

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

Consolidated Financial Statements
For the year ended December 31, 2018
Together with Independent Auditor's Report

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(A Saudi Joint Stock Company)**

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Index	Page
Independent Auditor's Report	1-6
Consolidated Statement of Profit or Loss	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Shareholders' Equity	10
Consolidated Statement of Cash Flows	11
Notes to Consolidated Financial Statements	12-49

INDEPENDENT AUDITOR'S REPORT

**TO: THE SHAREHOLDERS OF
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT (the "Company") and its subsidiaries (collectively the "Group")**, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (Continued)
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Carrying value of goodwill	
Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2018, the Group had goodwill which arose on business combinations amounting to SAR 31.45 million (2017: None).</p> <p>In accordance with IAS 36 "Impairment of assets" an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>Goodwill is monitored by management at the level of cash-generating units ("CGUs"). An impairment exercise was carried out in respect of goodwill allocated to the CGU by determining a recoverable amount based on value-in-use of each a discounted cash flow model, which utilized the most recent five-year business plan prepared by the Group's management. The outcome of this exercise did not result in any impairment loss to be recognized.</p> <p>We considered impairment testing of goodwill as a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment were:</p> <ul style="list-style-type: none"> • Assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates; • Assumptions of the impact of the actions of the Group's main competitors on expected revenue and gross margin assumptions; and • Discount rate used in the value-in-use cash flow model. 	<p>We assessed management's impairment assessment of goodwill by performing the following procedures:</p> <ul style="list-style-type: none"> • Assessed the methodology used by management to determine a recoverable value based on the value-in-use and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the model used; • Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved budgets and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets; • Engaged our valuation experts to assist in the review of the methodology of value-in-use calculations and use of certain assumptions including discount rates and long-term growth rates; and • Performed sensitivity analyses over key assumptions, principally sales growth rate, terminal value multiple and discount rates, in order to assess the potential impact of a range of possible outcomes. <p>We also reviewed the adequacy of the Group's disclosure included in note 14 to the accompanying consolidated financial statements in relation to testing goodwill impairment.</p>
<p>Refer to note (4.14) for the accounting policy and note (14) for related disclosures.</p>	

INDEPENDENT AUDITOR'S REPORT (Continued)
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Implementation of IFRS 15 "Revenue from contracts with customers"	
Key audit matter	How the matter was addressed in our audit
<p>The Group adopted IFRS 15 "Revenue from contracts with customers" with effect from 1 January 2018 and this new standard supersedes the requirements of IAS 18 "Revenue".</p> <p>Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with the separation of different performance obligations that there may be within a given contract.</p> <p>Management also assessed the additional disclosures required to be made by the new standard in the consolidated financial statements.</p> <p>We considered this a key audit matter as revenue is a key financial statement item and performance metric and the application of IFRS 15 can require judgment by management and the use of significant assumptions.</p>	<p>We performed the following procedures relation to the implementation of IFRS 15:</p> <ul style="list-style-type: none"> • Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Group; • Gained an understanding of management's approach to the implementation of any changes to accounting policy; • Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard; • Tested relevant processes and controls established by management to ensure appropriate recognition of revenue; • Consulted with our accounting technical specialists on certain judgmental positions taken by management. <p>We also reviewed the adequacy of the Group's disclosures included in notes 4.7, 4.8 and note 7 to the accompanying consolidated financial statements in relation to implementation of the new accounting standard.</p>
<p>Refer to notes (4.7 & 4.8) for the accounting policy and note (7) for related disclosures.</p>	

INDEPENDENT AUDITOR'S REPORT (Continued)
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Implementation of IFRS 9 "Financial Instruments"	
Key audit matter	How the matter was addressed in our audit
<p>The Group adopted IFRS 9 "Financial Instruments" with effect from 1 January 2018 and this new standard supersedes the requirements of IAS 39 "Financial instruments – recognition and measurement".</p> <p>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Management has determined that in most significant impact of the new standard on the Group's financial statements related to the calculation of the allowance for the impairment of trade receivables.</p> <p>As at 31 December 2018 carrying value of trade receivables amounted to SAR 499.2 million (2017: SAR 284.7 million) and the allowance for impairment of trade receivables amounted to SAR 21.5 million (2017: SAR 34.8 millions).</p> <p>The Group assesses at each reporting date whether the financial assets carried at amortized cost are credit-impaired. The Group's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade receivables collections experience.</p> <p>We considered this a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.</p>	<p>We performed the following procedures in relation to the implementation of IFRS 9:</p> <ul style="list-style-type: none"> • Reviewed management's assessment of the impact of IFRS 9 in terms of classification and measurement of its financial assets and liabilities, and understood the approach taken towards implementation. We specifically considered the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of similar entities; • Compared the ECL model developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested the arithmetical accuracy of the model; • Tested key assumptions such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forward looking factors (predominantly economic) to reflect the impact of future events on expected credit losses; • Involved our accounting subject matter specialists to review the methodology used in the ECL model; and compared this against accepted best practice. <p>We also reviewed the adequacy of the Group's disclosures included in notes 4.7, 4.8 and note 16 to the accompanying consolidated financial statements.</p>
<p>Refer to notes (4.7 & 4.8) for the accounting policy and note (16) for related disclosures.</p>	

INDEPENDENT AUDITOR'S REPORT (Continued)
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (Continued)
AL HAMMADI COMPANY FOR DEVELOPMENT AND INVESTMENT
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



AlAzem & AlSudairy
Certified Public Accountants



Salman B. AlSudairy
License No, 283

3 Rajab 1440H (March 10, 2019)
Riyadh, Kingdom of Saudi Arabia

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 SAR	2017 SAR
Revenue	(7)	893,596,735	708,624,453
Cost of revenue	(8)	(648,985,941)	(469,465,075)
GROSS PROFIT		244,610,794	239,159,378
Administrative expenses	(9)	(117,339,984)	(112,279,495)
Other operating income	(10)	10,868,505	15,702,547
OPERATING PROFIT		138,139,315	142,582,430
Finance charges	(11)	(33,416,223)	(19,567,148)
NET PROFIT BEFORE ZAKAT		104,723,092	123,015,282
Zakat expense	(29)	(14,908,719)	(15,050,477)
NET PROFIT FOR THE YEAR		89,814,373	107,964,805
Earnings per share:			
Basic and diluted profit for the year attributable to ordinary equity holders	(12)	0.75	0.90




