

**Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)**

The Condensed Consolidated Interim
Financial Statements and Review Report
For the Three-months and Nine-months Period Ended
30 September 2021



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

Al Hammadi Company for Development and Investment (A Saudi Joint Stock Company)

The Condensed Consolidated Interim Financial Statements and Review Report For the Three-months and Nine-months Period Ended 30 September 2021

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Shareholders

Al Hammadi Company for Development and Investment (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Al Hammadi Company for Development and Investment (the "Company ")** and its subsidiaries (the **"Group"**) as at 30 September 2021, and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-months and nine-months periods ended 30 September 2021, and the related condensed consolidated interim statements of changes in shareholders' equity and cash flows for the nine-month period then ended, and a 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" that is 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" that is 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 that are 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) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.



AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants



Abdullah M. AlAzem
License No. 335

6 Rabi Al-thani 1443H (November 11, 2021)
Riyadh, Kingdom of Saudi Arabia

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Condensed Consolidated Interim Statement of Profit or Loss
For the Three-months and Nine-months Periods Ended 30 September 2021

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2021	2020	2021	2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		SAR	SAR	SAR	SAR
Revenues		219,705,129	207,854,129	669,463,790	533,589,093
Cost of revenues		(124,723,807)	(130,266,545)	(396,494,584)	(349,243,887)
GROSS PROFIT		94,981,322	77,587,584	272,969,206	184,345,206
Selling and marketing expenses		(18,998,947)	(6,672,115)	(90,060,975)	(23,663,792)
Administrative and general expenses		(26,547,324)	(27,784,488)	(77,581,637)	(76,107,335)
Impairment losses on property and equipment		-	-	-	(4,994,185)
Other operating income		2,809,254	3,224,933	8,933,294	8,687,206
OPERATING PROFIT		52,244,305	46,355,914	114,259,888	88,267,100
Finance expenses		(4,067,185)	(5,218,802)	(11,707,835)	(17,970,516)
NET PROFIT BEFORE ZAKAT		48,177,120	41,137,112	102,552,053	70,296,584
Zakat expense		(7,850,000)	(4,850,000)	(14,350,000)	(14,350,000)
PROFIT FROM CONTINUING OPERATIONS		40,327,120	36,287,112	88,202,053	55,946,584
(Loss) profit from discontinued operations	(6)	(36,746,177)	278,828	(8,780,289)	44,666,679
NET PROFIT		3,580,943	36,565,940	79,421,764	100,613,263
Earnings per share:					
Basic and diluted profit for the period attributable to ordinary equity holders					
NET PROFIT	(7)	0.03	0.30	0.66	0.84
PROFIT FROM CONTINUING OPERATIONS		0.34	0.30	0.74	0.47
(Loss) profit from discontinued operations		(0.31)	0.00	(0.07)	0.37

The accompanying notes (1) to (18) form an integral part of these condensed consolidated interim financial statements.


Mohammed Said Al Saafeen
Finance Manager


Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

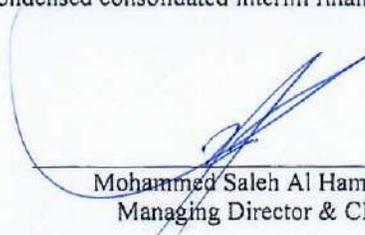
Condensed Consolidated Interim Statement of Comprehensive Income
For the Three-months and Nine-months Periods Ended 30 September 2021

	Three month period ended 30 September		Nine month period ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
	SAR	SAR	SAR	SAR
NET PROFIT FOR THE PERIOD	<u>3,580,943</u>	<u>36,565,940</u>	<u>79,421,764</u>	<u>100,613,263</u>
Items that will not be subsequently reclassified into profit or loss:				
Re-measurement income on defined benefit plans	<u>(213,843)</u>	<u>(1,702,125)</u>	<u>2,349,171</u>	<u>1,080,471</u>
Other comprehensive income for the period	<u>(213,843)</u>	<u>(1,702,125)</u>	<u>2,349,171</u>	<u>1,080,471</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>3,367,100</u>	<u>34,863,815</u>	<u>81,770,935</u>	<u>101,693,734</u>

The accompanying notes (1) to (18) form an integral part of these condensed consolidated interim financial statements.



