

**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 period ended 31 March 2018**



Crowe Horwath™

Al Azem & Al Sudairy
CPA's & Consultants
Member Crowe Horwath International

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

Condensed Consolidated Interim Financial Statements And Review Report
For the Three Months Period Ended 31 March 2018

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**INDEPENDENT AUDITOR'S 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 31 March 2018, and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory note. 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
Certified Public Accountants

Salman B. AlSudairy
License No. 283

15 Shaban 1439H (May 1, 2018)
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 period ended 31 March 2018



	Notes	31 March 2018 (Unaudited) SAR	31 March 2017 (Unaudited) SAR
Services revenue, net		140,852,793	150,738,062
Sale of goods – Pharmaceutical products		59,821,290	29,487,338
TOTAL REVENUES		200,674,083	180,225,400
Cost of Revenue		(133,832,765)	(118,205,041)
GROSS PROFIT		66,841,318	62,020,359
Administrative expenses		(28,555,384)	(28,413,813)
Other operating income		1,671,004	1,048,831
OPERATING PROFIT		39,956,938	34,655,377
Finance charges		(5,177,133)	(3,686,629)
PROFIT BEFORE ZAKAT		34,779,805	30,968,748
Zakat expense		(3,900,000)	(3,000,000)
PROFIT FOR THE PERIOD		30,879,805	27,968,748
Earnings per share:			
Basic and diluted profit for the period attributable to ordinary equity holders	6	0.26	0.23

The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements

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

Condensed Consolidated Interim Statement of Comprehensive Income
For the three months period ended 31 March 2018

	Notes	31 March 2018 (Unaudited) SAR	31 March 2017 (Unaudited) SAR
PROFIT FOR THE PERIOD		<u>30,879,805</u>	<u>27,968,748</u>
<i>Other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement (loss) / income on defined benefit plans	8	<u>(64,266)</u>	<u>1,806,470</u>
Total other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods		<u>(64,266)</u>	<u>1,806,470</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>30,815,539</u></u>	<u><u>29,775,218</u></u>



The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements

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

Condensed Consolidated Interim Statement of Financial Position
As at 31 March 2018

	Notes	31 March 2018 SAR (Unaudited)	31 December 2017 SAR (Audited)
ASSETS			
Non-current assets			
Property and equipment		1,839,733,405	1,797,745,740
Goodwill	13	31,450,120	-
		<u>1,871,183,525</u>	<u>1,797,745,740</u>
Current assets			
Inventories		36,193,226	29,721,689
Trade receivables		374,002,639	252,436,303
Prepayments and other assets		37,400,804	44,758,892
Contract assets		5,537,885	-
Amounts due from related parties		453,496	389,280
Cash and cash equivalents		48,239,475	178,275,301
		<u>501,827,525</u>	<u>505,581,465</u>
TOTAL ASSETS		<u>2,373,011,050</u>	<u>2,303,327,205</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	1,200,000,000	1,200,000,000
Statutory reserve		35,945,261	32,857,281
Retained earnings		180,428,920	154,235,430
TOTAL EQUITY		<u>1,416,374,181</u>	<u>1,387,092,711</u>
LIABILITIES			
Non-current liabilities			
Long-term loans	10	481,284,828	477,306,380
Employees' termination benefits	8	53,239,776	50,100,456
Government grants	9	174,499,341	168,769,038
		<u>709,023,945</u>	<u>696,175,874</u>
Current liabilities			
Trade payables		39,391,002	34,223,366
Accrued expenses and other liabilities		101,420,289	39,516,872
Amounts due to related parties		204,392	262,829
Short-term revolving loan	10	35,000,000	-
Long-term loans	10	47,457,250	40,000,000
Government grants	9	3,952,401	3,952,401
Dividends payable		762,481	90,000,000
Zakat payable		16,003,152	12,103,152
Contract liability		3,421,957	-
		<u>247,612,924</u>	<u>220,058,620</u>
TOTAL LIABILITIES		<u>956,636,869</u>	<u>916,234,494</u>
TOTAL EQUITY AND LIABILITIES		<u>2,373,011,050</u>	<u>2,303,327,205</u>

