

AI AHSA DEVELOPMENT COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIOD ENDED
SEPTEMBER 30, 2018 (unaudited)**

WITH INDEPENDENT AUDITOR'S REVIEW REPORT

AL AHSA DEVELOPMENT COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)
WITH INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

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**REPORT ON REVIEW OF CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Ahsa Development Company (the "Company") and its Subsidiaries (collectively referred to as the "Group") as of September 30, 2018, and the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three and nine months period then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the nine months period then ended.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

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AL AHSA DEVELOPMENT COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018

		September 30, 2018 (Unaudited) SR	December 31, 2017 (Audited) SR
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		170,892,216	166,832,520
Intangible assets		709,171	1,205,821
Equity instruments designated at fair value through other comprehensive income	6	213,562,255	157,303,756
Investment Properties		124,584,856	124,722,611
Goodwill		2,094,678	2,094,678
Total Non-current assets		511,843,176	452,159,386
Current assets			
Inventories		20,630,711	26,214,162
Trade receivables, prepayments and other assets		102,949,526	79,737,045
Cash and cash equivalents		67,238,004	85,005,863
		190,818,241	190,957,070
Assets held for sale		110,536	110,536
Total current assets		190,928,777	191,067,606
TOTAL ASSETS		702,771,953	643,226,992
LIABILITIES AND EQUITY			
EQUITY			
Share capital		490,000,000	490,000,000
Statutory reserve		3,905,208	3,905,208
Accumulated losses		(9,042,964)	(12,750,591)
Reserve for acquisition of additional shares in a subsidiary		(442,483)	(442,483)
Fair value reserve		37,397,499	(3,861,000)
Reserve for re-measurement of defined benefit obligations of employees		549,039	549,039
Total equity attributable to shareholders		522,366,299	477,400,173
Non-controlling interest		92,410,707	89,532,347
TOTAL EQUITY		614,777,006	566,932,520
LIABILITIES			
Non-current liabilities			
Long term loan – non-current portion		-	4,127,272
Defined benefit obligations of employees		32,344,148	30,437,428
Total non-current liabilities		32,344,148	34,564,700
Current liabilities			
Long term loan – current portion		4,127,272	-
Short term loan		13,569,650	5,073,678
Trade payables, accrued expenses and other liabilities		30,218,776	27,608,021
Zakat provision		4,579,817	5,892,789
		52,495,515	38,574,488
Liabilities held for sale		3,155,284	3,155,284
Total current liabilities		55,650,799	41,729,772
Total liabilities		87,994,947	76,294,472
TOTAL LIABILITIES AND EQUITY		702,771,953	643,226,992

The condensed consolidated interim financial statements from page (1) to page (19) were approved by the board of directors, on October 23, 2018 corresponding to 14 Safar 1440 H and were signed on its behalf by:

		
Hatem Bn Fahd Bal Ghonim	Saad Al Shammary	Ahmed Ibrahim
Chairman	Managing Director	Finance Manager


