| Lease liabilities | 7,619,240 | 1,329,600 | 3,526,663 | 2,762,977 |
| Loans | 28,709,377 | 8,709,377 | 20,000,000 | - |
| | 64,245,566 | 37,955,926 | 23,526,663 | 2,762,977 |

| | | 31 December 2018 (Audited) Total undiscounted amounts | | |
|---|---|---|---|---|
| | Book value | Upon request or less than one year | From 1 to 5 years | More than 5 years |
| | SR | SR | SR | SR |
| **Financial liabilities at amortized cost** | | | | |
| Trade payables, accrued expenses and other liabilities | 32,733,809 | 32,733,809 | - | - |
| Loans | 19,891,743 | 8,068,390 | 11,823,353 | - |
| | 52,625,552 | 40,802,199 | 11,823,353 | - |

## 10 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

**Liquidity risk (continued)**

The Group manages its liquidity risk through monitoring on an ongoing basis to ensure that funds and bank facilities are available to meet the future liabilities.

**Market risk**

Market risk is the risk that a financial instrument will fluctuate due to changes in prevailing market prices such as foreign exchange rates, interest rates and stocks prices affecting the Group's income or the value of its financial instruments. Market risk management aims to manage and control market risk exposure within acceptable limits while maximizing returns.

**Foreign currency risk management**

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future business transactions and recognized assets and liabilities are denominated in currencies different from the Group's currency. The Group's exposure to foreign exchange risk is primarily limited to transactions in US Dollars. Management believes that its exposure to foreign exchange risk is limited as the Group's currency is linked to the US Dollar.

**Capital management**

The Board of Directors' policy is to maintain an adequate capital base in order to maintain investor, creditor and market confidence and to maintain the future development of its business. The Board of Directors monitors the return on the capital used and the level of dividends distributed to ordinary shareholders.

In managing capital, the Group aims to:

- To protect the entity's ability to continue as a going concern so that it can continue to provide returns to shareholders and interest to other stakeholders.
- Provide sufficient returns for shareholders

## 11 OBLIGATIONS AND COMMITMENTS

**Lawsuits:**
There is a legal case filed against the company by a third party, which requires from the company to pay an amount of SAR 24.5 million as fees for consulting services for the aluminum plant project. The case was filed against the company in the General Court in Riyadh, and the court decision was issued on 19 Shawwal 1434 H corresponding to 26 August 2013 rejecting the case. The decision was appealed on 13 Rabea I 1435H corresponding to 14 January 2014 and no final judgment was issued until the date of the condensed consolidated financial statements. The company's legal counsel believes that the result will be in favor of the company.

## 12 OTHER MATTERS

A- On March 20, 2019, the Group has signed a share purchase agreement (SPA) with Al Salam for Medical Services Company for the acquisition of 100% of Al Salam Medical Services Company shares against the issuance of shares to the owners of Al Salam Medical Services Company. This agreement is subject to the approval of the related authorities and the extraordinary general assembly meeting of Al Ahsa Development Company to increase the share capital and complete the procedures of financial and legal due diligence of the investee, the binding share purchase agreement was extended to August 28, 2019. As at June 30, 2019, there is no impact on the interim condensed consolidated financial statements.

B- On May 1, 2019, the Group has signed a share purchase agreement (SPA) with Rashed and Partners Development Company Limited for the acquisition of 16.32% of Al Ahsa Medical Services Company shares by SR 66.1 million. The increase in shares was treated as an equity transaction with the difference between the consideration paid and the carrying value of the shares adjusted against reserve for acquisition of additional shares in a subsidiary.

## 13 APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the board of directors on August 3, 2019 corresponding to 2 Dhul-Hijjah 1440H.