The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements

Al Hammadi Company for Development and Investment
(ASaudi Joint Stock Company)

Condensed Consolidated Interim Statement of Changes in Equity
For the three months period ended 31 March 2018

	Share Capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Total equity SAR
As at January 1, 2017 (Audited)	1,200,000,000	22,060,800	147,586,827	1,369,647,627
Profit for the period	-	-	27,968,748	27,968,748
Other comprehensive income	-	-	1,806,470	1,806,470
Total comprehensive income	-	-	29,775,218	29,775,218
Transfer to statutory reserve	-	2,796,875	(2,796,875)	-
As at March 31, 2017 (Unaudited)	1,200,000,000	24,857,675	174,565,170	1,399,422,845
As at January 1, 2018 (Audited)	1,200,000,000	32,857,281	154,235,430	1,387,092,711
Impact of adopted IFRS 9	-	-	(1,534,069)	(1,534,069)
Profit for the period	-	-	30,879,805	30,879,805
Other comprehensive loss	-	-	(64,266)	(64,266)
Total comprehensive income	-	-	30,815,539	30,815,539
Transfer to statutory reserve	-	3,087,980	(3,087,980)	-
As at March 31, 2018 (Unaudited)	1,200,000,000	35,945,261	180,428,920	1,416,374,181

The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements

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

Condensed Consolidated Interim Statement of Cash Flows
For the three months period ended 31 March 2018

	Notes	31 March 2018 SAR (Unaudited)	31 March 2017 SAR (Unaudited)
OPERATING ACTIVITIES			
Profit before Zakat		34,779,805	30,968,748
Adjustments to reconcile profit before Zakat to net cash flow:			
Depreciation of property and equipment		18,110,351	12,921,010
Provision for doubtful debts		596,816	7,434,558
Contract liability		3,421,957	-
Finance charges		5,177,133	3,686,629
Government grants release	9	(1,597,703)	(862,226)
Employees' termination benefits	8	4,156,032	3,048,635
		64,644,391	57,197,354
Working capital adjustments:			
Trade receivables		(90,403,996)	(59,369,895)
Contract assets		(5,537,885)	-
Inventories		(5,439,543)	6,780,960
Net changes in related parties		(5,662,653)	82,721
Prepayments and other assets		7,713,124	1,389,911
Trade payables		(15,055,239)	6,270,363
Accrued expenses and other liabilities		61,903,417	15,119,046
		12,161,616	27,470,460
Employees' termination benefits paid		(1,892,930)	(868,883)
Finance charges paid		(1,938,398)	(2,066,914)
NET CASH FROM OPERATING ACTIVITIES		8,330,288	24,534,663
INVESTING ACTIVITIES			
Purchase of property and equipment		(60,094,107)	(62,444,850)
Cash receipt at acquisition date		8,440,543	-
Investment in subsidiaries	13	(48,000,000)	-
NET CASH USED IN INVESTING ACTIVITIES		(99,653,564)	(62,444,850)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		43,196,963	78,093,255
Received government grants	9	7,328,006	-
Dividends paid		(89,237,519)	-
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(38,712,550)	78,093,255
Net changes in cash and cash equivalents		(130,035,826)	40,183,068
Cash and cash equivalent at the beginning of the period		178,275,301	12,606,666
CASH AND CASH EQUIVALENTS AT 31 MARCH		48,239,475	52,789,734
Supplementary information for non-cash transactions			
Impact of adopted IFRS 9		1,534,069	-

The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements

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

Notes to Condensed Consolidated Interim Financial Statements

For the three months period ended 31 March 2018

1. Corporate information

Al Hammadi Development and Investment Company (the "Company") was established as a limited liability Company under Commercial Registration No. 1010196714 issue on Safar 23, 1425H (corresponding to April 13, 2004) in Riyadh. On Ramadan 16, 1429H (corresponding to September 16, 2008), the Ministry of Commerce and Investment issued the resolution No. Q/316 to approve the Company's conversion to a closed joint stock Company. On Rajab 20, 1435H (corresponding to May 19, 2014) the Company obtained approval from the Capital Market Authority ("CMA") to issue 22.5 million shares in an initial public offering and the Company's shares were listed in Saudi Stock Exchange (Tadawul) on Ramadan 17, 1435H (corresponding to July 15, 2014).