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

AL AHSA DEVELOPMENT COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	For the three month period ended September 30		For the nine month period ended September 30	
	2018	2017	2018	2017
	Note (Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR	SR	SR	SR
Revenues, net	57,550,362	49,783,244	164,237,326	155,879,306
Cost of revenues	(43,342,653)	(37,053,407)	(125,494,169)	(115,527,489)
Gross profit	14,207,709	12,729,837	38,743,157	40,351,817
General and administrative expenses	(14,353,709)	(13,494,819)	(41,362,517)	(41,617,078)
Selling and marketing expenses	(273,598)	(338,503)	(1,083,227)	(1,167,004)
Operating losses	(419,598)	(1,103,485)	(3,702,587)	(2,432,265)
Dividends received	2,117,818	2,050,009	3,686,764	6,305,359
Permanent impairment in available for sale investments	-	(2,500,000)	-	(2,500,000)
Unrealized gains (losses) from investments by fair value through profit or loss	-	(215,194)	-	676,372
Other income	1,919,388	2,145,168	4,940,220	5,435,277
Net profit for the period from continuing operations	3,617,608	376,498	4,924,397	7,484,743
loss from discontinued operations	-	-	-	(30,383)
Net profit for the period before zakat	3,617,608	376,498	4,924,397	7,454,360
Zakat	(1,088,410)	(1,450,000)	(3,338,410)	(4,005,521)
Net profit / (loss) for the period	2,529,198	(1,073,502)	1,585,987	3,448,839
OTHER COMPREHENSIVE INCOME				
<i>Item that will not be reclassified subsequently to the profit or loss</i>				
Net change in fair value of equity instruments by fair value through other comprehensive income	(469,536)	3,123,507	890,593	(629,851)
Other comprehensive income / (loss)	(469,536)	3,123,507	890,593	(629,851)
Total comprehensive income for the period	2,059,662	2,050,005	2,476,580	2,818,988
Net (loss) / profit for the period attributable to:				
Shareholders	1,169,824	(2,112,854)	(1,292,373)	477,146
Non-controlling interest	1,359,374	1,039,352	2,878,360	2,971,693
Net profit (loss) for the period	2,529,198	(1,073,502)	1,585,987	3,448,839
Total comprehensive (loss) / income attributable to:				
Shareholders	700,288	1,010,653	(401,780)	(152,705)
Non-controlling interest	1,359,374	1,039,352	2,878,360	2,971,693
Total comprehensive income for the period	2,059,662	2,050,005	2,476,580	2,818,988
(Loss) / earnings per share				
Earnings per share of net (loss) / profit for the period	0.02	(0.04)	(0.03)	0.01
Earnings per share of total comprehensive income / (loss) for the period	0.01	0.02	(0.01)	(0.00)
Number of outstanding Shares	7 49,000,000	49,000,000	49,000,000	49,000,000

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



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AL AHSA DEVELOPMENT COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

	Share Capital	Statutory reserve	Accumulated losses	Reserve for acquisition of additional shares in a subsidiary	Fair value reserve	Reserve for re- measurement of defined benefit obligations of employees	Total equity attributable to shareholders of the Company	Non- controlling interest	Total equity
	SR	SR	SR	SR	SR	SR	SR	SR	SR
Balance as at January 1, 2017 (audited)	490,000,000	3,905,208	(3,300,667)	(442,483)	(3,473,001)	1,243,707	487,932,764	87,787,805	575,720,569
Other comprehensive loss	-	-	-	-	(629,851)	-	(629,851)	-	(629,851)
Net profit for the period	-	-	477,146	-	-	-	477,146	2,971,693	3,448,839
Balance at September 30, 2017 (unaudited)	490,000,000	3,905,208	(2,823,521)	(442,483)	(4,102,852)	1,243,707	487,780,059	90,759,498	578,539,557
Balance as at January 1, 2018 (audited)	490,000,000	3,905,208	(12,750,591)	(442,483)	(3,861,000)	549,039	477,400,173	89,532,347	566,932,520
Adjustment on adoption of IFRS 9 (note 5)	-	-	5,000,000	-	40,367,906	-	45,367,906	-	45,367,906
Balance as at January 1, 2018 (Adjusted)	490,000,000	3,905,208	(7,750,591)	(442,483)	36,506,906	549,039	522,768,079	89,532,347	612,300,426
Other comprehensive income	-	-	-	-	890,593	-	890,593	-	890,593
Net loss for the period	-	-	(1,292,373)	-	-	-	(1,292,373)	2,878,360	1,585,987
Balance as at September 30, 2018 (unaudited)	490,000,000	3,905,208	(9,042,964)	(442,483)	37,397,499	549,039	522,366,299	92,410,707	614,777,006