The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2018

	Notes	2018 SAR	2017 SAR
NET PROFIT FOR THE YEAR		89,814,373	107,964,805
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement income (losses) on defined benefit plans	(25)	3,225,038	(519,721)
Total other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		3,225,038	(519,721)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		93,039,411	107,445,084



The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 SAR	2017 SAR
ASSETS			
Non-current assets			
Property and equipment	(13)	1,787,329,134	1,797,745,740
Goodwill	(14)	31,450,120	-
		<u>1,818,779,254</u>	<u>1,797,745,740</u>
Current assets			
Inventories	(15)	51,299,797	29,721,689
Trade receivables	(16)	477,646,866	249,863,173
Prepayments and other assets	(17)	84,454,498	47,332,022
Amounts due from related parties	(18)	887,533	389,280
Contracts assets	(7)	7,260,696	-
Cash and cash equivalents	(19)	43,863,138	178,275,301
		<u>665,412,528</u>	<u>505,581,465</u>
TOTAL ASSETS		<u>2,484,191,782</u>	<u>2,303,327,205</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	(20)	1,200,000,000	1,200,000,000
Statutory reserve	(21)	41,838,718	32,857,281
Retained earnings		236,759,335	154,235,430
TOTAL SHAREHOLDERS' EQUITY		<u>1,478,598,053</u>	<u>1,387,092,711</u>
LIABILITIES			
Non-current liabilities			
Long-term loans	(28)	562,617,539	482,835,675
Employees' termination benefits	(25)	56,204,516	50,100,456
Government grants	(26)	151,971,803	152,968,224
		<u>770,793,858</u>	<u>685,904,355</u>
Current liabilities			
Trade payables	(22)	46,462,018	34,223,366
Accrued expenses and other liabilities	(23)	64,639,760	39,400,394
Amounts due to related parties	(18)	-	262,829
Long-term loans	(27)	97,177,750	47,457,250
Government grants	(26)	7,613,597	6,766,670
Dividends payable	(24)	287,735	90,116,478
Zakat payable	(29)	14,911,281	12,103,152
Contracts liabilities	(7)	3,707,730	-
		<u>234,799,871</u>	<u>230,330,139</u>
TOTAL LIABILITIES		<u>1,005,593,729</u>	<u>916,234,494</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>2,484,191,782</u>	<u>2,303,327,205</u>

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

As at 31 December 2018

	Share Capital		Statutory Reserve		Retained Earnings		Total Shareholders' Equity	
	SAR		SAR		SAR		SAR	
As at January 1, 2017	1,200,000,000		22,060,800		147,586,827		1,369,647,627	
Net profit for the year	-		-		107,964,805		107,964,805	
Other comprehensive loss	-		-		(519,721)		(519,721)	
Total comprehensive income	-		-		107,445,084		107,445,084	
Transfer to statutory reserve (note 21)	-		10,796,481		(10,796,481)		-	
Dividends (note 24)	-		-		(90,000,000)		(90,000,000)	
As at December 31, 2017	1,200,000,000		32,857,281		154,235,430		1,387,092,711	
As at January 1, 2018	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 year	-		-		89,814,373		89,814,373	
Other comprehensive income	-		-		3,225,038		3,225,038	
Total comprehensive income	-		-		93,039,411		93,039,411	
Transfer to statutory reserve (note 21)	-		8,981,437		(8,981,437)		-	
As at December 31, 2018	1,200,000,000		41,838,718		236,759,335		1,478,598,053	

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 SAR	2017 SAR
OPERATING ACTIVITIES			
Net profit before Zakat		104,723,092	123,015,282
Adjustments to reconcile net profit before Zakat to net cash flow:			
Depreciation of property and equipment	(13)	88,433,165	53,042,595
Expected credit loss (2017: provision for doubtful debts)	(16)	521,945	848,461
Contract liability provided during the period		12,223,438	-
Finance charges		33,416,223	19,567,148
Government grants release	(26)	(6,591,330)	(3,658,693)
Current services cost of employees' termination benefits	(25)	13,758,817	14,650,590
		<u>246,485,350</u>	<u>207,465,383</u>
Working capital adjustments:			
Trade receivables		(193,973,352)	179,758,875
Contracts assets		(7,260,696)	-
Inventories		(20,546,114)	2,382,827
Net changes in related parties		(6,301,082)	(309,590)
Prepayments and other assets		(19,910,441)	(30,828,311)
Trade payables		(27,414,352)	(3,552,271)
Accrued expenses and other liabilities		25,122,888	(8,133,525)
Contracts liabilities		(8,515,708)	-
		<u>(12,313,507)</u>	<u>346,783,388</u>
Employees' termination benefits paid	(25)	(7,595,006)	(5,656,042)
Finance charges paid		(20,094,838)	(15,776,704)
Zakat paid	(29)	(12,100,590)	(15,212,195)
NET CASH (USED IN) RESULTED FROM OPERATING ACTIVITIES		<u>(52,103,941)</u>	<u>310,138,447</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	(13)	(78,012,650)	(196,562,154)
Cash receipt at acquisition date		8,440,543	-
Investment in subsidiaries	(14)	(48,000,000)	-
NET CASH USED IN INVESTING ACTIVITIES		<u>(117,572,107)</u>	<u>(196,562,154)</u>
FINANCING ACTIVITIES			
Proceeds from bank borrowings		219,316,341	321,469,726
Received government grants		6,441,836	34,622,616
Repayment of bank and government borrowings		(100,782,027)	(304,000,000)
Dividends paid	(24)	(89,712,265)	-
NET CASH RESULTED FROM FINANCING ACTIVITIES		<u>35,263,885</u>	<u>52,092,342</u>
Net changes in cash and cash equivalents		<u>(134,412,163)</u>	<u>165,668,635</u>
Cash and cash equivalents at the beginning of the year		178,275,301	12,606,666
CASH AND CASH EQUIVALENTS AT DECEMBER 31		<u>43,863,138</u>	<u>178,275,301</u>
Supplementary information for non-cash transactions			
Impact of adopted IFRS 9		1,534,069	-
Dividends payable		-	90,000,000
Loans' interest capitalized to property and equipment		-	3,677,600

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 2018	Ownership Interest 2017
Medical Support Services Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	100%	-
Pharmaceutical Services 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	1010374269	Riyadh	Active
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh	Active
Maintenance & Operations	1010374273	Riyadh	No activity

Going concern

The Board of Directors has made an assessment of the Group’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future for a period of at least 12 months from the approval of the consolidated financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and regulations adopted by the Saudi Organization for Certified Public Accountants.