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

The Company and its subsidiaries (the "Group") were established to engage in the activities of wholesale and retail trading of medical equipment, establishing, maintaining, managing and operating hospitals and medical centers, wholesale and retails trading of food and beverages, purchasing and rentals of lands for constructing buildings and investing them by means of selling or renting in favor of the Group, initiating or sharing in different industrial projects, initiating commercial centers, operating, and maintaining them, construction and building work and maintaining the same in Saudi Arabia.

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest 2018	Ownership Interest 2017
Medical Support Services Company	Saudi Arabia	Trading Company	Saudi Riyals	100%	-
PHARMA SERV CO.	Saudi Arabia	Trading Company	Saudi Riyals	100%	-

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

Branch Name	Commercial Registration No.	City	Status
Al Hammadi Hospital, Olaya	1010263026	Riyadh	Active
Al Hammadi Hospital, Al-Suwaidi	1010374269	Riyadh	Active
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh	Active
Al Hammadi for Maintenance & Operations	1010374273	Riyadh	No activity

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 of Certified Public 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 2017 ("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. This is the first set of condensed consolidated interim financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note (4).

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the three months period ended 31 March 2018

2. Basis of Preparation - *continued*

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 is recognised at the present value of future obligations using the Projected Unit Credit Method.

These condensed consolidated interim financial statements are presented in Saudi Riyal ("SAR"), which is the Group's functional and presentation currency. All amounts have been rounded to the nearest 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 financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note (4).

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 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). The Company and its subsidiaries are collectively referred to as the "Group". 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 unrealised 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. Summary of 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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the three months period ended 31 March 2018

4. Summary of Significant Accounting Policies - *continued*

4.1 New standards, interpretations, and amendments adopted by the Group

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from contracts with Customers

The Group has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18. The details of accounting policies under IAS 18 are disclosed separately if they are different from those under IFRS 15 and impact of changes is disclosed in Note (4.4).

IFRS 9 Financial Instruments

The Group has elected to apply the exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement, and accordingly has not restated comparative periods in the year of initial application. Accordingly, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings. Therefore, financial assets are not reclassified in the statement of financial position for the comparative period and provisions for impairment of accounts receivable have not been restated in the comparative period.

The details of accounting policies under IAS 39 are disclosed separately if they are different from those under IFRS 9 and impact of changes is disclosed in Note (4.4).

4.2 Significant accounting policy

Revenue accounting policy

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Group accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Group identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- the customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- the good or service is separately identifiable from the other goods or services in the contract.

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*
For the three months period ended 31 March 2018

4. Summary of Significant Accounting Policies - *continued*

4.2 Significant accounting policy – *continued*

Revenue accounting policy - *continued*

Step 3: The Group determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Group transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

In comparative period, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Significant accounting judgements and estimates

The following is a description, accounting policies and significant judgements of the principal activities from which the Group generates revenue.

(a) Rendering of clinical services

Revenue from services primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology and laboratory. These services are sold either separately or bundled together with the sale of pharmaceutical products to a customer.

Under IFRS 15, the Group assessed that there is only one performance obligations in a contract for bundled clinical services, because its promises to transfer services that are not capable of being distinct.

Under IFRS 15, the Group concluded that revenue from bundled services will be recognized over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy.

(b) Sale of goods

Revenue is recognized when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

In these contracts, the Group is primarily responsible for fulfilling the promise to provide the specified pharmaceutical and other products. The Group bears inventory risk before the pharmaceutical and other products has been transferred to the customer. In addition, the Group has discretion in establishing the price for the pharmaceutical products. The Group bears credit risk on these transactions as it is obliged to pay the supplier even if the customer defaults on a payment.