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

AL AHSA DEVELOPMENT COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

	September 30, 2018 (Unaudited) SR	September 30, 2017 (Unaudited) SR
Operating activities:		
Net profit for the period before zakat	4,924,397	7,454,360
<i>Adjustments for:</i>		
Depreciation	11,207,924	11,437,210
Loss from disposal of property, plant and equipment	3,474	223,739
Amortization of intangible assets	496,650	503,518
Unrealized losses from valuation of investments by fair value through profit or loss	-	(676,372)
Permanent impairment in available for sale investments	-	2,500,000
Dividends income	(3,686,764)	(6,305,359)
Provision for doubtful debts	1,474,222	250,000
Defined benefits obligations for employees	3,788,196	4,127,220
	<u>18,208,099</u>	<u>19,514,316</u>
Changes in operating assets and liabilities:		
Trade receivables, prepayments and other current assets	(24,686,703)	(7,996,327)
Inventories	5,583,451	3,098,836
Due from related parties	-	872,601
Change in assets and liabilities held for sale	-	(718,787)
Trade payables, accrued expenses and other liabilities	2,610,755	(3,913,167)
Cash from operations	<u>1,715,602</u>	<u>10,857,472</u>
Defined benefits obligations for employees paid	(1,881,476)	(2,560,003)
Zakat paid	(4,651,382)	(5,499,844)
Net cash (used in) from operating activities	<u>(4,817,256)</u>	<u>2,797,625</u>
Investing activities		
Purchase of property, plant and equipment	(15,452,003)	(14,893,399)
Proceeds from disposal of property, plant and equipment	318,664	616,614
Purchase of intangible assets	-	(15,105)
Purchase of financial instruments by fair value through profit or loss	-	(1,469,818)
Cash dividends received	3,686,764	4,329,109
Purchase of equity instruments by fair value through other comprehensive income	(10,000,000)	(3,759,000)
Net cash used in investing activities	<u>(21,446,575)</u>	<u>(15,191,599)</u>
Financing activities		
Proceeds from short term loan	8,495,972	2,925,126
Net cash from financing activities	<u>8,495,972</u>	<u>2,925,126</u>
Net change in cash and cash equivalents	<u>(17,767,859)</u>	<u>(9,468,848)</u>
Cash and cash equivalent as at 1 January	85,005,863	103,443,775
Cash and cash equivalents as at 30 June	<u>67,238,004</u>	<u>93,974,927</u>
Non-cash transaction :		
Impact of adoption of IFRS 9 (note 5)	45,367,906	-
Change in fair value reserve	890,593	(3,129,851)

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

AL AHSA DEVELOPMENT COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

The main activity of Al-Ahsa Development Company is the establishment of industrial projects, ownership and investment of real estate and land, health, education, tourism and agricultural facilities, construction of cold stores, transport fleets, fuel stations, maintenance works, management and operation of industrial and residential cities and trading and commercial agencies.

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

1.1 Structure of the group

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

<u>Company</u>	<u>Legal Form</u>	<u>Incorporation</u>	<u>Effective ownership</u>	
		<u>Country</u>	<u>2018</u>	<u>2017</u>
A. Saudi-Japanese Textile Manufacturing Company	Limited Liability	Saudi Arabia	100%	100%
B. Al-Ahsa Food Industries Company	Limited Liability	Saudi Arabia	100%	100%
C. Al-Ahsa Medical Services Company	Closed Joint Stock	Saudi Arabia	53.61%	53.61%

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

A. Saudi-Japanese Textile Manufacturing Company

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

B. Al-Ahsa Food Industries Company

Al-Ahsa Food Industries Company is a Saudi limited liability company registered under Commercial Register No. 2252023850 dated 7 Muharram 1416H corresponding to June 6, 1995. The principle activities of Al-Ahsa Food Industries Company are in the production of dates and their derivatives and is wholly owned by the Company. The accumulated losses exceeded its capital. Under the provisions of Article 181 of the Companies Law, the shareholders are required to resolve to continue in the business and provide support to the subsidiary or liquidate it. At their meeting on October 29, 2017, the shareholders decided to continue to support the subsidiary and provide it with the necessary funding.

