

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

**The Condensed Consolidated Interim
Financial Statements and Review Report
For the Three-Month and Nine-Month Periods Ended
30 September 2020**



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)**

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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 2020, and the related condensed consolidated interim statements of profit or loss, comprehensive income for the three and nine-month periods ended 30 September 2020, and the 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.



**Al Azem, Al Sudairy, Al Shaikh & Partners
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Al Hammadi Company for Development and Investment
(A Saudi Joint Stock Company)

Condensed Consolidated Interim Statement of Profit or Loss
For the Three-month and Nine-Month Periods Ended 30 September 2020

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2020 (Unaudited) SAR	2019 (Unaudited) SAR	2020 (Unaudited) SAR	2019 (Unaudited) SAR
Revenues		248,964,290	220,004,135	699,953,139	703,513,148
Cost of revenues		<u>(166,428,841)</u>	<u>(157,786,456)</u>	<u>(460,129,702)</u>	<u>(504,609,864)</u>
GROSS PROFIT		82,535,449	62,217,679	239,823,437	198,903,284
General and Administrative expenses		(31,517,519)	(25,297,607)	(84,799,997)	(88,666,781)
Selling and Marketing expenses		(1,077,433)	(2,475,767)	(4,667,074)	(10,673,229)
Impairment losses on trade receivables	(6)	(5,612,232)	(2,594,295)	(19,036,058)	(9,572,704)
Impairment losses on property and equipment	(11)	-	-	(4,994,185)	-
Other income		2,906,142	2,533,228	8,624,721	14,690,307
OPERATING PROFIT		47,234,407	34,383,238	134,950,844	104,680,877
Finance charges		<u>(5,818,467)</u>	<u>(9,464,857)</u>	<u>(19,987,581)</u>	<u>(28,080,950)</u>
NET PROFIT BEFORE ZAKAT		41,415,940	24,918,381	114,963,263	76,599,927
Zakat expense		<u>(4,850,000)</u>	<u>(3,750,000)</u>	<u>(14,350,000)</u>	<u>(11,250,000)</u>
NET PROFIT FOR THE PERIOD		<u>36,565,940</u>	<u>21,168,381</u>	<u>100,613,263</u>	<u>65,349,927</u>
Earnings per share:					
Basic and diluted profit for the period attributable to ordinary equity holders	(5)	<u>0.30</u>	<u>0.18</u>	<u>0.84</u>	<u>0.54</u>

The accompanying notes (1) to (17) 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-month and Nine-month Periods Ended 30 2020

	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SAR	SAR	SAR	SAR
NET PROFIT FOR THE PERIOD	36,565,940	21,168,381	100,613,263	65,349,927
<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	(1,702,125)	(2,460,851)	1,080,471	(3,830,695)
Total other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods	(1,702,125)	(2,460,851)	1,080,471	(3,830,695)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	34,863,815	18,707,530	101,693,734	61,519,232

The accompanying notes (1) to (17) 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 30 September 2020

	Notes	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
ASSETS			
Non-current assets			
Property and equipment		1,674,723,051	1,738,721,572
Right of use assets		19,949,813	23,454,305
Goodwill		31,450,120	31,450,120
Total non-current assets		1,726,122,984	1,793,625,997
Current assets			
Inventories		60,361,046	49,018,443
Trade receivables	(6)	758,555,547	559,597,418
Prepayments and other debit balances		42,792,637	44,254,246
Amounts due from related parties		4,805,980	917,132
Contracts assets		5,291,017	14,666,845
Cash and cash equivalents		115,808,028	75,639,567
Total current assets		987,614,255	744,093,651
TOTAL ASSETS		2,713,737,239	2,537,719,648
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	(7)	1,200,000,000	1,200,000,000
Statutory reserve		51,138,685	51,138,685
Retained earnings		416,685,884	314,992,150
TOTAL SHAREHOLDERS' EQUITY		1,667,824,569	1,566,130,835
LIABILITIES			
Non-current liabilities			
Loans	(10)	455,326,957	429,551,022
Employees' termination benefits	(8)	62,339,941	59,871,135
Lease liabilities		10,018,196	13,149,588
Government grants	(9)	138,648,009	144,358,206
Total non-current liabilities		666,333,103	646,929,951
Current liabilities			
Trade payables		38,909,375	55,515,359
Accrued expenses and other credit balances		62,134,425	69,962,426
Amounts due to related parties		-	18,900
Loans	(10)	128,732,761	144,640,065
Government grants	(9)	7,613,597	7,613,597
Dividends payable		287,735	287,735
Zakat payable		14,349,981	16,619,782
Lease liabilities		9,710,883	8,723,975
Contracts liabilities		117,840,810	21,277,023
Total current liabilities		379,579,567	324,658,862
TOTAL LIABILITIES		1,045,912,670	971,588,813
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,713,737,239	2,537,719,648