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*
For the three months period ended 31 March 2018

4. **Summary of Significant Accounting Policies - *continued***

4.2 **Significant accounting policy – *continued***

(c) **Volume discounts**

Revenue is often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

(d) **Financing component**

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Financial instruments accounting policy

The Group recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial assets

IFRS 9 introduces new classification and measurement requirements for financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

(a) **Financial assets classified as amortized cost**

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*
For the three months period ended 31 March 2018

4. Summary of Significant Accounting Policies - *continued*

4.2 Significant accounting policy - *continued*

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the income statement.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

(b) Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in statement of income and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss.

(c) Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Group designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through income statement. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instrument as FVPL since the date of initial application of IFRS 9 (i.e. 1 January 2018).

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*
For the three months period ended 31 March 2018

4. Summary of Significant Accounting Policies - *continued*

4.2 Significant accounting policy – *continued*

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in income statement.

Commission income on debt instruments as at FVPL is included in the income statement.

Dividend income on investments in equity instruments at FVPL is recognized in statement of income when the Group's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers.

(d) Investment in equity instruments designated as FVOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to income statement and no impairment is recognized in income statement. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to income statement on disposal of the investments.

Dividends on these investments are recognized in statement of income when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the three months period ended 31 March 2018

4. **Summary of Significant Accounting Policies - *continued***

4.2 **Significant accounting policy – *continued***

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Group recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Group neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in income statement. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to income statement.

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Notes to Condensed Consolidated Interim Financial Statements - *continued*
For the three months period ended 31 March 2018

4. Summary of Significant Accounting Policies - *continued*

4.2 Significant accounting policy - *continued*

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in income statement. Amount presented in liability credit reserve are not subsequently transferred to income statement. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings. Since the date of initial application of IFRS 9 (i.e. 1 January 2018), the Group has also not designated any financial liability as at FVPL.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

4.3 Revenue from contracts with customers

	31 March 2018	31 March 2017
Medical services	93,252,070	85,352,958
Pharmaceutical products	59,821,290	29,487,338
In patient room charges	38,260,258	37,899,915
Clinical laboratory	37,545,484	32,105,224
Radiology	20,264,904	19,205,835
Physical therapy	2,650,538	2,140,186
Unbilled revenues	5,197,797	1,947,729
Discounts	<u>(56,318,258)</u>	<u>(27,913,785)</u>
Total revenue from contracts with customers	<u>200,674,083</u>	<u>180,225,400</u>
Timing of Revenue recognition:		
Products transferred at a point in time	107,056,755	80,332,130
Products and services transferred over time	<u>93,617,328</u>	<u>99,893,270</u>
Total revenue from contracts with customers	<u>200,674,083</u>	<u>180,225,400</u>

4.4 Impact on the condensed consolidated interim financial statements

The Group adopted IFRS 15 and IFRS 9 using the modified retrospective method. The Group recognized the cumulative effect of initially applying the new revenue and financial instrument standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The following tables summarizes impacts of adopting IFRS 15 and IFRS 9 on the Group's condensed consolidated interim financial statements:

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Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the three months period ended 31 March 2018

4. Summary of Significant Accounting Policies - *continued*

4.4 Impact on the condensed consolidated interim financial statements - *continued*

Condensed consolidated interim statement of financial position as at 31 March 2018