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Finance Manager



Mohammed Saleh Al Hammadi
Managing Director & CEO

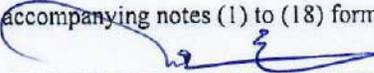
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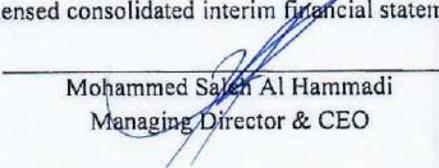
Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2021

	Notes	30 September 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
ASSETS			
Non-current assets			
Property and equipment	(8)	1,570,608,297	1,678,256,741
Intangible assets		38,493,150	39,785,461
		<u>1,609,101,447</u>	<u>1,718,042,202</u>
Current assets			
Inventories		48,069,294	61,844,950
Trade receivables		568,212,806	595,961,584
Prepayments		45,247,004	35,890,277
Other receivables		6,447,842	4,394,621
Contract assets		10,685,212	5,230,424
Cash and cash equivalents		174,481,770	13,649,955
		<u>853,143,928</u>	<u>716,971,811</u>
TOTAL ASSETS		<u>2,462,245,375</u>	<u>2,435,014,013</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	(9)	1,200,000,000	1,200,000,000
Statutory reserve		64,221,381	64,221,381
Retained earnings		456,211,160	434,440,225
TOTAL SHAREHOLDERS' EQUITY		<u>1,720,432,541</u>	<u>1,698,661,606</u>
LIABILITIES			
Non-current liabilities			
Loans	(10)	188,483,964	197,446,575
Employees' terminal benefits	(11)	64,766,038	63,684,084
Government grants	(12)	131,134,766	136,744,609
Lease liabilities		1,861,032	12,464,891
		<u>386,245,800</u>	<u>410,340,159</u>
Current liabilities			
Trade payables		50,442,956	53,053,218
Accrued expenses		26,489,181	26,841,031
Accrued zakat	(13)	14,361,101	19,883,931
Other payables	(14)	31,651,702	39,167,661
Loans	(10)	105,736,380	47,428,480
Government grants	(12)	7,513,243	7,613,597
Lease liabilities		11,809,295	5,446,332
Contract liabilities		107,563,176	126,577,998
		<u>355,567,034</u>	<u>326,012,248</u>
TOTAL LIABILITIES		<u>741,812,834</u>	<u>736,352,407</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>2,462,245,375</u>	<u>2,435,014,013</u>

The accompanying notes (1) to (18) form an integral part of these condensed consolidated interim financial statements.


Mohammed Said Al Saafeen
Finance Manager


Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

For the Nine Months Period ended 30 September 2021

	Notes	Share Capital		Statutory Reserve		Retained Earnings		Total Shareholders' Equity	
		SAR		SAR		SAR		SAR	
As at January 1, 2020 (Audited)		1,200,000,000		51,138,685		314,992,150		1,566,130,835	
Net profit for the period		-		-		100,613,263		100,613,263	
Other comprehensive income		-		-		1,080,471		1,080,471	
Total comprehensive income		-		-		101,693,734		101,693,734	
As at September 30, 2020 (Unaudited)		1,200,000,000		51,138,685		416,685,884		1,667,824,569	
As at January 1, 2021 (Audited)		1,200,000,000		64,221,381		434,440,225		1,698,661,606	
Net profit for the period		-		-		79,421,764		79,421,764	
Other comprehensive income		-		-		2,349,171		2,349,171	
Total comprehensive income		-		-		81,770,935		81,770,935	
Dividends	(14)	-		-		(60,000,000)		(60,000,000)	
As at September 30, 2021 (Unaudited)		1,200,000,000		64,221,381		456,211,160		1,720,432,541	

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Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Condensed Consolidated Interim Statement of Cash Flows
For the Nine Months Period Ended 30 September 2021