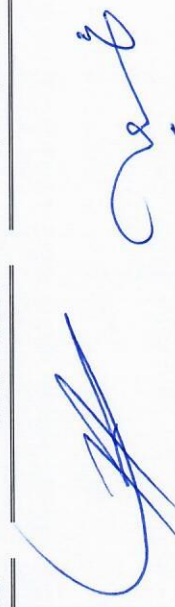
The accompanying notes (1) to (17) form an integral part of these condensed consolidated interim financial statements.

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

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

For the Nine Month Period ended 30 September 2020

	Share Capital		Statutory Reserve		Retained Earnings		Total Shareholders' Equity	
	SAR		SAR		SAR		SAR	
As at January 1, 2019 (Audited)	1,200,000,000		41,838,718		236,759,335		1,478,598,053	
Net profit for the period	-		-		65,349,927		65,349,927	
Other comprehensive loss	-		-		(3,830,695)		(3,830,695)	
Total comprehensive income	-		-		61,519,232		61,519,232	
Transfer to statutory reserve	-		6,534,993		(6,534,993)		-	
As at September 30, 2019 (Unaudited)	1,200,000,000		48,373,711		291,743,574		1,540,117,285	
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	



The accompanying notes (1) to (17) 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 Nine Month Period Ended 30 September 2020

	Notes	30 September 2020 (Unaudited) SAR	30 September 2019 (Unaudited) SAR
OPERATING ACTIVITIES			
Net profit before Zakat		114,963,263	76,599,927
Adjustments to reconcile net profit before Zakat to net cash flow:			
Depreciation of property and equipment and right of use assets		76,714,669	76,641,552
Impairment losses on trade receivables	(6)	19,036,058	9,572,704
Impairment losses on property and equipment	(11)	4,994,185	-
Loss on disposal of property and equipment		352,407	-
Contract liability provided during the period		119,628,895	22,963,109
Finance charges		19,987,581	28,080,950
Government grants release	(9)	(5,710,197)	(5,710,198)
Current services cost of employees' termination benefits	(8)	9,570,171	9,472,675
		359,537,032	217,620,719
Working capital adjustments:			
Trade receivables		(217,994,187)	(188,181,494)
Inventories		9,375,828	(3,016,610)
Contracts assets		(11,342,603)	6,898,979
Net changes in related parties		(3,907,748)	(1,714)
Prepayments and other debit balances		1,461,609	19,300,614
Trade payables		(17,145,994)	(3,957,191)
Accrued expenses and other credit balances		(7,828,001)	741,584
Contracts liabilities		(23,065,108)	(9,105,186)
		89,090,828	40,299,701
Employees' termination benefits paid	(8)	(7,420,354)	(12,224,432)
Zakat paid		(16,619,801)	(14,752,101)
Finance charges paid		(8,783,530)	(16,481,989)
		56,267,143	(3,158,821)
NET CASH RESULTED FROM (USED IN) OPERATING ACTIVITIES			
INVESTING ACTIVITIES			
Purchase of property and equipment		(11,525,328)	(6,966,249)
NET CASH USED IN INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Proceeds from bank borrowings		73,173,205	107,055,696
Repayment of bank borrowings		(72,569,559)	(51,619,639)
Lease liabilities		(5,177,000)	(5,477,000)
NET CASH (USED IN) RESULTED FROM FINANCING ACTIVITIES			
Net changes in cash and cash equivalents			
		40,168,461	39,833,987
Cash and cash equivalents at the beginning of the period		75,639,567	43,863,138
CASH AND CASH EQUIVALENTS AT SEPTEMBER, 30			
Supplementary information for non-cash transactions			
Right of used assets additions		3,032,919	-
Accrued lease liabilities		540,010	-
Impact of adopted IFRS 16		-	32,189,513