	As reported	Adjustments	Balances without adoption of IFRS 15 and IFRS 9
Assets:			
Current assets:			
Inventories	36,193,226	-	36,193,226
Trade receivable	374,002,639	2,062,439	376,065,078
Prepayments and other assets	37,400,804	-	37,400,804
Contract Assets	5,537,885	-	5,537,885
Amounts due from related parties	453,496	-	453,496
Cash and cash equivalents	48,239,475	-	48,239,475
	<u>501,827,525</u>	<u>2,062,439</u>	<u>503,889,964</u>
Non-current assets			
Property and equipment	1,839,733,405	-	1,839,733,405
Goodwill	31,450,120	-	31,450,120
	<u>1,871,183,525</u>	<u>-</u>	<u>1,871,183,525</u>
Total assets	<u>2,373,011,050</u>	<u>2,062,439</u>	<u>2,375,073,489</u>
Liabilities and Equity			
Current liabilities:			
Trade payables	39,391,002	-	39,391,002
Accrued expenses and other liabilities	101,420,289	-	101,420,289
Amounts due to related parties	204,392	-	204,392
Short-term revolving loan	35,000,000	-	35,000,000
Long term loans	47,457,250	-	47,457,250
Government grants	3,952,401	-	3,952,401
Dividends payable	762,481	-	762,481
Zakat payable	16,003,152	-	16,003,152
Contract liability	3,421,957	(3,421,957)	-
	<u>247,612,924</u>	<u>(3,421,957)</u>	<u>244,190,967</u>
Non-current liabilities:			
Long-term loans	481,284,828	-	481,284,828
Employees' termination benefits	53,239,776	-	53,239,776
Government grants	174,499,341	-	174,499,341
	<u>709,023,945</u>	<u>-</u>	<u>709,023,945</u>
Total liabilities	<u>956,636,869</u>	<u>(3,421,957)</u>	<u>953,214,912</u>
Equity:			
Share capital	1,200,000,000	-	1,200,000,000
Statutory reserve	35,945,261	-	35,945,261
Retained earnings	180,428,920	5,484,396	185,913,316
Total Equity	<u>1,416,374,181</u>	<u>5,484,396</u>	<u>1,421,858,577</u>
Total liabilities and equity	<u>2,373,011,050</u>	<u>2,062,439</u>	<u>2,375,073,489</u>

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Notes to Condensed Consolidated Interim Financial Statements - *continued*
For the three months period ended 31 March 2018

4. Summary of Significant Accounting Policies - *continued*

4.4 Impact on the condensed consolidated interim financial statements - *continued*

Condensed consolidated interim statement of Profit or loss for the period ended 31 March 2018

	As reported	Adjustments	Balances without adoption of IFRS 15 and IFRS 9
Revenue from contracts with customers	200,674,083	15,654,982	216,329,065
Rental income	3,900	-	3,900
Revenue	200,677,983	-	216,332,965
Cost of operating	(133,832,765)	-	(133,832,765)
Gross profit	66,845,218	-	82,500,200
Administrative expenses	(28,555,384)	(11,704,655)	(40,260,039)
Other operating income	1,667,104	-	1,667,104
Operating profit	39,956,938	-	43,907,265
Finance charges	(5,177,133)	-	(5,177,133)
Profit before zakat	34,779,805	-	38,730,132
Zakat	(3,900,000)	-	(3,900,000)
Profit for the period	30,879,805	3,950,327	34,830,132

4.5 Changes in accounting policy

a) IFRS 9 financial instruments

Reclassification from loans and receivables to financial assets at amortized cost

Financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Measurement of financial instruments

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the three months period ended 31 March 2018

4. Summary of Significant Accounting Policies - *continued*

4.5 Changes in accounting policy - *continued*

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of IFRS 9 resulted increase in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to Retained earnings.

The impact of the change in impairment methodology on the group's equity is SAR 1,534,069. The impact on condensed consolidated interim statement of profit or loss for the three months ended 31 March 2018, resulting in increases in Administrative expenses amounting to SAR 528,370 respectively.

b) IFRS 15 Revenue from contracts with customers

Under IAS 18, the Group recognized revenue from providing services in the reporting period in which the services are rendered and revenue from sale of goods when a customer obtains controls of the goods at a point in time i.e. on delivery, which is in line with the requirements of IFRS 15. As a result, there is no material impact of adopting 'IFRS 15 Revenue from Contracts with Customers'.

