Al Hammadi Company for Development and Investment

(A Saudi Joint Stock Company)

The Condensed Consolidated Interim Financial Statements and Review Report For the Three and Nine Months Period Ended 30 September 2019

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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Financial Statement and Review Report
For The Three And Nine Month Period Ended 30 September 2019

Index

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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 2019, and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three and nine-month periods ended 30 September 2019, 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.

العظم والسديري وال الشيخ وشركاؤهم
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28 Moharram 1441H (October 27, 2019)
Riyadh, Kingdom of Saudi Arabia

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

Condensed Consolidated Interim Statement of Profit or Loss
For the Three and Nine Month Period Ended 30 September 2019

		Three month period ended 30 September		Nine month period ended 30 September	
		2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
	Note	SAR	SAR	SAR	SAR
Revenues		220,004,135	250,399,753	703,513,148	665,560,084
Cost of revenues		(157,786,456)	(185,479,751)	(504,609,864)	(480,523,167)
GROSS PROFIT		62,217,679	64,920,002	198,903,284	185,036,917
Administrative expenses		(30,367,669)	(33,727,412)	(108,912,714)	(87,294,439)
Other operating income		2,533,228	4,344,371	14,690,307	8,792,941
OPERATING PROFIT		34,383,238	35,536,961	104,680,877	106,535,419
Finance charges		(9,464,857)	(10,310,526)	(28,080,950)	(23,600,315)
NET PROFIT BEFORE ZAKAT		24,918,381	25,226,435	76,599,927	82,935,104
Zakat expense		(3,750,000)	(3,920,009)	(11,250,000)	(10,820,009)
NET PROFIT FOR THE PERIOD		21,168,381	21,306,426	65,349,927	72,115,095
Earnings per share:					
Basic and diluted profit for the period attributable to ordinary equity holders	6	0.18	0.18	0.54	0.60

The accompanying notes 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 and Nine Month Period Ended 30 September 2019

	Three month period ended 30 September		**Nine month period ended 30 September**	
	2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
	SAR	SAR	**SAR**	SAR
NET PROFIT FOR THE PERIOD	**21,168,381**	21,306,426	**65,349,927**	72,115,095
Other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods:				
Re-measurement (loss) / *income* on defined benefit plans	**(2,460,851)**	209,432	**(3,830,695)**	579,032
Total other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods	**(2,460,851)**	209,432	**(3,830,695)**	579,032
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**18,707,530**	21,515,858	**61,519,232**	72,694,127

The accompanying notes 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 2019

	Notes	30 September 2019 (Unaudited) SAR	31 December 2018 (Audited) SAR
ASSETS			
Non-current assets			
Property and equipment		1,749,843,344	1,787,329,134
Goodwill		31,450,120	31,450,120
		1,781,293,464	1,818,779,254
Current assets			
Inventories		44,400,818	51,299,797
Trade receivables	(5)	656,255,656	477,646,866
Prepayments and other assets		63,307,884	84,454,498
Contracts assets		10,277,306	7,260,696
Amounts due from related parties		889,247	887,533
Cash and cash equivalents		83,697,125	43,863,138
		858,828,036	665,412,528
TOTAL ASSETS		2,640,121,500	2,484,191,782
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	(7)	1,200,000,000	1,200,000,000
Statutory reserve		48,373,711	41,838,718
Retained earnings		291,743,574	236,759,335
TOTAL SHAREHOLDRS' EQUITY		1,540,117,285	1,478,598,053
LIABILITIES			
Non-current liabilities			
Long-term loans	(10)	459,665,535	562,617,539
Employees' termination benefits	(8)	59,253,988	56,204,516
Long term lease liabilities		16,572,199	-
Government grants	(9)	146,261,605	151,971,803
		681,753,327	770,793,858
Current liabilities			
Trade payables		42,504,827	46,462,018
Accrued expenses and other liabilities		65,381,344	64,639,760
Long-term loans	(10)	264,410,392	97,177,750
Government grants	(9)	7,613,597	7,613,597
Dividends payable		287,735	287,735
Zakat payable		11,409,180	14,911,281
Short term lease liabilities		9,078,160	-
Contracts liabilities		17,565,653	3,707,730
		418,250,888	234,799,871
TOTAL LIABILITIES		1,100,004,215	1,005,593,729
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,640,121,500	2,484,191,782

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

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
For the Nine Month Period ended 30 September 2019

