

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

The Condensed Consolidated Interim
Financial Statements and Review Report
For the Three Month Period Ended
31 March 2022



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting
Member Crowe Global

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Shareholders

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Al Hammadi Company for Development and Investment (the "Company")** and its subsidiaries (the **"Group"**) as at 31 March 2022, and the condensed consolidated interim statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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



AlAzem, AlSudairy, AlShaikh & Partners
for Professional Consulting


Salman B. Al-Sudairy
License No. 283

18 shawwal 1443 H (May 19, 2022)
Riyadh, Kingdom of Saudi Arabia

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

Condensed Consolidated Interim Statement of Profit or Loss
For the Three Month Period Ended 31 March 2022

	<u>Notes</u>	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 March</u> <u>2021</u> <u>(Unaudited)</u> <u>SAR</u>
Revenue	(6)	250,890,207	226,291,944
Cost of revenue		(154,812,127)	(138,885,446)
GROSS PROFIT		96,078,080	87,406,498
Selling and marketing expenses		(531,906)	(834,265)
Administrative and general expenses		(22,878,487)	(21,022,628)
Expected credit loss provision	(11)	(7,506,132)	(42,856,987)
Other operating income		4,935,775	2,239,030
OPERATING PROFIT		70,097,330	24,931,648
Company share of profit from associate		352,576	-
Finance costs		(3,490,809)	(3,824,102)
NET PROFIT BEFORE ZAKAT		66,959,097	21,107,546
Zakat expense		(5,000,000)	(3,500,000)
NET PROFIT FROM CONTIUNED OPERATIONS		61,959,097	17,607,546
Profit from discontinued operations	(7)	-	17,928,408
NET PROFIT FOR THE YEAR		61,959,097	35,535,954
Earnings per share:			
Basic and diluted profit for the year attributable to ordinary equity holders	(8)	0.52	0.30

The accompanying notes (1) to (19) form an integral part of these condensed consolidated interim financial statements



Mohammed Said Al Saafeen
Finance Manager



Mohammed Saleh Al Hammadi
Managing Director & CEO

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

Condensed Consolidated Interim Statement of Comprehensive Income
For the Three Month Period Ended 31 March 2022

	<u>Notes</u>	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 March</u> <u>2021</u> <u>(Unaudited)</u> <u>SAR</u>
NET PROFIT FOR THE YEAR		<u>61,959,097</u>	<u>35,535,954</u>
Items that will not be subsequently reclassified into profit or loss:			
Re-measurement income on defined benefit plans	(15)	<u>1,480,297</u>	<u>1,713,442</u>
Other comprehensive income for the period		<u>1,480,297</u>	<u>1,713,442</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>63,439,394</u>	<u>37,249,396</u>

The accompanying notes (1) to (19) form an integral part of these condensed consolidated interim financial statements



Mohammed Said Al Saafeen
Finance Manager



Mohammed Saleh Al Hammadi
Managing Director & CEO

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

Condensed Consolidated Interim Statement of Financial Position

As at 31 March 2022

	<u>Notes</u>	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 December</u> <u>2021</u> <u>(Audited)</u> <u>SAR</u>
<u>ASSETS</u>			
<u>Non-current assets</u>			
Property and equipment	(9)	1,526,936,189	1,546,936,349
Intangible assets and goodwill		31,173,855	32,150,289
Investment in associate		120,611,240	120,258,664
Total Non-Current Assets		1,678,721,284	1,699,345,302
<u>Current assets</u>			
Inventories		50,399,275	53,606,322
Other receivables	(10)	10,929,122	4,849,584
Prepayments		12,315,367	11,446,239
Contract Assets		6,264,794	7,390,087
Trade receivables	(11)	453,278,093	364,219,105
Cash and cash equivalents		116,489,776	120,857,509
Total current assets		649,676,427	562,368,846
TOTAL ASSETS		2,328,397,711	2,261,714,148
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	(12)	1,200,000,000	1,200,000,000
Statutory reserve		73,230,165	73,230,165
Retained earnings		401,498,466	386,059,072
TOTAL SHAREHOLDERS' EQUITY		1,674,728,631	1,659,289,237
<u>LIABILITIES</u>			
<u>Non-current liabilities</u>			
Loans	(13)	181,882,834	179,120,978
Government grants	(14)	127,528,677	129,331,720
Lease liabilities		377,131	751,627
Employees' terminal benefits	(15)	66,334,796	65,853,216
Total non-current liabilities		376,123,438	375,057,541
<u>Current liabilities</u>			
Loans	(13)	29,470,163	29,570,441
Government grants	(14)	7,312,533	7,412,889
Lease liabilities		4,466,924	7,752,599
Accrued zakat		23,347,114	18,347,114
Trade payables		57,497,205	60,968,560
Accrued expenses		20,908,742	22,699,557
Other credit balances	(16)	83,846,727	28,334,773
Contract liabilities		50,696,234	52,281,437
Total current liabilities		277,545,642	227,367,370
TOTAL LIABILITIES		653,669,080	602,424,911
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,328,397,711	2,261,714,148