C. Al-Ahsa Medical Services Company

Al-Ahsa Medical Services Company is a closed joint stock company under Commercial Register No. 2252025213 dated 29 Sha'ban 1420H (corresponding to December 8, 1999). Al-Ahsa Medical Services Company is engaged in the establishment, management, operation and maintenance of hospitals. The company owns 53.61% of Al-Ahsa Medical Services Company.

D. Al-Ahsa Real Estate Development Company

Al-Ahsa Real Estate Development Company is a Saudi limited liability company registered under Commercial Register No. 2252058621 on 16 Shawwal 1435H (corresponding to 13 August 2014). On January 17, 2017, the Board of Directors decided to liquidate Al-Ahsa Real Estate Development Company and the legal procedures for canceling the Commercial Register were completed during the first quarter of 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed consolidated interim financial statements for the nine-months period ended 30 September 2018 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA). The accompanying condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and hence should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2017.

Starting from January 1, 2018, the group adopted International Financial Reporting Standard (IFRS 15) and (IFRS 9).

Changes in significant accounting policies are described in Note 4.

2.2 Preparation of the condensed consolidated interim financial statements

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

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

The principal accounting policies applied in the preparation of condensed consolidated interim financial statements are consistent with those of the previous financial year and the respective corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

The preparation of condensed consolidated interim financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the condensed consolidated interim financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation related to the application of IFRS 9 and IFRS 15 which are disclosed in note 4.

3. BASIS OF CONSOLIDATION

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

3. BASIS OF CONSOLIDATION (Continued)

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

Condensed consolidated interim statement of profit or loss and each component of other comprehensive income are attributed to the shareholders and non-controlling interest of the Company according to equity shares. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and non-controlling interest of the Company according to equity shares.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICES

4.1 Standards issued and applied

The following are the new standards, interpretations and amendments issued from 1 January 2018:

- IFRS 15 - Revenue from contracts with customers
- IFRS 9 – Financial Instruments
- IFRIC 22 - Transactions in foreign currency and consideration received or advance payments.
- Amendment to standard IFRS 2 – Classification and Measurement of Share-based Payment Transactions.
- Amendments to IAS 40 Investment Property.
- Annual Improvement Cycle for the International Financial Reporting Standards 2014-2016 - IFRS 1, "Application of International Financial Reporting Standards for the First Time", and IAS 28 Investments in Associates and Joint Ventures (2011).

The group has adopted IFRS 15 and IFRS 9 as of January 1, 2018. The impact of the adoption of these standards has been fully clarified in Note 5. The effect of adoption of these new standards and changes in accounting policies are disclosed in Note 4 and Note 5. The other standards, interpretations and amendments did not have any material impact on the Group's accounting policies

4.2 New standards, amendments and revised IFRS in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs		Effective for annual periods beginning on or after
	Description	
IFRS 16	Leases	January 1, 2019
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019
IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated interim financial statements of the Group in the period of initial application.

The application of IFRS 16 is effective January 1, 2019 and may have a significant impact on amounts reported and disclosures made in the Group's condensed consolidated interim financial statements in respect of its leases. However, it is not practicable at this stage to provide a reasonable estimate of effects of the application of IFRS 16 until the Group performs a detailed review.

Early adoption of standards or amendments in 2018

The Group did not select early adoption of any new standards or amendments in 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

4. SIGNIFICANT ACCOUNTING POLICES (Continued)

4.3 Changes in 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 Groups' annual financial statements as at 31 December 2017, except for the policies explained below that are related to the IFRS became effective on January 1, 2018. The Group has adopted IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" effective January 1, 2018.

IFRS 9 "Financial instruments"

This standard set out the requirements for the recognition and measurement of financial assets and financial liabilities. The standard eliminates the existing IAS 39 categories of held-to-maturity, loan and receivables and available-for-sale. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed together with its relevant contractual cash flow characteristics. IFRS 9 largely retains the existing requirements in IAS 39 for classification and measurement of financial liabilities.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model ("ECL"). The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied under modified retrospective approach. The Group has adopted the exemption of not adjusting the comparative figures for the past periods in respect of classification and measurement.