The consolidated financial statements have been prepared on the historical cost basis except for the defined employee benefit obligations that have been assessed actuarially as described in the accounting policies.

The consolidated financial statements are presented in Saudi Riyals, which is the functional currency of the Group.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below; these policies have been consistently applied to all years presented, unless otherwise stated all figures are rounded to the nearest Riyal, unless otherwise noted.

3. Basis of Consolidation

These consolidated financial statements comprising the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity, consolidated statement of cash flows and notes to the consolidated 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 consolidated 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. Accounting policies

4.1 Current versus Non-current classification

The Group presents its assets and liabilities in the consolidated statement of financial position based on a current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current assets.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within 12 months after the reporting period; or
- When there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting policies - *continued*

4.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or the liability.

The principal or the most advantageous market must be accessible by The Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, The Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.3 Shareholder's equity

The Company has issued ordinary shares that are classified as equity. The difference between the issue price and the par value of an ordinary share is allocated to share premium. The transaction costs incurred for the share issue are accounted for as a deduction from share premium to the extent they are incremental costs directly attributable to the share issue that would otherwise have been avoided.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting policies - *continued*

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

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

IFRS 15 Revenue from contracts with Customers

The Group has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported for comparative periods under IAS 18. The details of accounting policies under IAS 18 are disclosed separately if they are different from those under IFRS 15 and impact of changes is disclosed in Note (4.7).

IFRS 9 Financial instruments

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

The details of accounting policies under IAS 39 are disclosed separately if they are different from those under IFRS 9 and impact of changes is disclosed in Note (4.7).

4.5 Revenue accounting policy

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting Policies - *continued*

Revenue accounting policy - *continued*

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

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

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

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

Significant accounting judgements and estimates

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

(a) Medical services

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

Under IFRS 15, the Group assessed that there is only one performance obligation in a contract for bundled medical services, because the transferred services are not capable of being distinct.

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

(b) Pharmaceutical products

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

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

(c) Volume discounts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting Policies - *continued*

(d) Medical claims objections

The objections of medical claims are estimated from customers based on the Company's past experience and are recognized against revenue earned during the year. These estimates are subsequently adjusted to the actual settlement with the customers

Financial instruments accounting policy

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

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

4.6 Financial assets

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

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

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

(a) *Financial assets classified as amortized cost*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting Policies - *continued*

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

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

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

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

(b) *Financial assets designated as FVOCI with recycling*

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

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

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

(c) *Financial assets classified as FVPL*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting Policies - *continued*

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

Commission income on debt instruments as at FVPL is included in the consolidated statement of profit or loss.

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

(d) Investment in equity instruments designated as FVOCI

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

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

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

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

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

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

Impairment of financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting Policies - *continued*

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

Measurement and recognition of expected credit losses

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

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting Policies - *continued*

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

Derecognition of financial liabilities

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

4.7 Changes in accounting policy

a) IFRS 9 financial instruments

Reclassification from loans and receivables to financial assets at amortized cost

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

Measurement of financial instruments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting Policies - *continued*

4.7 Changes in accounting policy - *continued*

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

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

The impact of the change in impairment methodology on the group's equity is SAR 1,534,069. The impact on consolidated statement of profit or loss for the year ended 31 Dec 2018, resulted in increase in administrative expenses amounting to SAR 521,945.

b) IFRS 15 Revenue from contracts with customers

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

Under IFRS 15, any earned consideration that is conditional should be recognized as a contract asset rather than receivable. Therefore, upon adoption of IFRS 15, the Group made reclassifications from receivable to Contract assets amounting to SAR 7,260,696 as at 31 Dec 2018.

The Group provides retrospective volume and accelerated payment discounts to its customers on all products purchased by the customer once the conditions defined in the contracts are met during the period specified in the contract. The discount amounts are offset against amounts receivable from costumers on subsequent purchases.

The above change in accounting policy has resulted in adjustment of SAR 3,707,730 in the current period net profit and in recognition of the same amount as contract liabilities.

Under IAS 18, the provision for medical claims objections was recognized under administrative expenses for the year ended December 31, 2017. The impact of this change under IFRS 15 is that revenue is decreased with the amount of provision for medical claims objections.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4.8 Impact on the consolidated financial statements

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

Consolidated statement of financial position as at 31 December 2018

	Balances without adoption of IFRS 15 and IFRS 9 SAR	Adjustments SAR	As reported SAR
Assets:			
Non-current assets			
Property and equipment	1,787,329,134	-	1,787,329,134
Goodwill	31,450,120	-	31,450,120
	<u>1,818,779,254</u>	<u>-</u>	<u>1,818,779,254</u>
Current assets:			
Inventories	51,299,797	-	51,299,797
Trade receivables	479,702,879	(2,056,013)	477,646,866
Prepayments and other assets	84,454,498	-	84,454,498
Contracts Assets	7,260,696	-	7,260,696
Amounts due from related parties	887,533	-	887,533
Cash and cash equivalents	43,863,138	-	43,863,138
	<u>667,468,541</u>	<u>(2,056,013)</u>	<u>665,412,528</u>
Total assets	<u>2,486,247,795</u>	<u>(2,056,013)</u>	<u>2,484,191,782</u>
Shareholders' Equity and Liabilities			
Shareholders' Equity:			
Share capital	1,200,000,000	-	1,200,000,000
Statutory reserve	41,838,718	-	41,838,718
Retained earnings	242,523,078	(5,763,743)	236,759,335
Total Shareholders' Equity	<u>1,484,361,796</u>	<u>(5,763,743)</u>	<u>1,478,598,053</u>
Non-current liabilities:			
Long-term loans	562,617,539	-	562,617,539
Employees' termination benefits	56,204,516	-	56,204,516
Government grants	151,971,803	-	151,971,803
	<u>770,793,858</u>	<u>-</u>	<u>770,793,858</u>
Current liabilities:			
Trade payables	46,462,018	-	46,462,018
Accrued expenses and other liabilities	64,639,760	-	64,639,760
Long term loans	97,177,750	-	97,177,750
Government grants	7,613,597	-	7,613,597
Dividends payable	287,735	-	287,735
Zakat payable	14,911,281	-	14,911,281
Contracts liabilities	-	3,707,730	3,707,730
	<u>231,092,141</u>	<u>3,707,730</u>	<u>234,799,871</u>
Total liabilities	<u>1,001,885,999</u>	<u>3,707,730</u>	<u>1,005,593,729</u>
Shareholders' Equity and Total liabilities	<u>2,486,247,795</u>	<u>(2,056,013)</u>	<u>2,484,191,782</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting Policies - continued