	Notes	30 September 2021 SAR (Unaudited)	30 September 2020 SAR (Unaudited)
OPERATING ACTIVITIES			
Net profit		79,421,764	100,613,263
Adjustments to reconcile net profit before zakat to net cash flow:			
Depreciation and amortization		83,601,178	76,714,669
Impairment losses on property and equipment		-	4,994,185
Loss on disposal of property and equipment			352,407
Current services cost of employees' terminal benefits	(11-b)	9,436,075	9,570,171
Finance expenses		11,816,290	19,987,581
Government grants release	(12)	(5,710,197)	(5,710,197)
(Loss) profit from discontinued operations	(6)	39,181,615	-
Provision for expected credit loss		86,568,823	19,036,058
Contract liability provided during the period		40,922,514	119,628,895
Zakat Expense		14,350,000	14,350,000
		359,588,062	359,537,032
Working capital adjustments:			
Trade receivables		(56,894,357)	(217,994,187)
Inventories		13,775,656	9,375,828
Net changes in related parties		(1,750,013)	(3,907,748)
Prepayments		(9,356,727)	2,390,316
Other receivables		(2,053,221)	(928,707)
Contract assets		(5,454,788)	(11,342,603)
Trade payables		(4,874,937)	(17,145,994)
Accrued expenses		(351,850)	(25,512,995)
Other payables		(7,569,897)	17,684,994
Contract liability		(59,937,336)	(23,065,108)
		225,120,592	89,090,828
Employees' terminal benefits paid	(11-c)	(7,497,019)	(7,420,354)
Finance charges paid		(1,346,120)	(8,783,530)
Zakat paid	(13)	(20,115,422)	(16,619,801)
NET CASH RESULTED FROM OPERATING ACTIVITIES		196,162,031	56,267,143
INVESTING ACTIVITIES			
Purchase of property and equipment	(8)	(8,103,146)	(11,525,328)
NET CASH USED IN INVESTING ACTIVITIES		(8,103,146)	(11,525,328)

The accompanying notes (1) to (18) form an integral part of these condensed consolidated interim financial statements.

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Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Condensed Consolidated Interim Statement of Cash Flows
For the Nine Months Period Ended 30 September 2021

	Notes	30 September 2021 SAR (Unaudited)	30 September 2020 SAR (Unaudited)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		50,843,600	73,173,205
Repayment of bank borrowings		(10,000,000)	(72,569,559)
Lease liabilities		(8,124,608)	(5,177,000)
Distributed dividends		(59,946,062)	-
NET CASH USED IN FINANCING ACTIVITIES		(27,227,070)	(4,573,354)
NET CHANGES IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		13,649,955	75,639,567
CASH AND CASH EQUIVALENTS END OF THE PERIOD		174,481,770	115,808,028
Supplementary information for non-cash transactions			
Right of used assets additions	(8)	5,738,892	3,032,919
Right of used assets disposals	(8)	584,110	-
Related party receivables		242,592	-
Transfer from lease liabilities to trade payables		2,331,588	540,010

The accompanying notes (1) to (18) form an integral part of these condensed consolidated interim financial statements.



Mohammed Said Al Saafeen
Finance Manager



Mohammed Saleh Al Hammadi
Managing Director & CEO

Al Hammadi Company for Development and Investment (A Saudi Joint Stock Company)

Notes to Condensed Consolidated Interim Financial Statements For the Nine Months Period Ended 30 September 2021

1. Corporate information

Al Hammadi Company for Development and Investment (the “Company”) is a Saudi joint stock company registered under Commercial Registration No. 1010196714 issued on Safar 23, 1425H (corresponding to April 13, 2004) in Riyadh. The Company’s shares are listed in Saudi Stock Exchange (Tadawul) since Ramadan 17, 1435H (corresponding to July 15, 2014).

The Company’s registered address is P.O. Box 55004, Riyadh 11534, Saudi Arabia.