The key changes to the Groups' accounting policies resulting from the adoption of IFRS 9 are set as follows:

4.3.1 Classification and measurement of financial assets

On initial recognition, a financial asset is classified and measured at Amortized Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL).

On the date of transition to IFRS 9, the Group has financial assets measured at amortized cost and equity instruments carried at fair value through other comprehensive income. The following are the new classification and measurement of the group's financial assets:

A) Equity instruments carried at fair value through other comprehensive income

Equity instruments at fair value through other comprehensive income with no gains or losses being recycled to profit or loss upon discontinuation of recognition. This category includes only the equity instruments that the Group intends to hold for the near future and which the Group has made an irrevocable election to classify as such at initial recognition or transition. The Group has classified its unquoted equity instruments as equity instruments at fair value through other comprehensive income. Equity instruments carried at fair value through other comprehensive income are not subject to impairment in accordance with IFRS 9. Previously, unquoted equity instruments were classified under IAS 39 as financial assets available for sale.

B) Financial Asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

This category includes the Group's trade receivables and other receivables.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

4. SIGNIFICANT ACCOUNTING POLICES (Continued)

4.3 Changes in accounting policies (Continued)

4.3.1 Classification and measurement of financial assets (Continued)

Business model assessment

The Group assesses the business model in which an asset is held at a portfolio level because this reflects the best way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading, if any, and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

4.3.2 Impairment

The impact of IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 relates to the new impairment requirements as detailed below:

The adoption of IFRS 9 has resulted in a material change in the Group's accounting for losses arising from impairment of financial assets by replacing the losses incurred method in IAS 39 with the expected credit losses method. IFRS 9 requires the Group to record the provision for expected credit losses for all loans and other receivables that are not carried at fair value through profit or loss.

The expected credit losses are calculated on the basis of the difference between contractual cash flows payable in accordance with the contract and all cash flows that the Group expects to receive. The deficit is then discounted at the original effective interest rate of the asset.

With respect to contract assets, trade receivables and other receivables, the Group has applied the standard's simplified method, and future credit losses have been calculated based on expected lifetime credit losses. The Group avoided a provision table based on the Group's past experience of credit loss and adjusted to the expected elements of debtors and the economic environment.

The application of the expected credit losses requirements stated in IFRS 9 did not result in an increase in provisions for impairment of the Group's debit financial assets.

4.3.3 Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Changes in accounting policies (Continued)

IFRS 15 “Revenues from contracts with customers”

IFRS 15 replaces IAS 11 “Construction Contracts”, IAS 18 “Revenues” and related interpretations, and applies to all revenues arising from contracts with customers, unless such Contracts are in line with other standards. The new standard sets out a five-step model for accounting for revenue generated from contracts with customers. Under IFRS 15, revenues are recognized at the value that reflects the consideration that the entity expects to accrue against the transfer of goods or services to a customer.

The Standard requires entities to exercise an accounting estimate, taking into account all relevant facts and circumstances when applying each step of the model to contracts concluded with their customers. The Standard also defines the method of accounting for incremental costs of obtaining a contract and costs directly related to the performance of the contract. The Group earns revenue from sale of goods, rendering services and certain leases.

(A) Sale of goods

The sale of goods is recognized when the goods are delivered or shipped, in accordance with agreed contractual terms, when the control of the goods is transferred to the buyer and the Group has no continuing management relationship to the extent normally associated with ownership or effective control over the goods sold.

(B) Rendering of services

Revenue from services are recognized on the satisfaction of the related performance obligations and is classified as revenues from the main operating activities. Certain services are subject to variable considerations such as discounts and rejections. The Group calculate discounts and rejections based on based on its best estimates and depending on its experience and knowledge about the past and current events.

(C) Income from leases

Income from leases is recognized in accordance with International Financial Reporting Standard 17 and is therefore not within the scope of International Financial Reporting Standard No. 15.

The Group has already recognized revenues on the same basis, in accordance with the IFRS 15. Consequently, there are no significant changes or disclosure due to the transition to IFRS 15.