The accompanying notes (1) to (19) form an integral part of these condensed consolidated interim financial statements


Mohammed Said Al Saafeen
Finance Manager


Mohammed Saleh Al Hammadi
Managing Director & CEO

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

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

For the Three Month Period ended 31 March 2022

	Notes	Share Capital		Statutory Reserve		Retained Earnings		Total Shareholders' Equity	
		SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
As at January 1, 2021 (Audited)		1,200,000,000	64,221,381	-	434,440,225	1,698,661,606			
Net profit for the period		-	-	35,535,954		35,535,954			
Other comprehensive income for the period		-	-	1,713,442		1,713,442			
Total comprehensive income for the period		-	-	37,249,396		37,249,396			
Dividends		-	-	(60,000,000)		(60,000,000)			
As at March 31, 2021 (Unaudited)		1,200,000,000	64,221,381	-	411,689,621	1,675,911,002			
As at January 1, 2022 (Audited)		1,200,000,000	73,230,165	-	386,059,072	1,659,289,237			
Net profit for the period		-	-	61,959,097		61,959,097			
Other comprehensive income for the period		-	-	1,480,297		1,480,297			
Total comprehensive income for the period		-	-	63,439,394		63,439,394			
Dividends	(16)	-	-	(48,000,000)		(48,000,000)			
As at March 31, 2022 (Unaudited)		1,200,000,000	73,230,165	-	401,498,466	1,674,728,631			

The accompanying notes (1) to (19) form an integral part of these condensed consolidated interim financial statements


Mohammed Said Al Saafeen
Finance Manager


Mohammed Saleh Al Hammadi
Managing Director & CEO

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

Condensed Consolidated Interim Statement of Cash Flows
For the Three Month Period Ended 31 March 2022

	<u>Note</u>	<u>31 March</u> <u>2022</u> <u>SAR</u> <u>(Unaudited)</u>	<u>31 March</u> <u>2021</u> <u>SAR</u> <u>(Unaudited)</u>
OPERATING ACTIVITIES			
Net profit for the period		61,959,097	35,535,954
Adjustments to reconcile net profit before Zakat to net cash flow:			
Depreciation of property and equipment and right of use assets		24,850,561	26,603,418
Amortization of intangible assets		976,434	1,034,768
Company share of profits from associate		(352,575)	-
Impairment loss on trade receivables		7,506,132	42,856,987
Government grants release	(14)	(1,903,399)	(1,903,399)
Current services cost of employees' terminal benefits	(15)	3,083,824	3,181,035
Contract liability provided during the period		14,195,000	11,308,360
Finance expenses		3,490,809	3,863,839
Zakat expense		5,000,000	3,500,000
		<u>118,805,883</u>	<u>125,980,962</u>
Working capital adjustments:			
Inventories		3,207,047	(3,349,835)
Other receivables		(6,079,539)	(17,328)
Prepayments		(869,128)	9,700,927
Contract assets		1,125,293	(1,992,897)
Net changes in related parties		(115,549)	(1,249,647)
Trade receivables		(96,560,601)	(96,153,064)
Trade payables		(3,774,297)	(7,861,952)
Accrued expenses		(1,790,815)	(1,710,475)
Other payables		7,511,954	1,833,671
Contract liability		(15,780,203)	(58,460)
		<u>5,680,045</u>	<u>25,121,902</u>
Employees' terminal benefits paid	(15)	(1,632,309)	(1,374,289)
Zakat paid		-	(945,545)
NET CASH RESULTED FROM OPERATING ACTIVITIES		<u>4,047,736</u>	<u>22,802,068</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(4,850,401)	(3,028,828)
Purchase of intangible assets		-	(255,730)
NET CASH USED IN INVESTING ACTIVITIES		<u>(4,850,401)</u>	<u>(3,284,558)</u>
FINANCING ACTIVITIES			
Proceeds from bank borrowings		-	13,183,470
Lease liabilities paid		(3,299,000)	(2,765,608)
Finance cost paid		(266,068)	(423,521)
NET CASH RESULTED FROM (USED IN) FINANCING ACTIVITIES		<u>(3,565,068)</u>	<u>9,994,341</u>
Net changes in cash and cash equivalents		(4,367,733)	29,511,851
Cash and cash equivalents at the beginning of the period		120,857,509	13,649,955
CASH AND CASH EQUIVALENTS AT MARCH, 31		<u>116,489,776</u>	<u>43,161,806</u>
Supplementary information for non-cash transactions			
Unpaid declared dividends		48,000,000	60,000,000
Right of used assets additions		-	5,738,892
Transfer from lease liabilities to trade payables		1,567,163	1,397,011