The accompanying notes (1) to (17) 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 Nine Month Period Ended 30 September 2020

1. Corporate information

Al Hammadi Company for Development and Investment (the “Company”) was established as a limited liability Company under Commercial Registration No. 1010196714 issued on Safar 23, 1425H (corresponding to April 13, 2004) in Riyadh. On Ramadan 16, 1429H (corresponding to September 16, 2008), 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 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:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest	
				2020	2019
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%	-

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

Branch Name	Commercial Registration No.	City
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 Ltd.	1010610529	Riyadh

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*
For the Nine Month Period Ended 30 September 2020

1. Corporate information - *continued*

In response to the spread of the Covid-19 virus in the world and the resulted disruptions to economic activities in the markets. The company's management has proactively assessed its 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 government and as result no restrictions have been placed by the government of kingdom of Saudi Arabia on company's operations or its supply chain. The company's management continues to monitor the financial and operational effects of the spread of the Covid-19 as well as the economic effects in general, and its measures have focused on managing the crisis in terms of operating efficiency and benefiting from the various government initiatives that aimed to support the health sector in the Kingdom. In addition, the company's management has taken measures to sustain the supply chain for medicines and medical and non-medical materials, 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. The company's management also has focused on the availability of sufficient cash balances to finance the operating requirements to ensure the continuation of its activity under these circumstances in which the outpatient visits has decreased during the closure period in the second quarter of the current year compared to the extraordinary increase of inpatient admissions resulted from the sudden increase of inpatients require continuous or intensive care needs which positively affected the revenues generated from health care services for inpatients.

Despite the difficulty of determining the extent and duration of the impact of the spread of the Covid-19 epidemic, the company's management believes that it will not have a material impact on the company's ability to continue its activity. Management will also continue to monitor the situation closely, and will reflect any required impacts or changes in the financial reporting periods that pertain to it.

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 2019 ("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 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.

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the Nine Month Period Ended 30 September 2020

2. Basis of Preparation - *continued*

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.

However, as explained in Not 1 above, the group has reviewed the key sources of estimation uncertainties disclosed in the last annual consolidated financial statements against the backdrop of Covid-19 pandemic. Management believes that other than the expected credit losses arising on the financial assets and estimates of the variable consideration from which contractual liabilities arise as a result of the unusual increase in the degree of uncertainty, all other sources of estimation uncertainty remain similar to those disclosed in the annual consolidated financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

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 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 2019, except for the adoption of new standards:

New standards, amendments to standards and interpretations

There are no new standards issued, however, there are number of amendments to standards as follows:

- Amendments to standards which are effective from 1 January 2020 and has been explained in the Company's annual financial statements, but they do not have a material effect on the Company's condensed consolidated interim financial statements.
- Amendments to IFRS 16 – Covid-19 “Related Rent Concessions” which are effective for the periods beginning on or after 1 June 2020. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. There is no material impact on the Company's condensed consolidated interim financial statements

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the Nine Month Period Ended 30 September 2020

5. 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 2020 SAR	30 September 2019 SAR
Net profit for the period	<u>100,613,263</u>	<u>65,349,927</u>
Weighted average number of ordinary shares	<u>120,000,000</u>	<u>120,000,000</u>
Basic and diluted earnings per share	<u><u>0.84</u></u>	<u><u>0.54</u></u>

6. Trade receivables

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Trade receivables	<u>804,955,106</u>	590,149,160
Provision for impairment losses	<u>(46,399,559)</u>	<u>(30,551,742)</u>
	<u><u>758,555,547</u></u>	<u><u>559,597,418</u></u>

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and they are therefore unsecured.