Under IFRS 15, any earned consideration that is conditional should be recognized as a contract asset rather than receivable. Therefore, upon adoption of IFRS 15, the Group made reclassifications from receivable to Contract assets amounting to 5,537,885 as at 31 March 2018.

The Group provides retrospective volume rebates to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. The customer on subsequent purchases offsets rebates against amounts payable. Prior to adoption of IFRS 15, the Group recognize volume discount on an actual basis.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration.

The above change in accounting policy has resulted in SAR 3,421,957 amount of adjustment in the current period net profit and has resulted in recognition of amount 3,421,957 as contract liabilities.

Under IAS 18, the provision for rejection was recognized under Administrative expenses, instead of netting off against Revenue. The impact of this change is that revenue is decreased with the amount of provision for rejection.

5. Segment Information

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

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6. **Earnings per share**

Basic earnings per share (EPS) is calculated by dividing the profit for the period attributable to ordinary equity holders 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 income and share data used in the basic and diluted EPS computations:

	31 March 2018	31 March 2017
Profit for the period	<u>30,879,805</u>	<u>27,968,748</u>
Weighted average number of ordinary shares	<u>120,000,000</u>	<u>120,000,000</u>
Basic and diluted earnings per share	<u>0.26</u>	<u>0.23</u>

7. **Share capital**

Share capital of the Company is 1,200,000,000 SR consists of 120,000,000 fully paid ordinary shares with a par value of SR 10 (31 December 2017: SR 1,200,000,000).

8. **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 condensed consolidated interim statement of financial position:*

	31 March 2018 SAR	31 December 2017 SAR
Present value of defined benefit obligation	<u>53,239,776</u>	<u>50,100,456</u>

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

	31 March 2018 SAR	31 March 2017 SAR
Current service cost	4,156,032	3,048,635
Special commission cost	<u>532,317</u>	<u>431,229</u>
Benefit expense	<u>4,688,349</u>	<u>3,479,864</u>

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8. Employees' Termination Benefits - *continued*

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

	31 March 2018	31 December 2017
	SAR	SAR
Present value of defined benefit obligation at beginning of the period / year	50,100,456	40,586,187
Charge recognized in condensed consolidated statement of profit or loss:		
Current service cost	4,156,032	12,925,677
Special commission cost	532,317	1,724,913
Actuarial loss on defined benefit plan recognized in condensed consolidated interim statement of comprehensive income	64,266	519,721
Benefits paid	(1,613,295)	(5,656,042)
Present value of defined benefit obligation at end of the period / year	<u>53,239,776</u>	<u>50,100,456</u>

d) *Principal actuarial assumptions:*

	31 March 2018	31 December 2017
	SAR	SAR
Discount rate	4.5 %	4.5 %
Salary increase rate	3 %	3 %
Retirement age	60 years	60 years

9. Government grants

	31 March 2018	31 December 2017
	SAR	SAR
At 1 January	172,721,439	151,920,581
Received during the period \ year	7,328,006	24,459,551
Government grants release	(1,597,703)	(3,658,693)
At 31 March	<u>178,451,742</u>	<u>172,721,439</u>
	31 March 2018	31 December 2017
	SAR	SAR
Current	3,952,401	3,952,401
Non-current	174,499,341	168,769,038
	<u>178,451,742</u>	<u>172,721,439</u>

On July 2015, the Group obtained a free interest loan from the Ministry of Finance to fund the construction of the new hospital in Al Nuzha area and the purchase of the indispensable medical and non-medical equipment. The conditions and contingencies attached to these grants has been met.

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For the three months period ended 31 March 2018

10. Loans

	31 March 2018 SAR	31 December 2017 SAR
Loans from Ministry of Finance	206,267,778	195,704,303
Loans from commercial banks	<u>357,474,300</u>	<u>321,602,077</u>
	563,742,078	517,306,380
Current portion	<u>82,457,250</u>	<u>40,000,000</u>
Non-current portion	<u>481,284,828</u>	<u>477,306,380</u>

10.1 Loans from Ministry of Finance

On 18 September 2013, The Group obtained a loan from the Ministry of Finance to fund 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 SR. The Group has utilized it in full as at 31 March 2018 (31 December 2017: SAR 149.1 million). The installments are determined in light of how much of the total value of the grant is actually spent at the end of the duration of this agreement after dividing the total disbursements on twenty equal annual installments. The maturity of the first installment will be after five years from the date of signing the arrangement. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the property and equipment of Al-Hammadi Hospital in Al-Suwaidi.