	Share Capital	Statutory Reserve	Retained Earnings	Total Shareholders' Equity
	SAR	SAR	SAR	SAR
As at January 1, 2018 (Audited)	1,200,000,000	32,857,281	154,235,430	1,387,092,711
Impact of adopted IFRS 9	-	-	(1,534,069)	(1,534,069)
Net profit for the period	-	-	72,115,095	72,115,095
Other comprehensive income	-	-	579,032	579,032
Total comprehensive income	-	-	72,694,127	72,694,127
Transfer to statutory reserve	-	7,211,510	(7,211,510)	-
As at September 30, 2018 (Unaudited)	1,200,000,000	40,068,791	218,183,978	1,458,252,769
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

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

Condensed Consolidated Interim Statement of Cash Flows
For the Nine Month Period Ended 30 September 2019

	Notes	30 September 2019 (Unaudited) SAR	30 September 2018 (Unaudited) SAR
OPERATING ACTIVITIES			
Net profit before Zakat		**76,599,927**	82,935,104
Adjustments to reconcile net profit before Zakat to net cash flow:			
Depreciation of property and equipment		**76,641,552**	64,832,989
Expected credit loss		**9,572,704**	2,753,843
Contract liability provided during the period		**22,963,109**	8,038,074
Finance charges		**28,080,950**	23,600,315
Government grants release		**(5,710,198)**	(5,740,118)
Current services cost of employees' termination benefits	(8)	**9,472,675**	10,561,911
		217,620,719	186,982,118
Working capital adjustments:			
Trade receivables		**(188,181,494)**	(249,939,271)
Contracts assets		**(3,016,610)**	(5,645,868)
Inventories		**6,898,979**	(16,556,944)
Net changes in related parties		**(1,714)**	(6,224,307)
Prepayments and other assets		**19,300,614**	(32,996,970)
Trade payables		**(3,957,191)**	(13,506,909)
Accrued expenses and other liabilities		**741,584**	57,045,532
Lease liabilities		**(5,477,000)**	-
Contracts liabilities		**(9,105,186)**	(6,104,179)
		34,822,701	(86,946,798)
Employees' termination benefits paid	(8)	**(12,224,432)**	(5,594,428)
Zakat paid		**(14,752,101)**	(12,520,599)
Finance charges paid		**(16,481,989)**	(13,013,561)
NET CASH USED IN OPERATING ACTIVITIES		**(8,635,821)**	(118,075,386)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(6,966,249)**	(73,060,602)
Cash receipt at acquisition date		-	8,440,543
Investment in subsidiaries		-	(48,000,000)
NET CASH USED IN INVESTING ACTIVITIES		**(6,966,249)**	(112,620,059)
FINANCING ACTIVITIES			
Proceeds from borrowings		**107,055,696**	218,661,007
Repayment of borrowings		**(51,619,639)**	(26,619,639)
Received government grants		-	6,441,836
Dividends paid		-	(89,394,851)
NET CASH RESULTED FROM FINANCING ACTIVITIES		**55,436,057**	109,088,353
Net changes in cash and cash equivalents		**39,833,987**	(121,607,092)
Cash and cash equivalents at the beginning of the period		**43,863,138**	178,275,301
Cash and cash equivalents at September 30		**83,697,125**	56,668,209
Supplementary information for non-cash transactions			
Impact of adopted IFRS 16		**32,189,513**	-
Impact of adopted IFRS 9		-	1,534,069

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

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 2019	Ownership Interest 2018
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 for Hospitals Management and Operations Company Limited *	Saudi Arabia	Trading 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	Status
Al Hammadi Hospital, Olaya	1010263026	Riyadh	Active
Al Hammadi Hospital, Al-Suwaidi	1010934227	Riyadh	Active
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh	Active
Maintenance & Operations	1010374273	Riyadh	No activity

* During Third quarter 2019, the Company completed the legal formalities pertaining to the investment in a new subsidiary, Al Hammadi for Hospitals Management and Operations, a limited liability Single Person Company (SPC), located in the Kingdom of Saudi Arabia and owned 100% by the Company.

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

2. Basis of Preparation - *continuedsss*

2.1 Statement of Compliance - *continued*

December 2018 ("last annual financial statements"). They do not include all of the information required for a complete set of IFRS financial statements, however; accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. This is the first set of cond0ensed consolidated interim financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note (4).

2.2 Preparation of the Financial Statements

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

These condensed consolidated interim financial statements are presented in Saudi Riyal ("SAR"), which is the Group's functional and presentation currency. All amounts have been rounded to the nearest Saudi Riyal.