The main activities of the Company and its subsidiaries (the “Group”) are wholesale and retail trading of medical equipment, pharmaceutical and cosmetic products, establishing, maintaining, managing and operating hospitals and medical centers, wholesale and retail trading of food and beverages, acquisition and rental of land for constructing buildings and investing them by means of selling or renting in favor of the Group, establishment or participation in different industrial projects, establishment of commercial centers, operating, and maintaining them in Saudi Arabia.

Details of subsidiary companies are as follows:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>	<u>Business Activity</u>	<u>Functional Currency</u>	<u>Ownership Interest</u>	
				<u>2021</u>	<u>2020</u>
Medical Support Services Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	100%	100%
Pharmaceutical Services Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	100%	100%
Al Hammadi Company for Hospitals Management, and Operations Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	100%	100%
Medical Industries Company Limited	Saudi Arabia	Industries Company	Saudi Riyals	100%	100%

These condensed consolidated interim financial statements include the accounts of the Group and following branches, which operate under separate commercial registrations:

<u>Branch Name</u>	<u>Commercial Registration No.</u>	<u>City</u>
Al Hammadi Hospital, Olaya	1010263026	Riyadh
Al Hammadi Hospital, Al-Suwaidi	1010934227	Riyadh
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh
Maintenance & Operations	1010374273	Riyadh
Arabian Hospitality	1010610529	Riyadh
Medical Support Services Training Center	1010500366	Riyadh
Medical Support Services Female Training Center	1010651084	Riyadh
Bio and Pharmaceutical Industries Complex	1126105966	Sudair

Al Hammadi Company for Development and Investment (A Saudi Joint Stock Company)

Notes to the Condensed Consolidated Interim Financial Statements (*continued*)
For the Nine Months Period Ended 30 September 2021

1. Corporate information – continued

Impact of COVID-19

In response to the spread of the Covid-19 virus in the world and the resulted disruptions to economic activities in the markets. The Group's management has proactively assessed the impact on its operations to ensure the continuity of providing its services. Notwithstanding these challenges, the operations currently remain largely unaffected as the healthcare sector has been classified as an essential service by the government and as a result no restrictions have been placed by the government of kingdom of Saudi Arabia on Group's operations or its supply chain. The Group's management continues to monitor the financial and operational effects of the spread of Covid-19 as well as the economic effects in general. The Group's measures have focused on managing the crisis in terms of operating efficiency and benefiting from various government initiatives that aimed to support the health sector in the Kingdom. In addition, the Group's management has taken measures to sustain the supply chain of medicines and medical as well as non-medical supplies, which had the effect of increasing its stocks to secure operational needs in anticipation of any unexpected disruptions and meeting the unusual increase in demand for medicines and medical supplies. Moreover the Group's management has focused on the availability of sufficient cash balances to finance operational requirements to ensure the continuation of its activities under such circumstances. Despite the difficulty to determine the extent and duration of impact from the Covid-19 epidemic spread, the Group's management believes that it will not have a material impact on the Group's ability to continue its activities. The management will continue to monitor the situation closely, and will reflect any required impacts or changes in the relevant financial reporting periods.

2. Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA) and should be read in conjunction with the Group's last annual financial statements as at and for the year ended 31 December 2020 (“last annual financial statements”). They do not include all of the information required for a complete set of IFRS financial statements, however; accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

2.2 Preparation of the financial statements

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the defined benefit obligation which measured at present value of future obligations using the Projected Unit Credit method.

These condensed consolidated interim financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group. Unless otherwise stated all figures are rounded to the nearest Riyal (Saudi Riyal).

2.3 Use of judgments and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

The key assumptions are continually evaluated and they are based on past experience and other factors, including expectations of future events that are relevant to the circumstances. The Group based its assumptions and estimates on parameters available when the condensed consolidated interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

For the Nine Months Period Ended 30 September 2021

3. Basis of consolidation

These condensed consolidated interim financial statements comprising the condensed consolidated interim statement of financial position, condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in shareholders' equity, condensed consolidated interim statement of cash flows and notes to the condensed consolidated interim financial statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill in condensed consolidated interim statement of financial position. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 and have been explained in Group annual consolidated financial statements, but they do not have a material effect on the Group's condensed consolidated interim financial statements.