4.8 Impact on the consolidated financial statements - continued

Consolidated statement of profit or loss for the year ended 31 December 2018

	Balances without adoption of IFRS 15 and IFRS 9 SAR	Adjustments SAR	As reported SAR
Revenue	957,188,173	(63,591,438)	893,596,735
Cost of revenue	(648,985,941)	-	(648,985,941)
Gross profit	<u>308,202,232</u>	<u>(63,591,438)</u>	<u>244,610,794</u>
Administrative expenses	(176,701,748)	59,361,764	(117,339,984)
Other operating income	<u>10,868,505</u>	<u>-</u>	<u>10,868,505</u>
Operating profit	142,368,989	(4,229,674)	138,139,315
Finance charges	<u>(33,416,223)</u>	<u>-</u>	<u>(33,416,223)</u>
Net profit before zakat	108,952,766	(4,229,674)	104,723,092
Zakat	<u>(14,908,719)</u>	<u>-</u>	<u>(14,908,719)</u>
Net profit for the year	<u>94,044,047</u>	<u>(4,229,674)</u>	<u>89,814,373</u>

4.9 Cost of Revenue

Cost of Revenue represents expenses directly related to the generation of revenue, including but not limited to salaries and benefits, materials and supplies, utilities and other direct costs.

4.10 Administrative expenses

Administrative expenses include indirect costs not specifically part of cost of revenue. Allocations between administrative expenses and cost of revenue, when required, are made on a consistent basis.

4.11 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is the local and functional currency in Saudi Arabia.

Transactions in foreign currencies are initially recorded by the Group at their market exchange rate against the functional currency at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting policies - *continued*

4.12 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

The Group has received interest free loans from Ministry of Health with a condition to use the proceeds only for the purpose of construction of the hospital buildings. The difference between the initial carrying value of the loan (its fair value) and the proceeds received is treated as a government grant. The grant income is deferred and subsequently released in the statement of profit or loss for the same period as the depreciation of the relevant asset.

4.13 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is calculated on all property and equipment other than land and capital work in progress, at the following rates calculated to write off the cost of each asset on a straight line basis over its expected useful life:

- Building 33 years.
- Equipment and tools 10 to 20 years.
- Furniture, fixtures and office equipment 4 to 10 years.
- Vehicles 4 years.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Capital work in progress is stated at cost and is not depreciated. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of profit or loss as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use and the forecast timing of disposal.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting policies - *continued*

4.14 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in Consolidated Statement of Profit or Loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting policies - *continued*

4.16 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Group as a lessee

Finance leases 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. Finance charges are recognized in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

The Group as a lessor

Leases in which The Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term under other operating income as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

4.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalized during idle periods.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in Consolidated Statement of Other Comprehensive Income and released to Consolidated Statement of Profit or Loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in Consolidated Statement of Profit or Loss in the period in which they are incurred.

4.18 Pre-operating expenses

Pre-operating expenses are the expenses incurred prior to the start of operations of a new business unit. These expenses are recognized in the consolidated statement of profit or loss in the period in which they occur.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting policies - *continued*

4.19 Inventories

Inventories are measured at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are determined on a weighted average basis. Net realizable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Rebates from Suppliers

The Pharmacy segment receives rebates in the ordinary course of business from a number of its suppliers of pharmaceutical products, in accordance with contractual arrangements in place with specific suppliers. Rebates are accounted for once approval has been received from the supplier following the negotiations which have taken place with them. Rebates receivable are accounted for as a deduction from the cost of purchasing pharmaceutical goods, once the rebate has been approved by the supplier. When rebates have been agreed in advance, for example when it has been agreed that a certain rebate will be applied to the purchase of specific goods for a set period of time rather than just to a specific one off purchase, then the rebate is recognized as a reduction in the purchase price as soon as the goods are purchased. When rebates are offered based upon the volume purchased and it is probable that the rebate will be earned and the amount can be estimated reliably, then the discount is recognized as a reduction in the purchase price when the goods are purchased and the assessment is reviewed on an ongoing basis. Rebates receivable are accounted for on a net basis, being set off against the accounts payables to which they relate, as they are a reduction in the amount owed to suppliers in respect of pharmaceutical products purchased.

4.20 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of preparing the consolidated financial statements, cash flows, cash and cash equivalents consist of cash in hand and at banks and other short-term liquid investments, if any, with original maturities of 3 months or less from purchase date.

4.21 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Accounting policies - *continued*

4.22 Employees' termination benefits

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements for actuarial gains and losses are recognized immediately in the consolidated statement of financial position with a corresponding credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service cost are recognized in consolidated statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Group recognizes related restructuring costs

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under administrative expenses)
- Net special commission expense or income (under borrowing facility cost and charges)

4.23 Zakat

The Group is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat provision is estimated and charged to the consolidated statement of profit or loss. Any difference in the estimations is recorded when the final assessment is approved at which time the provision is adjusted. On the finalization of Zakat assessment, additional Zakat due will be accounted for in the year in which the assessment is finalized.

4.24 Trade payables and accruals

Liabilities are recognized for amounts to be paid in the future for goods and services received whether billed by the supplier or not. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. Significant accounting judgments, estimates, and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Defined benefit plans

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the last five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. Significant accounting judgments, estimates, and assumptions - continued

Provision of expected credit loss

The expected credit loss provision is determined by reference to a combination of factors to ensure that financial assets are not overpriced due to the probability that they will not be collected, including their quality, age, credit rating and collateral. Economic data and indicators are also taken into account.

Expected claim's objections

The Group depend on the estimation of expected objections to its past experience with each individual client. To anticipate these objections, the Group measures the extent to which customers accept the services and medical goods provided and uses assumptions based on the latest objections to claims and direct negotiations with customers as well as reliance on data available in the market and in similar companies.

Provision of slow moving inventory

Inventories are stated at the lower of cost and net realizable value. Adjustments are made to reduce the cost of inventories to net recoverable amount, if necessary.