The accompanying notes (1) to (19) form an integral part of these condensed consolidated interim financial statements

Mohammed Said Al Saafeen
Finance Manager

Mohammed Saleh Al Hammadi
Managing Director & CEO

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

Notes to the Condensed Consolidated Interim Financial Statements For the Three Month Period Ended 31 March 2022

Corporate information

Al Hammadi Company for Development and Investment (the “Company”) is a Saudi joint stock company registered under Commercial Registration No. 1010196714 issued on Safar 23, 1425H (corresponding to April 13, 2004) in Riyadh. The Company’s shares are listed in Saudi Stock Exchange (Tadawul) since Ramadan 17, 1435H (corresponding to July 15, 2014).

The Company’s registered address is 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	
				2022	2021
Medical Support Services Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	100%	100%
Pharmaceutical Services Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	100%	100%
Al-Hammadi for Hospitals Operations and Management Company Limited	Saudi Arabia	Trading Company	Saudi Riyals	100%	100%
Medical Industries Company Limited	Saudi Arabia	Industrial Company	Saudi Riyals	100%	100%

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

Branch Name	Commercial Registration No.	City
Al Hammadi Hospital, Olaya	1010263026	Riyadh
Al Hammadi Hospital, Al-Suwaidi	1010934227	Riyadh
Al Hammadi Hospital, Al-Nuzha	1010374270	Riyadh
Maintenance & Operations	1010374273	Riyadh
Arabian Hospitality	1010610529	Riyadh
Medical Support Services Training Center	1010500366	Riyadh
Medical Support Services Female Training Center	1010651084	Riyadh
Bio and Pharmaceutical Industries Complex	1126105966	Sudair

Impact of COVID-19

In response to the spread of the Covid-19 virus in the world and the resulted disruptions to economic activities in the markets. The Group's management has proactively assessed the impact on its operations to ensure the continuity of providing its services. Notwithstanding these challenges, the operations currently remain largely unaffected as the healthcare sector has been classified as an essential service by the government and as a result no restrictions have been placed by the government of kingdom of Saudi Arabia on Group's operations or its supply chain. The Group's management continues to monitor the financial and operational effects of

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

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Month Period Ended 31 March 2022

the spread of Covid-19 as well as the economic effects in general. The Group's measures have focused on managing the crisis in terms of operating efficiency and benefiting from various government initiatives that aimed to support the health sector in the Kingdom. In addition, the Group's management has taken measures to sustain the supply chain of medicines and medical as well as non-medical supplies, which had the effect of increasing its stocks to secure operational needs in anticipation of any unexpected disruptions and meeting

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the Three Month Period Ended 31 March 2022

1. Corporate information- continued

Impact of COVID-19- continued

the unusual increase in demand for medicines and medical supplies. Moreover the Group's management has focused on the availability of sufficient cash balances to finance operational requirements to ensure the continuation of its activities under such circumstances.