5. Segment information

The Group's operations consist mainly of the medical services and pharmaceuticals products segment.

The following are selected financial information as at 31 March 2020 and 2019 by business segments:

- Medical Services segment: Fees for inpatient and outpatient services.
- Pharmaceuticals products segment.

30 September	Medical Services		Pharmaceuticals Products		Total	
	2021 SAR	2020 SAR	2021 SAR	2020 SAR	2021 SAR	2020 SAR
Revenue	507,832,031	392,656,209	161,631,759	140,932,884	669,463,790	533,589,093
Gross Profit	224,195,782	141,008,698	48,773,424	43,336,508	272,969,206	184,345,206
Net profit from continuing operations	61,317,190	37,564,321	26,884,863	18,382,263	88,202,053	55,946,584
(Loss) profit from discontinued operations	(11,049,580)	40,044,199	2,269,291	4,622,480	(8,780,289)	44,666,679
Depreciation & Amortization	80,178,374	74,772,014	3,422,804	1,942,655	83,601,178	76,714,669
Net profit	50,267,610	77,608,520	29,154,154	23,004,743	79,421,764	100,613,263

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Notes to the Condensed Consolidated Interim Financial Statements (*continued*)
For the Nine Months Period Ended 30 September 2021

5. Segment information- continued

	Medical Services		Pharmaceuticals Products		Total	
	30 September 2021 SAR	31 December 2020 SAR	30 September 2021 SAR	31 December 2020 SAR	30 September 2021 SAR	31 December 2020 SAR
Total Assets	2,236,070,632	2,228,311,145	226,174,743	206,702,868	2,462,245,375	2,435,014,013
Total Liabilities	658,527,725	705,006,349	83,285,109	31,346,058	741,812,834	736,352,407

6. (Loss) profit from discontinued operations

The Board of Directors of Al Hammadi Company for Development and Investment approved in the meeting held on September 16, 2021 to stop the operational activities of Al Hammadi Olaya Branch and to establish a new hospital to replace it at an estimated cost of 450 million Saudi Riyals to be financed from bank loans and the company's own cash flows. The new planned hospital has a capacity of 300 beds and 120 medical clinics specializing in general medical services, oncology, treatment of stadium sports injuries, and sports and functional medical rehabilitation. The trial operation of the new hospital is expected to start in the first quarter of 2026. The reception of patients at Al-Hammadi Olaya Branch Hospital has been suspended by the end of September 2021.

Previously, the operations of Al Hammadi Hospital, Al Olaya Branch, were not classified as discontinued operations. Comparative figures have been restated in the interim condensed consolidated financial statements of profit or loss and comprehensive income to show discontinued operations separately from continuing operations.

A) Results of discontinued operations:

	30 September 2021 (Unaudited) SAR	30 September 2020 (Unaudited) SAR
Revenues	131,557,664	166,364,046
Cost & expenses	(101,615,413)	(121,987,289)
Loss on disposal of property and equipment	(39,181,615)	-
Other operating income	459,075	289,922
(Loss) profit from discontinued operations	(8,780,289)	44,666,679

The (loss) profit from discontinued operations from Al-Hammadi Olaya Branch Hospital at the end of the current period amounted to 8.8 million Saudi Riyals (2020: 44.7 million Saudi Riyals), and the profit from continuing operations of 88.2 million Saudi Riyals (2020: 55.9 million Saudi Riyals) are attributable to the owners of the company and there are no minority rights.

The company's management do not expect any material negative impact on the group's future profits as a result of the temporary suspension of the activity of Al-Hammadi Hospital Olaya Branch.

B) Cash flows used in discontinued operation

The cash flows used in operating activities represent losses on disposal of discontinued operations (property and equipment) amounting to SAR 39,181,615 for the period ended September 30, 2021.

Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Notes to the Condensed Consolidated Interim Financial Statements (*continued*)
For the Nine Months Period Ended 30 September 2021

C) Effect of disposal on the financial position of the Group

	30 September 2021 (Unaudited) SAR
Property and Equipment's	(39,181,615)
Net cash flows used	(39,181,615)

The net book value of the property and equipment transferred from Al-Hammadi Olaya Branch to Al-Hammadi Al Nuzha Branch and Al Suwaidi Branch, which will continue to be used within the activities of continuing operations amounted to 11.2 million Saudi Riyals.

The net book value of the doctors' housing buildings built on the lands of Al Hammadi Olaya Branch, which will continue to be used within the activities of continuing operations, amounted to 6.4 million Saudi Riyals.

7. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the profit and share data used in the basic and diluted EPS computations:

	30 September 2021 (Unaudited) SAR	30 September 2020 (Audited) SAR
Net profit from continuing operations for the period	88,202,053	55,946,584
(Loss) profit from discontinued operations	(8,780,289)	44,666,679
Net profit for the period	79,421,764	100,613,263
Weighted average number of ordinary shares	120,000,000	120,000,000
Basic and diluted earnings per share		
Net profit from continuing operations for the period	0.74	0.47
(Loss) profit from discontinued operations	(0.07)	0.37
Net profit for the period	0.66	0.84

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8. Property and equipment

	Land	Buildings	Equipment and tools	Furniture, fixtures and office equipment	Vehicles	Construction in progress	Right of use of assets	Total
<u>Cost</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
At 1 January 2020	287,931,841	1,319,750,183	571,648,135	132,874,897	8,051,482	7,446,460	32,189,513	2,359,892,511
Additions	-	-	8,375,745	7,141,748	237,543	2,885,417	6,493,073	25,133,526
Transfer from projects under construction	-	2,841,817	598,530	1,797,345	-	(5,237,692)	-	-
Disposals	-	-	(34,650,672)	(265,941)	(548,408)	(4,994,185)	-	(40,459,206)
At 31 December 2020	287,931,841	1,322,592,000	545,971,738	141,548,049	7,740,617	100,000	38,682,586	2,344,566,831
Additions	-	552,532	5,392,923	1,693,691	441,500	22,500	5,738,892	13,842,038
Disposals	-	(181,505,705)	(65,914,762)	(52,579,285)	-	-	(584,110)	(300,583,862)
At 30 September 2021	287,931,841	1,141,638,827	485,449,899	90,662,455	8,182,117	122,500	43,837,368	2,057,825,007
<u>Accumulated Depreciation</u>								
At 1 January 2020	-	265,962,430	237,348,578	79,318,210	6,352,208	-	8,735,208	597,716,634
Charge for the year	-	39,791,783	41,769,194	11,820,738	699,972	-	9,624,381	103,706,068
Disposals	-	-	(34,345,424)	(218,782)	(548,406)	-	-	(35,112,612)
At 31 December 2020	-	305,754,213	244,772,348	90,920,166	6,503,774	-	18,359,589	666,310,090
Charge for the period	-	30,016,304	31,883,476	9,942,533	594,164	-	9,872,390	82,308,867
Disposals	-	(152,203,045)	(60,345,038)	(48,270,054)	-	-	(584,110)	(261,402,247)
At 30 September 2021	-	183,567,472	216,310,786	52,592,645	7,097,938	-	27,647,869	487,216,710
<u>Net book value</u>								
At 30 September 2021	287,931,841	958,071,355	269,139,113	38,069,810	1,084,179	122,500	16,189,499	1,570,608,297
At 31 December 2020	287,931,841	1,016,837,787	301,199,390	50,627,883	1,236,843	100,000	20,322,997	1,678,256,741

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9. Share capital

Share capital of the Company is 1,200 million SR consists of 120 million fully paid ordinary shares with a par value of SR 10 per share (31 December 2020: SR 1,200 million).