Influencing factors includes changes in inventory demand, technological changes, deterioration of quality and other quality matters. Accordingly, the Group considers these factors and takes them into account to calculate the provision of idle stock and slow movement. Any adjustments that may result from the difference in these factors are periodically reviewed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Segment Information

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

The following are selected financial information as at 31 December 2018 and 2017 by business segment:

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

- Pharmaceuticals and pharmaceutical supplies selling segment.

	Medical Services		Pharmaceuticals Sales		Total	
	2018	2017	2018	2017	2018	2017
	SAR	SAR	SAR	SAR	SAR	SAR
31 Dec						
Revenue	580,130,362	590,844,145	313,466,373	117,780,308	893,596,735	708,624,453
Gross Profit	145,163,863	202,446,350	99,446,931	36,713,028	244,610,794	239,159,378
Depreciation	85,951,080	51,202,892	2,482,085	1,839,703	88,433,165	53,042,595
Net profit	21,347,752	91,037,724	68,466,621	16,927,081	89,814,373	107,964,805
	Medical Services		Pharmaceuticals Sales		Total	
31 Dec	2018	2017	2018	2017	2018	2017
	SAR	SAR	SAR	SAR	SAR	SAR
Total Assets	2,252,713,645	2,230,041,330	231,478,137	73,285,875	2,484,191,782	2,303,327,205
Total Liabilities	978,237,753	900,531,113	27,355,976	15,703,381	1,005,593,729	916,234,494

- Net medical services revenues decreased in 2018 compared with 2017 as a result of the adoption of IFRS 9, where the provision for medical claims objections is deducted from revenues instead of being included under general and administrative expenses as in 2017. Note: The branch of the Nuzha Hospital was operated on 13 February 2018.

- The net profit of the pharmaceuticals and pharmaceutical supplies selling segment increased in 2018 compared to 2017 as a result of the acquisition of Medical Support Services Company Limited on February 1, 2018.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. Revenue streams

	2018 SAR	2017 SAR
Medical services revenue	580,130,362	590,844,145
Pharmaceuticals sale revenue	313,466,373	117,780,308
	<u>893,596,735</u>	<u>708,624,453</u>

Timing of revenue recognition:

Products and services transferred at a point in time	518,496,420	322,553,018
Products and services transferred over time	375,100,315	386,071,435
	<u>893,596,735</u>	<u>708,624,453</u>

Contracts Balances

	Contracts assets	Contracts liabilities
Balance at 1 January 2018	-	-
Transferred from trade receivables at January 1, 2018	340,087	-
Contracts assets generated during the year	82,400,327	-
Transferred from contracts assets to trade receivables	(75,479,718)	-
Contracts liabilities generated during the year	-	12,223,438
Used from contracts liabilities	-	(8,515,708)
	<u>7,260,696</u>	<u>3,707,730</u>

8. Cost of revenue

	Note	2018 SAR	2017 SAR
Salaries and related benefits		267,089,266	268,717,554
Medical costs		271,136,996	128,599,979
Depreciation	13	70,738,497	42,434,076
Utilities		19,593,423	12,061,141
Rents		9,957,828	7,619,505
Repairs and maintenance		5,993,917	7,108,518
Others		4,476,014	2,924,302
		<u>648,985,941</u>	<u>469,465,075</u>

9. Administrative expenses

	Note	2018 SAR	2017 SAR
Salaries and related benefits		69,114,624	45,362,892
Estimated claims objections during the year	4.7	-	38,420,904
Depreciation	13	17,694,668	10,608,519
Repairs and maintenance		13,222,419	2,293,622
Rents		2,614,169	1,904,876
Fuel		1,395,577	2,455,034
Insurance		1,318,914	1,817,482
ECL (2017: Provision for doubtful debt)		521,945	848,461
Donation		463,500	412,750
Professional services		370,476	466,000
Other		10,623,692	7,688,955
		<u>117,339,984</u>	<u>112,279,495</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. Other operating income

	2018	2017
	SAR	SAR
Government grants released	6,591,330	3,658,693
Human Resources Support Fund	1,879,267	4,339,483
Rental income	714,205	498,600
Fire Insurance indemnity	-	6,809,837
Other income	1,683,703	395,934
	<u>10,868,505</u>	<u>15,702,547</u>

11. Finance charges

	2018	2017
	SAR	SAR
Commercial banks' loans finance charges	20,115,560	12,944,119
Government's loans finance charges	10,947,328	4,898,116
Special commission cost on defined benefit plan	2,353,335	1,724,913
	<u>33,416,223</u>	<u>19,567,148</u>

12. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary share holders by the weighted average number of ordinary shares outstanding during the year. 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:

	2018	2017
	SAR	SAR
Net profit for the year	89,814,373	107,964,805
Weighted average number of ordinary shares	120,000,000	120,000,000
Basic and diluted earnings per share	<u>0.75</u>	<u>0.90</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. Property and equipment

	Land	Buildings	Equipment and tools	Furniture, fixtures and office equipment	Vehicles	Construction in progress	Total
Cost:							
At 1 January 2017	262,396,467	705,733,385	348,314,621	89,217,021	5,234,383	592,866,397	2,003,762,274
Additions	-	848,841	4,523,310	2,061,200	-	192,806,403	200,239,754
At 31 December 2017	262,396,467	706,582,226	352,837,931	91,278,221	5,234,383	785,672,800	2,204,002,028
Subsidiaries assets acquired	-	-	-	471,240	149,316	-	620,556
Additions	-	-	9,425,806	6,175,909	1,199,440	61,211,495	78,012,650
Transfers	-	604,076,977	203,904,089	32,973,044	936,000	(841,890,110)	-
At 31 December 2018	262,396,467	1,310,659,203	566,167,826	130,898,414	7,519,139	4,994,185	2,282,635,234
Accumulated Depreciation:							
At 1 January 2017	-	168,537,011	131,531,498	49,135,666	4,009,518	-	353,213,693
Charge for the year	-	21,156,815	24,380,619	6,948,938	556,223	-	53,042,595
At 31 December 2017	-	189,693,826	155,912,117	56,084,604	4,565,741	-	406,256,288
Subsidiaries accumulated dep	-	-	-	467,332	149,315	-	616,647
Charge for the year	-	36,859,255	39,718,295	11,084,620	770,995	-	88,433,165
At 31 December 2018	-	226,553,081	195,630,412	67,636,556	5,486,051	-	495,306,100
Net book value:							
At 31 December 2018	262,396,467	1,084,106,122	370,537,414	63,261,858	2,033,088	4,994,185	1,787,329,134
At 31 December 2017	262,396,467	516,888,400	196,925,814	35,193,617	668,642	785,672,800	1,797,745,740

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. Property and equipment *continued*

Land and buildings

Land and buildings illustrated above basically include a part of lands with a value of SR 152.5 million and a part of buildings with a value of SR 1084.7 million pledged as a collateral for a long-term loans from the Ministry of Finance to fund part of the construction of the new hospital in Al-Suwaidi area and its housing compound in addition to the construction of the new hospital in Al-Nuzha area. (Note 28-1).