4.4 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group’s accounting policies, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the critical judgement and key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Receivables

The measurement of the expected credit loss allowance for receivables measured at amortized cost, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below:

A) Classification of financial assets and financial liabilities on the date of initial application (1 January 2018) of IFRS 9:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying value under IAS 39 (SR)	New carrying value under IFRS 9 (SR)
Financial assets				
Cash and cash equivalents	Amortized cost	Amortized cost	85,005,863	85,005,863
Trade receivables and other assets	Amortized cost	Amortized cost	73,976,959	73,976,959
Quoted equity instruments carried at FVTOCI	Fair value	Fair value	19,797,020	19,797,020
Unquoted equity instruments carried at FVTOCI	Cost	Fair value	137,506,736	182,874,642
			<u>316,286,578</u>	<u>361,654,484</u>
Financial liabilities				
Trade, accrued expenses and other payables	Amortized cost	Amortized cost	27,608,021	27,608,021
Long term loan	Amortized cost	Amortized cost	4,127,272	4,127,272
Short term loan	Amortized cost	Amortized cost	5,073,678	5,073,678
			<u>36,808,971</u>	<u>36,808,971</u>

B) Impact on investments carried at FVTOCI

In accordance with the requirements of IFRS 9, the Group has made an irrevocable election to classify available-for-sale investments as equity instruments at fair value through other comprehensive income that used to be presented as available-for-sale investments at cost adjusted for any impairment loss as at 31 December 2017 in accordance with the requirements of the IAS 39.

	Balance under IAS 39 (SR)	Re-measurement (SR)	Balance under IFRS 9 (SR)
Investments carried at FVTOCI	<u>157,303,756</u>	<u>45,367,906</u>	<u>202,671,662</u>

C) Impact on fair value reserve

	Fair value reserve (SR)
Closing balance under IAS 39 (31 December 2017)	(3,861,000)
Reclassification of impairment loss*	(5,000,000)
Recognition of fair values of investments carried at FVTOCI under IFRS 9	45,367,906
Opening balance under IFRS 9 (1 January 2018)	<u>36,506,906</u>

*After application of IFRS 9, the Group reclassified the impairment loss (fair value adjustments) recorded as at 31 December 2017 against its equity instruments carried at fair value through other comprehensive income to fair value reserve against accumulated losses as at 1 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

6. EQUITY INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2018 (SR)	December 31, 2017 (SR)
A) Quoted in the stock market	16,813,858	15,947,507
B) Unquoted in the stock market	196,748,397	141,356,249
	213,562,255	157,303,756

A) Quoted in the stock market

	Fair Market Value September 30, 2018 (SR)	December 31, 2017 (SR)
Quoted in the Saudi stock market	16,813,858	15,947,507

B) Unquoted in the stock market

	Ownership %			
	September 30, 2018	December 31, 2017	September 30, 2018 (SR)	December 31, 2017 (SR)
Arab Company for Industrial Fibers (Ibn Rushd)*	0.42	0.42	-	35,500,000
National Aviation Ground Support Company	5	5	53,554,780	30,000,000
Industrialization and Energy Services Co. TAQA	1.36	1.36	92,944,000	70,228,354
Arab Paper Manufacturing Co. (Paper)	4.7	5.10	16,883,730	17,786,250
Al Ahsa Tourism & Leisure Co.	7.57	7.57	-	3,784,000
Taalem Investment Co. Ltd	12.78	12.78	19,492,132	19,492,132
Gulf International Investment Bank Fund for Emerging Markets	-	-	3,618,637	3,849,513
Derayah Finance Company Fund	-	-	10,255,118	-
			196,748,397	180,640,249
Impairment of investments provision			-	(39,284,000)
			196,748,397	141,356,249

The above investments were evaluated by an independent valuation expert who issued his report after evaluating all investments except for Taalem Investment Company where the current cost is considered too close to its fair value as the acquisition of the investment took place at the end of 2017 and therefore it is not practicable to calculate the fair value for the time being. The independent valuation expert issued his report on the value of these investments as at 31 December 2017. The net assets method was used to assess all investments except the Industrialization and energy services company that has been evaluated using the multiples of income, zakat, depreciation and amortization method for similar companies in GCC countries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