A majority of the receivables that are past due but not impaired are from government-linked entities which are inherently slow payers due to their long invoice acceptance and approval of payment procedures. Payments continue to be received from these customers and accordingly the risk of non-recoverability is considered to be low.

As at 30 September 2020, approximately 96.5% of the Group's trade receivables' balance was due from various governmental and insurance entities (31 December 2019: 96.2%).

The Group's credit terms require receivables to be repaid within 30-90 days depending on the type of customer, which is in line with healthcare industry. Due to short credit period offered to customers, a significant amount of trade receivables is neither past due nor impaired.

The summary for the movement of provision for impairment losses is as follows:

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
1 January	30,551,742	21,531,756
Additions during the period / year	19,036,058	9,157,145
Written off bad debits during the period / year	(3,188,241)	(137,159)
	<u><u>46,399,559</u></u>	<u><u>30,551,742</u></u>

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the Nine Month Period Ended 30 September 2020

7. 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 (31 December 2019: SR 1,200 million).

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 the condensed consolidated interim statement of financial position:

	30 September 2020	31 December 2019
	(Unaudited) SAR	(Audited) SAR
Present value of defined benefit obligation	<u>62,339,941</u>	<u>59,871,135</u>

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

	30 September 2020	30 September 2019
	(Unaudited) SAR	(Unaudited) SAR
Current service cost	9,570,171	9,472,675
Special commission cost	1,399,460	1,970,534
Benefit expense	<u>10,969,631</u>	<u>11,443,209</u>

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the Nine Month Period Ended 30 September 2020

8. Employees' Termination Benefits - *continued*

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

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Present value of defined benefit obligation at beginning of the period \ year	59,871,135	56,204,516
Current service cost	9,570,171	11,529,708
Special commission cost	1,399,460	2,529,203
Actuarial gain/ (loss) on defined benefit plan recognized in the consolidated statement of comprehensive income	(1,080,471)	5,466,889
Benefits paid during the period \ year	(7,420,354)	(15,859,181)
Present value of defined benefit obligation at end of the period \ year	<u>62,339,941</u>	<u>59,871,135</u>

d) Principal actuarial assumptions:

	2020 SAR	2019 SAR
Discount rate	3.1%	4.5%
Salary increase rate	3%	3%
Retirement age	60 years	60 years

9. Government grants

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
At 1 January	151,971,803	159,585,400
Government grants released	(5,710,197)	(7,613,597)
At the end of period \ year	<u>146,261,606</u>	<u>151,971,803</u>

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Current	7,613,597	7,613,597
Non-current	138,648,009	144,358,206
	<u>146,261,606</u>	<u>151,971,803</u>

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

Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the Nine Month Period Ended 30 September 2020

10. Loans

	30 September 2020 (Unaudited) SAR	31 December 2019 (Audited) SAR
Current portion:		
Loans from Ministry of Finance	34,678,480	18,714,240
Loans from commercial banks	94,054,281	125,925,825
Total current portion	128,732,761	144,640,065
Non-current portion:		
Loans from Ministry of Finance	197,238,722	204,551,022
Loans from commercial banks	258,088,235	225,000,000
Total non-current portion	455,326,957	429,551,022
Total	584,059,718	574,191,087

10.1 Loans from ministry of finance

- 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 SR. 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.
- 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 SR 27.5 million 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.
- 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 SR 197.6 million 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.
- Loan installments due to the Ministry of Finance during the previous quarter amounting to SAR 17.3 million have been postponed for the next year, as part of the Ministry of Finance initiative to mitigate the economic impacts of the Covid-19 pandemic on the private sector.