Construction in progress

The Group started the construction of Nuzha hospital project in 2012. This project was completed in February 2018. The carrying amount of the hospital project, including the land of the project, at 31 December 2018 was SR 868 million. The project was transferred from construction in progress to 'property and equipment' categories upon opening the hospital in Feb 2018.

The construction in progress is financed through the Initial Public Offering "IPO" proceeds, loan from Ministry of Finance and loans from local commercial banks. No borrowing costs capitalized during the year ended 31 December 2018 (31 December 2017: SR 5.8 million). The rate used to determine the amount of borrowing costs eligible for capitalization was 2.95%, which is the effective interest rate of the specific borrowing.

In the opinion of management, there has been no impairment in the carrying value of the Group's property and equipment as at 31 December 2018 (31 December 2017: SR Null).

The allocation of depreciation expenses between cost of revenue and administrative expenses is as follows:

	2018	2017
	SAR	SAR
Cost of revenue	70,738,497	42,434,076
Administrative expenses	17,694,668	10,608,519
31 December	<u>88,433,165</u>	<u>53,042,595</u>

14. Goodwill

A) Carrying value of goodwill

	Note	2018
		SAR
<u>Cost</u>		
Balance at 1 January 2018		-
Acquisition through business combinations	(33.C)	<u>31,450,120</u>
Balance at 31 December 2018		<u>31,450,120</u>
<u>Accumulated impairment losses</u>		
Balance at 1 January 2018		-
Impairment losses		<u>-</u>
Balance at 31 December 2018		<u>-</u>
Net book value		<u>31,450,120</u>

B) Impairment test:

The recoverable amount of this Pharmaceutical Services Company Limited was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. Goodwill - continued

B) Impairment test – continued

The values assigned to the key assumptions represent management's assessment of future trends in the relevant healthcare activity and have additionally been based on historical data from both external and internal sources.

<i>In percent</i>	2018
Discount rate	16.00%
Terminal value growth rate	3.00%
Budgeted EBITDA growth rate (average of next five years)	14.00%

The discount rate was estimated based on the historical industry weighted average cost of capital, with a possible debt leveraging of 30% at a market interest rate of 7%.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter with a specific growth for the years 2019 and 2020, respectively, due to the recent awarded government contract. The terminal growth rate was determined based on the actual Kingdom of Saudi Arabia's GDP growth rate for the last 30 years.

The estimated recoverable amount of the Pharmaceutical Services Company Limited exceeded its carrying amount by approximately Saudi Riyal 79.8 million, therefore there is no impairment in the carrying amount of the goodwill.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. Inventories

	2018 SAR	2017 SAR
Pharmaceuticals and cosmetics	29,195,120	10,933,762
Medical tools and consumables	19,969,033	16,288,866
Non-medical tools and supplies	1,913,554	2,238,114
Spare parts and consumables not for sale	222,090	260,947
	<u>51,299,797</u>	<u>29,721,689</u>

16. Trade receivables

	2018 SAR	2017 SAR
Trade receivables – billed	499,178,622	284,362,133
Trade receivables not yet billed	-	340,087
	<u>499,178,622</u>	<u>284,702,220</u>
Provision for doubtful debts	<u>(21,531,756)</u>	<u>(34,839,047)</u>
	<u>477,646,866</u>	<u>249,863,173</u>

	<i>Total</i> SAR	<i>Neither past due nor impaired</i> SAR	<i>30 - 60 days</i> SAR	<i>61 - 90 days</i> SAR	<i>91 - 360 days</i> SAR	<i>More than 360 days</i> SAR
31 December 2018	499,178,622	80,791,823	54,817,388	52,320,551	216,416,667	94,832,193
31 December 2017	284.362.133	72.397.675	33.867.074	28.294.316	142.877.314	6.925.754

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 31 December 2018, approximately 97% of the Group's trade receivables' balance was due from various governmental and insurance entities (31 December 2017: 96%).

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 doubtful debts is as follows:

	2018	2017
1 January	34,839,047	42,422,106
Impact of IFRS 15 on 1 Jan 2018	(15,450,305)	-
Impact of IFRS 9 on 1 Jan 2018	1,534,069	-
Additions of doubtful debt provision during the year	-	848,461
ECL results from adopting IFRS 9	521,945	-
Transferred provision from subsidiaries	87,000	-
Net claims objections during the year	-	(8,431,520)
31 December	<u>21,531,756</u>	<u>34,839,047</u>

The provision balance as of 31 December 2017, include amount of SR 15,450,305, represents the estimated claims objections related to earned revenue from contracts with insurance companies, that had been reclassified to be deducted from trade receivable as result of adopting IFRS 15 at 1 January 2018.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. Prepayments and other assets

	2018	2017
	SAR	SAR
Advances to suppliers	66,932,270	37,280,343
Margin of L/G and L/C	7,225,431	1,227,917
Prepaid rents, medical insurance and visa	7,078,152	5,965,721
Advances to employees	3,011,487	2,573,130
Recoverable deposits	118,795	227,457
Other	88,363	57,454
	<u>84,454,498</u>	<u>47,332,022</u>

18. Related party transactions and balances

The Group in the normal course of business carries on business with other enterprises and individuals that fall within the definition of a related party contained in IFRS. These transactions are carried out in normal course of the business and are measured at exchange amounts, being the amounts agreed by both parties. The transactions are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Null). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

During the ordinary course of business, the Group engaged in several significant transactions with related parties (i.e., major shareholders of the Group) as illustrated below:

	2018	2017
	SAR	SAR
Completed works for capital work in progress from a construction company owned by a shareholder	52,384,624	192,255,936
Compensation to key management personnel	5,082,593	5,168,993
Purchases from a company owned by a shareholder	571,903	3,226,113
Rental expense paid to relatives of shareholders	630,000	630,000
Clinical services rendered to shareholders	887,533	389,279
Rental expense paid to shareholders	8,239,000	4,547,000

Significant year-end balances from transactions with related parties are as follows:

	2018	2017
	SAR	SAR
Main shareholders	<u>887,533</u>	<u>389,280</u>
Amounts due from related parties	<u>887,533</u>	<u>389,280</u>

	2018	2017
	SAR	SAR
Main shareholders	<u>-</u>	<u>262,829</u>
Amounts due to related parties	<u>-</u>	<u>262,829</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. Cash and cash equivalents

	2018	2017
	SAR	SAR
Cash in hand	553,273	753,495
Cash at banks	<u>43,309,865</u>	<u>177,521,806</u>
	<u>43,863,138</u>	<u>178,275,301</u>

20. 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 (2017: SR 1,200,000,000).

21. Statutory reserve

In accordance with Saudi Regulations for Companies and the Company's By-Laws, 10% of the annual net income is required to be transferred to a statutory reserve until its reserve equals 30% of the capital. This statutory reserve is not available for distribution to shareholders currently. During the year ended December 31, 2018 an amount of Saudi Riyals 8.981.437, (31 December 2017: SAR 10,796,481), was transferred to the statutory reserve in accordance with Article No. 98 of Saudi Regulations for Companies.

22. Trade payable

	2018	2017
	SAR	SAR
Medicines and medical supplies vendors	37,350,234	26,123,671
Admin and non-medical supplies vendors	2,045,386	2,772,620
Food and beverage vendors	1,627,079	734,748
Spare parts vendors	468,553	767,723
Others	<u>4,970,766</u>	<u>3,824,604</u>
	<u>46,462,018</u>	<u>34,223,366</u>

23. Accrued expenses and other liabilities

	2018	2017
	SAR	SAR
Retentions	47,264,602	21,252,652
Accrued expenses	14,996,569	18,094,002
Others	<u>2,378,589</u>	<u>53,740</u>
	<u>64,639,760</u>	<u>39,400,394</u>

24. Dividends

At its Ordinary Meeting held on 8 Rabea II 1439H (corresponding to 26 December 2017), the Company's Ordinary General Assembly Meeting approved the recommendation of the Board of Directors on its meeting held on 22 Rabea Awal (corresponding to 10 December 2017) to distribute a cash dividend of SR 90 million for 2017 at 0.75 riyals (75 halalas) per share.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. 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:

	2018	2017
	SAR	SAR
Present value of defined benefit obligation	56,204,516	50,100,456

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

	2018	2017
	SAR	SAR
Current service cost	13,758,817	12,925,677
Special commission cost	2,353,335	1,724,913
Benefit expense	16,112,152	14,650,590

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

	2018	2017
	SAR	SAR
Present value of defined benefit obligation at beginning of the year	50,100,456	40,586,187
Transferred from subsidiaries	811,952	-
Charge recognized in consolidated statement of profit or loss:		
Current service cost	13,758,817	12,925,677
Special commission cost	2,353,335	1,724,913
Actuarial (Gain) loss on defined benefit plan recognized in the consolidated statement of comprehensive income	(3,225,038)	519,721
Benefits paid during the year	(7,595,006)	(5,656,042)
Present value of defined benefit obligation at end of the year	56,204,516	50,100,456

d) Principal actuarial assumptions:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. Government grants

	2018	2017
	SAR	SAR
At 1 January	159,734,894	128,770,971
Received during the year	6,441,836	34,622,616
Government grants released	(6,591,330)	(3,658,693)
At 31 December	159,585,400	159,734,894
	2018	2017
	SAR	SAR
Current	7,613,597	6,766,670
Non-current	151,971,803	152,968,224
	159,585,400	159,734,894

- 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.

27. Commitments and contingencies

Operating lease commitments – the Group as a lessee

The Group has entered into commercial leases on housing accommodation. The lease terms are between 2016 and 2018 years. The Group has the option, under some of its leases, to lease the assets for additional terms of 2019 to 2021 years. Future rental payments (rentals payable) under non-cancellable operating leases are:

	2018	2017
	Million SR	Million SR
2018	-	13.1
2019	10.9	10.9
2020	11.4	-

Operating lease commitments – the Group as a lessor

The Group has entered into contractual arrangements whereby it provides certain trademarks a particular space within its premises for pre-specified rental payments. These agreements take the form of an operating lease that include contingent rents to be recognized as income during the period. Future rentals receivable under non-cancellable operating leases are:

	2018	2017
	SAR	SAR
Within one year	455,000	498,600
After one year but not more than five years	1,820,000	6,248,000
More than five years	2,275,000	7,810,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. Long-term loans

	2018	2017
	SAR	SAR
Loans from Ministry of Finance	220,625,012	208,690,848
Loans from commercial banks	439,170,277	321,602,077
	659,795,289	530,292,925
Current portion	97,177,750	47,457,250
Non-current portion	562,617,539	482,835,675

28.1 Loans from Ministry of finance

On 11 September 2013, The Group obtained a loan from the Ministry of Finance to fund part of the construction of the new hospital in Al-Suwaidi area and the purchase of the indispensable medical and non-medical equipment. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. The value of the loan is 149.1 million SR. The Group has utilized it in full as at 31 December 2017. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date.

On 26 January 2015, the Group signed another financing agreement with the Ministry of Finance to fund the building of the housing compound related to Al-Suwaidi Hospital project. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. The value of the loan is SR 27.5 million of which the Group has utilized it in full as at 31 December 2017. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date.

On 20 July 2015, the Group signed a third financing agreement with the Ministry of Finance to fund part of the construction and furnishing costs of the hospital in Al-Nuzha area. This loan qualifies to be considered as government grant because the Ministry of Finance represent a governmental body and provides the Group with a zero interest loan. This loan amounted SR 197.6 million and the Group has utilized it in full as at 31 December 2018. This loan is in Saudi Riyals without any financing commissions and is collateralized by a mortgage of the project land and building. The loan is to be repaid over twenty equal annual installments after a grace period of five years of contract date.