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

	September 30, 2018 SR	December 31, 2017 SR
Opening balance	157,303,756	139,748,373
Impact of adoption of IFRS 9 (Note 4 & 5)	45,367,906	-
Balance as at January 1	202,671,662	139,748,373
Additions	10,000,000	25,227,382
Change in fair value	890,593	(387,999)
Impairment losses	-	(7,284,000)
Closing balance	213,562,255	157,303,756

The hierarchy for determining the fair value of financial instruments, valuation techniques used and key inputs for valuation of fair value is disclosed in Note 9.

7. (LOSS) / EARNINGS PER SHARE

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

	For the nine-months period ended Sep- tember 30	
	2018 SR	2017 SR
Net (loss) / profit for the period attributable to shareholders	(1,292,373)	477,146
Weighted average number of shares	49,000,000	49,000,000
(Loss) / profit per share from (loss) / profit for the period	(0.03)	0.01
	2018 SR	2017 SR
Total comprehensive loss for the period attributable to shareholders	(401,780)	(152,705)
Weighted average number of shares	49,000,000	49,000,000
Loss per share for the total comprehensive loss	(0.01)	(0.00)

AL AHSA DEVELOPMENT COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

8. SEGMENTAL REPORTING

The main activities of the Group are categorized into three main business sectors, the manufacturing sector represented by Al-Ahsa Food Industries Company specializing in the production and packaging of dates; the medical services sector represented by Al-Ahsa Medical Services and Investment sector represented by Al-Ahsa Development Company. The financial information as at 30 September 2018 and 30 September 2017 and for the period then ended are summarized in accordance with the main activities as follows:

	Manufacturing Sector	Medical Services Sector	Investment Sector	Total
30 September 2018				
(unaudited)	SR	SR	SR	SR
Property, Plant & Equipment	6,861,604	163,100,329	930,283	170,892,216
Total Assets	19,488,071	280,374,065	402,909,817	702,771,953
Total Liabilities	2,456,891	76,170,127	9,367,929	87,994,947
Revenues, net	10,960,899	153,276,427	-	164,237,326
(Loss) / profit from continuing operations	(1,705,788)	7,543,110	(912,925)	4,924,397
Net (loss) / profit	(1,705,788)	6,204,700	(2,912,925)	1,585,987
30 September 2017				
(unaudited)				
Property, Plant & Equipment	6,809,263	154,207,686	1,152,335	162,169,284
Total Assets	16,685,772	250,789,360	377,622,417	645,097,549
Total Liabilities	2,661,221	53,786,988	10,109,783	66,557,992
Revenues, net	10,561,516	145,317,790	-	155,879,306
Profit (loss) from continuing operations	(732,268)	7,761,411	455,600	7,484,743
Net profit / (loss)	(732,268)	6,405,890	(2,224,783)	3,448,839

Revenues recognized from two main customers (Saudi Arabian Oil Company (Aramco) – Ministry of Health) amounted to SAR 96.3 million, representing 63% of revenues from the medical services sector (2017: SR 88.8 million representing 61%). The total outstanding balance of those customers including retentions as at 30 September 2018 amounted to SR 52.6 million (SR 34.9 million as at 30 September 2017).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

9. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Classification of financial instruments

	September 30, 2018 SR	December 31, 2017 SR
Financial assets at fair value		
Equity instruments designated by fair value through other comprehensive income	213,562,255	157,303,756
	213,562,255	157,303,756
Financial assets at amortized cost		
Trade receivables and other assets	95,465,603	73,976,959
Cash and cash equivalent	67,238,004	85,005,863
	162,703,607	158,982,822
	376,265,862	316,286,578
Financial liabilities at amortized cost		
Trade payables, accrued expenses and other liabilities	30,218,776	27,608,021
Loans	17,696,922	9,200,950
	47,915,698	36,808,971