2.3 Use of Judgments and Estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note (4).

3. Basis of Consolidation

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

4. Summary of Significant Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group

4. Summary of Significant Accounting Policies - *continued*

has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The Group applies, for the first time, IFRS 16 “Rent Contracts “. As required by IAS 34, the nature and effect of these changes are disclosed below.

4.1.1. Annual Improvements to IFRSs 2015–2017 Cycle

Improvement to IFRS (11) “Joint Arrangements” related to Previously Held Interests in a Joint Operation.

Improvement to IAS (12) “Income Taxes” related to Income Tax Consequences of Payments on Financial Instruments Classified as Equity.

Improvement to IAS (23) “Borrowing Costs” related to Borrowing Costs Eligible for Capitalization.

4.2 Changes in significant accounting policies

Except as described below, the accounting policies applied in these Condensed Consolidated Interim Financial Statements are the same as those applied in the last annual Consolidated Financial Statements for the year ended 31 December 2018. The changes in accounting policies are also expected to be reflected in the annual Consolidated Financial Statements for the year ending 31 December 2019.

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

In the current period, the Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019.

The Group elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019.
- Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

4. Summary of Significant Accounting Policies - *continued*

4.2 Changes in significant accounting policies - *continued*

Nature of the effect of adoption of IFRS 16

A) Prior to adoption of IFRS 16:

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.
In an operating lease, the leased property was not capitalised and the lease payments were recognised as operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognised under prepayments and other payables, respectively.

B) After adoption of IFRS 16:

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. Accordingly, the comparative information is not restated.

4.3 Impact on the condensed consolidated interim financial statements

The following tables summarizes impacts of adopting IFRS 16 on the Group's condensed consolidated interim financial statements:

Condensed consolidated interim statement of profit or loss for the period ended 30 September 2019

	Balances without adoption of IFRS 16 SAR	Adjustments SAR	As reported SAR
Revenues	703,513,148	-	**703,513,148**
Cost of revenues	(505,050,141)	440,277	**(504,609,864)**
Gross profit	198,463,007	440,277	**198,903,284**
Administrative expenses	(109,022,781)	110,067	**(108,912,714)**
Other operating income	14,690,307	-	**14,690,307**
Operating profit	104,130,533	550,344	**104,680,877**
Finance charges	(27,297,104)	(783,846)	**(28,080,950)**
Net profit before zakat	76,833,429	(233,502)	**76,599,927**
Zakat expense	(11,250,000)	-	**(11,250,000)**
Net profit for the period	65,583,429	(233,502)	**65,349,927**

4. Summary of Significant Accounting Policies - *continued*

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

Condensed consolidated interim statement of financial position as at 30 September 2019

	Balances without adoption of IFRS16 SAR	Adjustments SAR	As reported SAR
ASSETS			
Non-current assets			
Property and equipment	1,724,205,237	25,638,107	**1,749,843,344**
Goodwill	31,450,120	-	**31,450,120**
	1,755,655,357	25,638,107	**1,781,293,464**
Current assets			
Inventories	44,400,818	-	**44,400,818**
Trade receivables	656,255,656	-	**656,255,656**
Prepayments and other assets	63,529,134	(221,250)	**63,307,884**
Contracts Assets	10,277,306	-	**10,277,306**
Amounts due from related parties	889,247	-	**889,247**
Cash and cash equivalents	83,697,125	-	**83,697,125**
	859,049,286	(221,250)	**858,828,036**
TOTAL ASSETS	2,614,704,643	25,416,857	**2,640,121,500**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	1,200,000,000	-	**1,200,000,000**
Statutory reserve	48,373,711	-	**48,373,711**
Retained earnings	291,977,076	(233,502)	**291,743,574**
TOTAL SHAREHOLDERS' EQUITY	1,540,350,787	(233,502)	**1,540,117,285**
Non-current liabilities			
Long-term loans	459,665,535	-	**459,665,535**
Employees' termination benefits	59,253,988	-	**59,253,988**
Long term lease liabilities	-	16,572,199	**16,572,199**
Government grants	146,261,605	-	**146,261,605**
	665,181,128	16,572,199	**681,753,327**
Current liabilities			
Trade payables	42,504,827	-	**42,504,827**
Accrued expenses and other liabilities	65,381,344	-	**65,381,344**
Long term loans	264,410,392	-	**264,410,392**
Government grants	7,613,597	-	**7,613,597**
Dividends payable	287,735	-	**287,735**
Zakat payable	11,409,180	-	**11,409,180**
Short term lease liabilities	-	9,078,160	**9,078,160**
Contracts liabilities	17,565,653	-	**17,565,653**
	409,172,728	9,078,160	**418,250,888**
TOTAL LIABILITIES	1,074,353,856	25,650,359	**1,100,004,215**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,614,704,643	25,416,857	**2,640,121,500**

4. Summary of Significant Accounting Policies - *continued*

4.3 Impact on the condensed consolidated interim financial statements – *continued*

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets of SAR 32,189, 513 were recognized and presented under properties and equipment in the statement of financial position.
- Lease liabilities of SAR 30,343,513 were recognized and presented separately in the statement of financial position.
- Prepayments of SAR 1,846,000 related to previous operating leases were reclassified to the right of use assets.