28.2 Loans from commercial banks

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

	2018	2017
	SAR	SAR
2018	-	40,000,000
2019	88,345,500	144,000,000
2020	138,324,777	133,102,077
2021	100,000,000	4,500,000
2022	100,000,000	-
2023	12,500,000	-
	439,170,277	321,602,077

No finance charges were capitalized during the year ended 31 December 2018 (31 December 2017: SR 5.8 million). Finance expense charged for the year amounted to SR 33.4 million (31 December 2017: SR 19.6 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. Zakat

	2018	2017
	SAR	SAR
Balance as at January 1	12,103,152	12,264,870
Provision for the year	14,908,719	12,103,152
Adjustments related to prior years	-	2,947,325
Payments during the year	(12,100,590)	(15,212,195)
Balance as at December 31	14,911,281	12,103,152

Status of final assessment (as at 31 December 2018):

The Group has filed zakat returns on the basis of its own financial statements with the GAZT for all years up to 31 December 2017. Al Hammadi Company has obtained final zakat assessments from GAZT for all years through the year ended 31 December 2012.

30. 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 31 December 2018 (31 December 2017).

Fair value and cash flow interest rate risks

The exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group monitors the

commission rate fluctuations on a continuous basis and acts accordingly. The Group's commission rates principally relate to its borrowings and are subject to change on periodic basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

30. Financial assets and financial liabilities - continued

Price Risk

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

Credit Risk

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

Liquidity Risk

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

31. Standards issued but not yet effective

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

IFRS 16 Leases

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

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

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

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

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17.

Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

31. Standards issued but not yet effective - continued

Others:

Management believes that the adoption of these standards, amendments and improvements will not have a material impact on the consolidated financial statements of the Group in future periods.

Amendments to IFRS (9) “Financial Instruments” related to Prepayment Features with Negative Compensation (Effective date 1 January 2019).

Amendments to IAS (28) “Investments in Associates and Joint Ventures” related to Long-term Investments in Associates and Joint Ventures (Effective date 1 January 2019).

Amendments to IAS (19) “Employee Benefits” related to Plan Amendment, Curtailment or Settlement (Effective date 1 January 2019).

Improvement to IFRS (11) “Joint Arrangements” related to Previously Held Interests in a joint operation (Effective date 1 January 2019).

Improvement to IAS (12) “Income Taxes” related to Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Effective date 1 January 2019).

Improvement to IAS (23) “Borrowing Costs” related to Borrowing Costs Eligible for Capitalization (Effective date 1 January 2019).

IFRS (17) “Insurance Contracts” (Effective date 1 January 2021).

IFRIC (23) “Uncertainty over Income Tax Treatments” (Effective date 1 January 2019).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation in the current year, to enhance the comparability of information and to be more appropriate for users of consolidated financial statements, as follow:

<u>(As at 31 December 2017)</u>		<u>Impact of reclassification</u>		
<u>Statements of financial position</u>	Note 32-1	As previously reported	Re-classification	As reclassified
Trade receivables	(a)	252,436,303	(2,573,130)	249,863,173
Prepayments and other assets	(a)	44,758,892	2,573,130	47,332,022
Long-term loans	(b,c)	477,306,380	5,529,295	482,835,675
Government grants	(b,c)	168,769,038	(15,800,814)	152,968,224
Accrued expenses and other liabilities	(d)	39,516,872	(116,478)	39,400,394
Dividends payable	(d)	90,000,000	116,478	90,116,478
Long-term loans – current portion	(c)	40,000,000	7,457,250	47,457,250
Government grants – current portion	(c)	3,952,401	2,814,269	6,766,670
<u>Statement of profit or loss</u>		As previously reported	Adjustments	As restated
Cost of revenue	(e)	(449,671,809)	(19,793,266)	(469,465,075)
Administrative expenses	(e,f)	(127,733,278)	15,453,783	(112,279,495)
Other operating income	(f)	11,363,064	4,339,483	15,702,547

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. Comparative Figures - *continued*

32.1 Comparative figures notes

- a) Reclassification of employees' receivables amounting to SR 2,573,130 from trade receivables to prepaid expenses and other assets, to conform with the presentation in the current year.
- b) Reclassification of SR 12,986,545 from government grants to long term loans according to the maturity dates of these loan installments, to conform with the presentation in the current year.
- c) Reclassified the outstanding portion of the long-term loans and long-term government grants to long-term loans and government grants in the current liabilities section in the amount of SR 7,457,250 and SR 2,814,269 respectively, according to the maturity dates of these loan installments.
- d) Reclassified SR 116,478 from accrued expenses and other liabilities to dividends payable, to conform with the presentation in the current year.
- e) Reclassification of SAR 19,793,266 from administrative expenses to cost of revenues, which is part of the employee benefit and rental expenses, consistent with the distribution between administrative expenses and income costs for the current year.
- f) Reclassification of transfers received from the Human Resources Support Fund amounting to SR 4,339,483, which was deducted from administrative expenses to be classified under other operating income, to conform with the presentation in the current year.

33. Acquisition of subsidiary

On 31 January 2018, the Company acquired 100% of the voting interests to Medical Support Services Company. As a result, the company obtained the control of Medical Support Services Company and its subsidiary (Pharmaceutical Services Company Limited).

Taking control of Medical Support Services Company will enable the Group to penetrate and consolidate its position in pharmaceutical products market.

For the year ended 31 December 2018, Medical Support Services Company contributed revenue of SR 183,411,485 and profit of 52,154,462 to the Group results.

A. Consideration transferred

The fair value of consideration transferred at the acquisition date amounted SAR 48 million represented in transferred cash.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. Acquisition of subsidiary - continued

B. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Note	2018 SAR
Property and equipment	(13)	3,909
Inventories		1,031,994
Trade receivables		33,293,225
Prepayments and other current assets		20,541,057
Cash and cash equivalents		8,440,543
Trade payables and other liabilities		(45,948,896)
Employees' end of service benefits	(25)	(811,952)
Total identifiable net assets acquired		<u>16,549,880</u>

C. Goodwill

Goodwill arising from the acquisition has been recognized as follows: (in Saudi Riyal)

	Note	2018 SAR
Consideration transferred	(33.a)	48,000,000
Fair value of identifiable net assets	(33.b)	(16,549,880)
Goodwill	(14.a)	<u>31,450,120</u>

34. Subsequent events

In the opinion of management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

35. Approval of the consolidated financial statements

The consolidated financial statements have been approved by the board of directors on 3 Rajab 1440H 1440H corresponding to March 10, 2019.