Risk management of financial instruments

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

Fair value measurement of financial instruments

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

9. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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

	30 September 2018			
	Level 1	Level 2	Level 3	Total
	(SR)	(SR)	(SR)	(SR)
Equity instruments designated by fair value through other comprehensive income	30,687,613	92,944,000	89,930,642	213,562,255
	30,687,613	92,944,000	89,930,642	213,562,255
	31 December 2017			
	Level 1	Level 2	Level 3	Total
	(SR)	(SR)	(SR)	(SR)
Equity instruments designated by fair value through other comprehensive income	19,797,020	-	137,506,736	157,303,756
	19,797,020	-	137,506,736	157,303,756

During the period, there were transfers from the third to the second level of an equity instrument at fair value through other comprehensive income in accordance with the fair value valuation as a result of adopting IFRS 9.

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

The valuation methods used and the key inputs to revalue investments in equity instruments through other comprehensive income are described below:

Valuation method	
Market method	-The value of equity to the profits multiplier before commission, income tax, depreciation and amortization -Average net asset value and price to book value multiplier
Net assets method	Cash and cash equivalents available for distribution and net assets
Expected returns method	The value of the equity to the revenue multiplier

Credit risk

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

Description	September 30, 2018	December 31, 2017
	SR	SR
Trade receivables and other assets	95,465,603	73,976,959
Cash and cash equivalents	67,238,004	85,005,863
	162,703,607	158,982,822

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

9. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

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

Liquidity risk

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

30 September 2018				
Total undiscounted amounts				
Book value	Upon request	From 1 to 5	More than	
(SR)	or less than	years	5 years	
	one period	(SR)	(SR)	
	(SR)			
Financial liabilities at amortized cost				
Trade payables, accrued expenses and other liabilities	30,218,776	30,218,776	-	-
Loans	17,696,922	17,696,922	-	-
	47,915,698	47,915,698	-	-
31 December 2017				
Total undiscounted amounts				
Book value	Upon request or	From 1 to 5	More than 5	
(SR)	less than one	years	years	
	period	(SR)	(SR)	
	(SR)			
Financial liabilities at amortized cost				
Trade payables, accrued expenses and other liabilities	27,608,021	27,608,021	-	-
Loans	9,200,950	5,073,678	4,127,272	-
	36,808,971	32,681,699	4,127,272	-

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

Market risk

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

Foreign currency risk management

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (Continued)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018

9. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Capital management

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

In managing capital, the Group aims to:

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

10. CONTINGENCIES AND COMMITMENTS

A) Operating lease contracts

The Group has several operating leases for management offices and staff accommodation. The term of the lease shall not exceed one year with the renewal option after the end of the lease term except for the lease of the Company's headquarters in Al Khobar. That is for a period of three years commencing in March 1, 2017 and the plant of the date factory with a period of 50 years from 1 January 1996. Payments of the rent is either fixed or increased annually to reflect rental values in the market.

B) Lawsuits:

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

2) A lawsuit filed by a former shareholder in the General Court of Al-Ahsa on 22 Rabee II 1436 H corresponding to 12 February 2015, demanding the cancellation of the sale contract of the Al Rabwh plot in Al-Ahsa, which covers an area of 608,603 square meters which was previously sold by Al-Ahsa Development Company in accordance with Board of Directors Decision No. 317 / T / 2010 dated 7 December 2010. On 11 Rabi II 1437H corresponding to 21 January 2016, the legal counsel of the Company paid the court no jurisdiction and on 3 Ramadan 1437, corresponding to 8 June 2016, it has been decided to dismiss the case on the basis of Article 5 of the Rules of Procedure.

11. OTHER MATTERS

On October 7, 2018, the Company entered into a memorandum of terms and conditions for the purchase of a 20% stake in Twareat Medical Center Company with the option to purchase a further 20% interest over the next three years. This agreement is conditional upon completion of the financial and legal due diligence. As at 30 September 2018, there is no impact on the condensed consolidated interim financial statements.

12. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the board of directors on October 24, 2018 corresponding to 15 Safar 1440H.