10. Loans

	30 September 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
Current portion		
Loans from Ministry of Finance	54,767,720	37,428,480
Loans from commercial banks	50,968,660	10,000,000
Total Current portion	105,736,380	47,428,480
Non-Current portion		
Loans from Ministry of Finance	188,483,964	197,446,575
Total Non-current portion	188,483,964	197,446,575
Total	294,220,344	244,875,055

10.1 Loans from ministry of finance

- a) On 11 September 2013, The Group obtained a loan from the Ministry of Finance to fund part of the construction of the new hospital in Al-Suwaidi area and the purchase of the indispensable medical and non-medical equipment. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. The value of the loan is 149.1 million Saudi Riyals. The Group has utilized it in full as at 31 December 2017. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date. The group started paying installments from 2018.
- b) On 26 January 2015, the Group signed another financing agreement with the Ministry of Finance to fund the building of the housing compound related to Al-Suwaidi Hospital project. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. The value of the loan is 27.5 million Saudi Riyals of which the Group has utilized it in full as at 31 December 2017. This loan is in Saudi Riyals without any financing Commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date. The group started paying installments from 2019.
- c) On 20 July 2015, the Group signed a third financing agreement with the Ministry of Finance to fund part of the construction and furnishing costs of the hospital in Al-Nuzha area. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. This loan amounted 197.6 million Saudi Riyals and the Group has utilized it in full as at 31 December 2018. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date. The first installment was due in the second quarter of 2020.
 - The installments of the Ministry of Finance's loans due during the year 2020 amounting to 17.3 million Saudi riyals have been postponed for the following year, as part of the Ministry of Finance's initiative to mitigate the economic effects of the COVID-19 pandemic on the private sector. On the other hand, all accrued installments for the Ministry of Finance's related to years 2020 and 2021, amounting to 37,4 million Saudi riyals, has paid at the beginning of October 2021.

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11. Employees' termination Benefits

The following tables summarize the components of end of service benefits recognized in the condensed consolidated interim statement of profit or loss and amounts recognized in the condensed consolidated interim statement of comprehensive income and condensed consolidated interim statement of financial position:

a) Amount recognized in the condensed consolidated interim statement of financial position:

	30 September 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
Present value of defined benefit obligation	<u>64,766,038</u>	<u>63,684,084</u>

b) Benefit expense (recognized in condensed consolidated interim statement of profit or loss):

	30 September 2021 (Unaudited) SAR	30 September 2020 (Unaudited) SAR
Current service cost	<u>9,436,075</u>	9,570,171
Special commission cost	<u>1,492,069</u>	1,399,460
	<u>10,928,144</u>	<u>10,969,631</u>

c) Movement in the present value of defined benefit obligation:

	30 September 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
Present value of defined benefit obligation at beginning of the period	<u>63,684,084</u>	59,871,135
Current service cost	9,436,075	12,824,834
Special commission cost	1,492,069	1,882,593
Actuarial gain on defined benefit plan recognized in the consolidated statement of comprehensive income	(2,349,171)	(1,703,815)
Benefits paid during the period \ year	<u>(7,497,019)</u>	(9,190,663)
Present value of defined benefit obligation at end of the period \ year	<u>64,766,038</u>	<u>63,684,084</u>

d) Principal actuarial assumptions:

	2021	2020
Discount rate	<u>3,1 %</u>	3,1 %
Salary increase rate	3 %	3 %
Retirement age	60 years	60 years

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12. Government grants

	30 September 2021	31 December 2020
	(Unaudited)	(Audited)
	SAR	SAR
At 1 January	144,358,206	151,971,803
Government grants released	(5,710,197)	(7,613,597)
At the end of period \ year	138,648,009	144,358,206
Current	7,513,243	7,613,597
Non-current	131,134,766	136,744,609
Total	138,648,009	144,358,206

13. Accrued Zakat

	30 September 2021	31 December 2020
	(Unaudited)	(Audited)
	SAR	SAR
Balance as at January 1	19,883,931	16,619,782
Previous years adjustments	915,228	4,979,508
Provision for the period/year	13,677,364	14,904,442
Payments during the period/ year	(20,115,422)	(16,619,801)
Balance as at end of the period \ year	14,361,101	19,883,931