Impact on the consolidated statement of financial position (increase / (decrease)) as at 1 January 2019:

	1 January 2019 SAR
Assets	
Right-of-use assets	32,189,513
Prepayments	(1,846,000)
	30,343,513
Liabilities	
Lease liabilities	30,343,513
	30,343,513

For the nine months ended 30 September 2019:

- Depreciation expense increased by SAR 6,551,406 relating to the depreciation of right of use assets recognized.
- Rent expense decreased by SAR 7,101,750 relating to previous operating leases.
- Finance costs increased by SAR 783,846 relating to the interest expense on additional lease liabilities recognized.

Impact on the consolidated statement of profit or loss (increase / (decrease)) for the nine months ended 30 September 2019:

	30 September 2019 SAR
Depreciation expense (included in cost of revenue and administrative expenses)	(6,551,406)
Rent expense (included in cost of revenue and administrative expenses) relating to previous operating lease.	7,101,750
Operating profit	550,344
Finance costs	(783,846)
Profit for the period	**(233,502)**

Amounts recognized in the condensed consolidated interim statement of financial position

As at 30 September 2019, the cost of right of use assets is SAR 32,189,513 and accumulated depreciation is SAR 6,551,406. For the period ended 30 September 2019, the group has recognized interest expense of SAR 783,846 on lease liability and total cash flow for leases is SAR 5,477,000.

4. Summary of Significant Accounting Policies - *continued*

4.4 Below are the new accounting policies of the Group after adoption of IFRS 16:

Leases

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

5. Trade receivables

	30 September 2019 SAR	31 December 2018 SAR
Trade receivables	**687,222,957**	499,178,622
Provision for expected credit losses	**(30,967,301)**	(21,531,756)
	656,255,656	477,646,866

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 2019, approximately 98% of the Group's trade receivables' balance was due from various governmental and insurance entities (31 December 2018: 97%).

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 expected credit losses is as follows:

	30 September 2019 SAR	31 December 2018 SAR
1 January	**21,531,756**	34,839,047
Impact of IFRS 15 on 1 Jan 2018	**-**	(15,450,305)
Impact of IFRS 9 on 1 Jan 2018	**-**	1,534,069
ECL results from adopting IFRS 9	**9,572,704**	521,945
Transferred provision from subsidiaries	**-**	87,000
Written off bad debits during the period / year	**(137,159)**	-
	30,967,301	21,531,756

6. 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 2019 SAR	30 September 2018 SAR
Net profit for the period	**65,349,927**	72,115,095
Weighted average number of ordinary shares	**120,000,000**	120,000,000
Basic and diluted earnings per share	**0.54**	0.60

7. Share capital

Share capital of the Company is 1,200,000,000 SR consists of 120,000,000 fully paid ordinary shares with a par value of SR 10 (31 December 2018: SR 1,200,000,000).

8. Employees' Termination Benefits

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

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

	30 September 2019 SAR	31 December 2018 SAR
Present value of defined benefit obligation	**59,253,988**	56,204,516

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

	30 September 2019 SAR	30 September 2018 SAR
Current service cost	**9,472,675**	10,561,911
Special commission cost	**1,970,534**	1,664,027
Benefit expense	**11,443,209**	12,225,938

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

	30 September 2019 SAR	31 December 2018 SAR
Present value of defined benefit obligation at beginning of the period \ year	**56,204,516**	50,100,456
Transferred from subsidiaries	**-**	811,952
Charge recognized in consolidated statement of profit or loss		
Current service cost	**9,472,675**	13,758,817
Special commission cost	**1,970,534**	2,353,335
Actuarial loss \ (gain) on defined benefit plan recognized in the consolidated statement of comprehensive income	**3,830,695**	(3,225,038)
Benefits paid during the period \ year	**(12,224,432)**	(7,595,006)
Present value of defined benefit obligation at end of the period \ year	**59,253,988**	56,204,516

d) Principal actuarial assumptions:

	2019 SAR	2018 SAR
Discount rate	**4.5 %**	4.5 %
Salary increase rate	**3 %**	3 %
Retirement age	**60 years**	60 years

9. Government grants

	30 September 2019 SAR	31 December 2018 SAR
At 1 January	**159,585,400**	159,734,894
Received during the period \ year	**-**	6,441,836
Government grants released	**(5,710,198)**	(6,591,330)
At the end of period \ year	**153,875,202**	159,585,400

	30 September 2019 SAR	31 December 2018 SAR
Current	**7,613,597**	7,613,597
Non-current	**146,261,605**	151,971,803
	153,875,202	159,585,400

- On September 2013, the Group obtained a free interest loan from the Ministry of Finance to fund the construction of the new hospital in Al-Suwaidi area and the purchase of the indispensable medical and non-medical equipment. Later, on January 2015 the Group also obtained another free interest loan from the Ministry of Finance to fund building of the housing compound related to Al-Suwaidi Hospital. The conditions and contingencies attached to these grants has been met. Al-Suwaidi hospital has started operations in Aug 2015.
- On July 2015, the Group obtained a free interest loan from the Ministry of Finance to fund the construction of the new hospital in Al Nuzha area and the purchase of the indispensable medical and non-medical equipment. The conditions and contingencies attached to these grants has been met. The new hospital has started operations in Feb 2018.

10. Long-term loans

	30 September 2019 SAR	31 December 2018 SAR
Loans from Ministry of Finance	**221,717,387**	220,625,012
Loans from commercial banks	**502,358,540**	439,170,277
	724,075,927	659,795,289
Current portion	**264,410,392**	97,177,750
Non-current portion	**459,665,535**	562,617,539

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.

10. Long-term loans - *continued*

10.1 Loans from Ministry of finance - *continued*

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.

10.2 Loans from commercial banks

The Subsidiary (Pharmaceutical Services Company Limited) has credit facilities of SAR 125 million granted by a Saudi bank with the guarantee of the Parent Company (Al Hammadi Company for Development and Investment), total credit facilities used is SAR 107.4 million as at 30 September 2019 (31 December 2018: 0) for the Company's operations.

The maturities of the loans are as follow:

	30 September 2019 SAR	31 December 2018 SAR
2019	**151,533,763**	88,345,500
2020	**138,324,777**	138,324,777
2021	**100,000,000**	100,000,000
2022	**100,000,000**	100,000,000
2023	**12,500,000**	12,500,000
	502,358,540	439,170,277

11. Segment Information

The Group's operations consist mainly of the medical services and goods selling segment.

The following are selected financial information as at 30 September 2019 and 2018 by business segments:

- Medical Services segment: Fees for inpatient and outpatient services.
- Pharmaceuticals and pharmaceutical supplies selling segments.

	Medical Services		**Pharmaceuticals Sales**		**Total**	
30 September	**2019**	2018	**2019**	2018	**2019**	2018
	SAR	SAR	**SAR**	SAR	**SAR**	SAR
Revenue	**446,960,830**	425,322,023	**256,552,318**	240,238,061	**703,513,148**	665,560,084
Gross Profit	**117,304,448**	107,578,455	**81,598,836**	77,458,462	**198,903,284**	185,036,917
Depreciation	**75,180,916**	63,627,254	**1,460,636**	1,205,735	**76,641,552**	64,832,989
Net profit	**18,558,544**	20,543,290	**46,791,383**	51,571,805	**65,349,927**	72,115,095

	Medical Services		**Pharmaceuticals Sales**		**Total**	
	30 September 2019	31 Dec 2018	**30 September 2019**	31 Dec 2018	**30 September 2019**	31 Dec 2018
	SAR	SAR	**SAR**	SAR	**SAR**	SAR
Total Assets	**2,287,683,636**	2,252,713,645	**352,437,864**	231,478,137	**2,640,121,500**	2,484,191,782
Total Liabilities	**966,906,890**	978,237,753	**133,097,325**	27,355,976	**1,100,004,215**	1,005,593,729

12. 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 current assets, due from related parties, accounts payables, loans, due to related parties, accrued liabilities and other current liabilities. The main purpose behind the Group's financial liabilities is to finance the operations and to provide guarantees to support the operations.

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

Market Risk

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

Financial instruments affected by market risk include: loans, borrowings and deposits.

Currency Risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk. The Group has also some transactions in EURO which were not significant as at 30 September 2019 (31 December 2018).

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 expected credit 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.

13. 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.

14. Approval of the condensed consolidated interim financial statements

The consolidated financial statements have been approved by the board of directors on 28 Safar 1441H (corresponding to 27 October 2019).