On 19 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. The value of the loan is SR 27.5 million of which the Group has utilized it in full as at 31 March 2018 (31 December 2017: SR 27.5 million). The loan is to be repaid over twenty equal annual installments after a grace period of five years.

On 9 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. This loan amounted SR 197.5 million and does not carry any financing commissions of which the Group has utilized SR 197.5 million as at 31 March 2018 (31 December 2017: SR 182.9 million). The loan is to be repaid over twenty equal annual installments after a grace period of five years.

10.2 Loans from commercial banks

The maturities of the long-term loans are as follow:

	31 March 2018 SAR	31 December 2017 SAR
2018	82,457,250	40,000,000
2019	144,000,000	144,000,000
After that	<u>131,017,050</u>	<u>137,602,077</u>
	<u>357,474,300</u>	<u>321,602,077</u>

During the period ended 31 March 2018, the Group capitalized financial charges amounted to SR 0.40 million (31 December 2017: SR 5.8 million). Finance expense charged for the period ended 31 March 2018 amounted to SR 5.2 million (31 March 2017: SR 3.7 million).

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Notes to Condensed Consolidated Interim Financial Statements - *continued*
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11. Financial assets and financial liabilities

Financial instruments risk management objectives and policies

The main condensed consolidated interim financial instruments carried on the Group's statement of financial position include cash and cash equivalents, accounts receivables and other current assets, due from related parties, accounts payables, loans, due to related parties, accrued liabilities and other current liabilities. The main purpose behind the Group's financial liabilities is to finance the operations and to provide guarantees to support the operations.

The Group's activities exposed it to various risks. These risks are: Market risk (which includes: Currency risk, fair value and cash flow interest rate risks and price risk), Credit risk and Liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. The board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include: loans, borrowings and deposits.

Currency Risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk. The Group has also some transactions in EURO which were not significant as at 31 March 2018 (31 December 2017).

Fair value and cash flow interest rate risks: the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group monitors the commission rate fluctuations on a continuous basis and acts accordingly. The Group's commission rates principally relate to its borrowings and are subject to change on periodic basis.

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is currently not exposed to price risk as it has no investments in marketable securities.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group places its cash with banks that have sound credit ratings. Accounts receivables and due from related parties are carried net of provision for doubtful debts.

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

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12. Standards issued but not yet effective

The standards that are issued, but not effective, up to the date of issuance of the Group's condensed consolidated interim financial statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the legal Form of a lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 01 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

13. Significant Events and Transactions

On 31 January 2018, the Company acquired 100% of the shares and voting interest in Medical Support Services Company for SR 48 million. As a result, the Group have been consolidated condensed interim financial statements of the Company and its subsidiaries for the period ended 31 March 2018 for the first time.

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	48,000,000
Fair value of identifiable net assets	(16,549,880)
Goodwill	31,450,120

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14. Subsequent Events

On 30 April 2018, the Company announced the awarding of a SAR 347 million contract to Pharma Serve Co., a wholly-owned subsidiary of Medical Support Services Company (a fully owned subsidiary of the Company) for a period of 24 months, in relation to the main unified procurement tender for vaccines to all participating government health authorities for the year 2018G, according to the award letter received from the National Unified Procurement Company (NUPCO) dated 13 Shaban 1439H, corresponding to 29 April 2018G. The Company will announce in due course any further developments including the official signing of the contract. The financial impact of this project is expected to start in the third quarter of the fiscal year 2018G.

15. Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements have been approved by the board of directors on 15 Shaban 1439H corresponding to 1 May 2018G.