13.1 Status of zakat assessments

- The company submitted all zakat and tax returns until 2020, and paid the due zakat from the returns submitted to the Zakat, Tax and Customs Authority (ZATCA) and obtained a final certificate valid until 29 Ramadan 1443 H corresponding to April 30, 2022.
- During the year ending on December 31, 2020; the company has received letters of zakat assessment for the years from 2014 to 2018 from Zakat, Tax and Customs Authority, stating that the company is required to pay zakat amounts of 5,728,990 Saudi riyals. The company submitted its objection to these assessments within the statutory period. In the subsequent period, the company reached a final settlement with (ZATCA) regarding the claims for the fiscal years 2014 to 2018, in return for the payment of 501,098 Saudi riyals.
- On Muharram 21, 1443 H corresponding to August 29, 2021, the company received letters of zakat assessment for the years 2019 and 2020 from the (ZATCA), stating that the company is required to pay zakat amounts of 3,701,681 Saudi riyals. Based on the opinion of the zakat advisor, the company's management decided to pay these amounts.

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13. Accrued Zakat- continued

13.1 Status of zakat assessments- continued

- The Pharmaceutical Services Company- Limited (a wholly owned subsidiary) has received on October of the current year letters of zakat assessment for the years from 2016 to 2018 from Zakat, Tax and Customs Authority (ZATCA), requiring the Company to pay zakat sum of 711,787 Saudi Riyals. The company is coordinating with the consultant Zakat to prepare a letter of objection to be submitted to ZATCA within the statutory period for the objection.
- As of January 1, 2019, consolidated financial statements are prepared for the group and its subsidiaries, which are submitted to (ZATCA) as a single zakat group. The Group is going through the necessary procedures to add the Medical Industries Company Limited, which was established during 2020, to the zakat group during 2021. The consolidated Zakat return for the years 2019 & 2020 was submitted.

14. Other payables

	30 September 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
Dividends payables*	<u>53,938</u>	-
Other payables	<u>31,597,764</u>	39,167,661
	<u>31,651,702</u>	<u>39,167,661</u>

*The Board of directors of Al Hammadi Company for Development and Investment resolved in its meeting held on 12 Sha'aban 1442H) corresponding to March 25, 2021, to distribute cash dividends of SR 60 million to the shareholders of the Company for the fiscal year 2020 at a rate of SR 0.50 (50 hala) per share. Which have been approved at the general assembly Meeting on May 19, 2021.

15. Significant events

Based on the decision of the Board of Directors of Al Hammadi Company for Development and Investment on September 16, 2021. The operational activities of Al-Hammadi Olaya Branch were stopped and a decision was made to establish a hospital to replace it, as the reception of patients at Al-Hammadi Olaya Branch was stopped at the end of September 2021, and the results of Al Hammadi Olaya Branch were presented within the discontinued operations in the condensed consolidated interim statement of profit or loss (Note 6).

16. Subsequent events

- The company announced on the Saudi Tadawul website on November 9, 2021 the completion of the purchase of the entire share of the Gulf Investment Corporation, which represents 35% of Sudair Pharmaceutical Company, for a sum of SAR 118,125,000.
- The Board of Directors of Al-Hammadi Company for Development and Investment recommended, in its meeting held on 6 Rabi' Al-Thani 1443H corresponding to November 11, 2021, to submit to the General Assembly to vote on authorizing the Board of Directors to distribute interim dividends on a semi-annual or quarterly basis for the fiscal year 2022.
- The Board of Directors of Al-Hammadi Company for Development and Investment recommended, in its meeting held on 6 Rabi' Al-Thani 1443H corresponding to November 11, 2021, the distribution of cash dividends of 72 million Saudi Riyals to the company's shareholders for the fiscal year 2021 at a rate of 0.60 Saudi Riyals (60 Halalas) per share.

17. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation in the current period.

18. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements have been approved by the board of directors on 6 Rabi Al-thani 1443H (Corresponding to November 11, 2021).