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Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the Nine Month Period Ended 30 September 2020

10. Loans - *continued*

10.2 Loans from commercial banks

In June 2020, the company modified the terms of a long-term facility agreement with a local bank by reducing the value of the installments to SAR 17.2 million for each quarterly installment that ends on June 30, 2025 instead of SAR 22.5 million, ending on June 30, 2023

The maturities of the loans are as follow:

	30 September 2020 SAR	31 December 2019 SAR
2020	59,642,517	125,925,825
2021	51,617,647	90,000,000
2022	68,823,529	90,000,000
2023	68,823,529	45,000,000
2024	68,823,529	-
2025	34,411,765	-
	<u>352,142,516</u>	<u>350,925,825</u>

11. Impairment losses on property and equipment

The management has conducted a review of the recoverable value from capital work in progress that was put on hold since 2011, and the result reached that it is beyond potential use. Therefore, the asset has been impaired in full and impairment loss was recognized during the period amounted to SR 4,994,185.

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Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the Nine Month Period Ended 30 September 2020

12. Segment Information

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

The following are selected financial information as at 30 September 2020 and 2019 by business segments:

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

30 September	Medical Services		Pharmaceuticals Products		Total	
	2020	2019	2020	2019	2020	2019
	SAR	SAR	SAR	SAR	SAR	SAR
Revenue	529,563,243	446,960,830	170,389,896	256,552,318	699,953,139	703,513,148
Gross Profit	190,326,774	117,304,448	49,496,663	81,598,836	239,823,437	198,903,284
Depreciation	74,772,014	75,180,916	1,942,655	1,460,636	76,714,669	76,641,552
Net profit	77,608,520	18,558,544	23,004,743	46,791,383	100,613,263	65,349,927

	Medical Services		Pharmaceuticals Products		Total	
	30 September 2020	31 Dec 2019	30 September 2020	31 Dec 2019	30 September 2020	31 Dec 2019
	SAR	SAR	SAR	SAR	SAR	SAR
Total Assets	2,462,974,043	2,267,968,222	250,763,196	269,751,426	2,713,737,239	2,537,719,648
Total Liabilities	982,202,556	944,214,036	63,710,114	27,374,777	1,045,912,670	971,588,813

13. Contingent liabilities

There are some legal cases in the normal course of business, and is currently pleading them, but the final outcome of such cases is not certain. Management will continue to monitor the situation and takes the necessary provision on conservative base even if it does not expect the outcome of these cases to be material on the condensed consolidated financial statements.

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Notes to Condensed Consolidated Interim Financial Statements - *continued*
For the Nine Month Period Ended 30 September 2020

14. Financial assets and financial liabilities

Financial instruments risk management objectives and policies

The main financial instruments carried on the Company's statement of financial position include cash and cash equivalents, accounts receivables and other debit balances, due from related parties, accounts payables, loans, due to related parties, accrued liabilities and other credit balances. 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 30 September 2020 (31 December 2019).

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 impairment losses.

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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Notes to Condensed Consolidated Interim Financial Statements - *continued*

For the Nine Month Period Ended 30 September 2020

15. Subsequent events

In the opinion of management, there have been no significant subsequent events since the period-end that require disclosure or adjustment in these condensed consolidated interim financial statements.

16. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation in the current period figures as follows:

	As previously reported	Re-classifications	As reclassified
General and Administrative expenses	(108,912,714)	20,245,933	(88,666,781)
Selling and marketing expenses	-	(10,673,229)	(10,673,229)
Impairment losses on Trade receivables	-	(9,572,704)	(9,572,704)

17. Approval of the condensed consolidated interim financial statements

The consolidated financial statements have been approved by the board of directors on 22 Rabi al-Awwal 1442H (corresponding to November 8, 2020).