Despite the difficulty to determine the extent and duration of impact from the Covid-19 epidemic spread, the Group's management believes that it will not have a material impact on the Group's ability to continue its activities. The management will continue to monitor the situation closely, and will reflect any required impacts or changes in the relevant financial reporting periods.

2. Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA) and should be read in conjunction with the Group's last annual financial statements as at and for the year ended 31 December 2021 ("last annual financial statements"). They do not include all of the information required for a complete set of IFRS financial statements, however; accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

2.2 Preparation of the financial statements

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

2.3 Use of judgments and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

The key assumptions are continually evaluated and they are based on past experience and other factors, including expectations of future events that are relevant to the circumstances. The Group based its assumptions and estimates on parameters available when the condensed consolidated interim 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.

3. Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group. Unless otherwise stated all figures are rounded to the nearest Riyal (Saudi Riyal).

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the Three Month Period Ended 31 March 2022

4. Basis of consolidation

These condensed consolidated interim financial statements comprising the condensed consolidated interim statement of financial position, condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in shareholders' equity, condensed consolidated interim statement of cash flows and notes to the condensed consolidated interim financial statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill in condensed consolidated interim statement of financial position. Intra-group balances and transactions, and any unrealized 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.

5. Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and have been explained in Group annual consolidated financial statements, but they do not have a material effect on the Group's condensed consolidated interim financial statements.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the Three Month Period Ended 31 March 2022

6. Segment information

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

The following are selected financial information by business segment:

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

Certain comparative figures in profit and loss statement have been reclassified to conform to the presentation in the current year (Note 18)

For the three month period ended 31 March	Medical Services		Pharmaceutical Products		Total	
	2022	2021	2022	2021	2022	2021
Revenue	195,393,399	168,824,011	55,496,808	57,467,933	250,890,207	226,291,944
Gross Profit	81,250,763	69,731,119	14,827,317	17,675,379	96,078,080	87,406,498
Net income from continuing operations	54,582,394	8,494,778	7,376,703	9,112,768	61,959,097	17,607,546
Income from discontinued operations	-	15,582,033	-	2,346,375	-	17,928,408
Depreciation and amortization	25,066,772	26,727,346	760,223	910,840	25,826,995	27,638,186
Net income	54,582,394	24,076,811	7,376,703	11,459,143	61,959,097	35,535,954

As at	Medical Services		Pharmaceutical Products		Total	
	31 Mar 22	31 Dec 2021	31 Mar 22	31 Dec 2021	31 Mar 22	31 Dec 2021
Total Assets	2,058,557,177	1,999,054,308	269,840,534	262,659,840	2,328,397,711	2,261,714,148
Total Liabilities	648,962,547	563,905,846	4,706,533	38,519,065	653,669,080	602,424,911

7. Discontinued operations

The Board of Directors of Al Hammadi Company for Development and Investment approved in the meeting held on September 16, 2021 to stop the operational activities of Al Hammadi Olaya Branch and to establish a new hospital to replace it at an estimated cost of 450 million Saudi Riyals to be financed from bank loans and the company's own cash flows. The new planned hospital has a capacity of 300 beds and 120 medical clinics specializing in general medical services, oncology, treatment of stadium sports injuries, and sports and functional medical rehabilitation. The trial operation of the new hospital is expected to start in the first quarter of 2026. The reception of patients at Al-Hammadi Olaya Branch Hospital has been suspended by the end of September 2021.

- Comparative figures have been restated in the condensed consolidated interim financial statements of profit or loss and comprehensive income to show discontinued operations separately from continuing operations.

Results of discontinued operations:

	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 March</u> <u>2021</u> <u>(Unaudited)</u> <u>SAR</u>
Revenues	-	52,478,043
Cost & expenses	-	(34,560,469)
Other operating income	-	50,571
Finance costs	-	(39,737)
Profit from discontinued operations	-	17,928,408
Profit earnings per share from discontinued operations	-	0.15

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the Three Month Period Ended 31 March 2022

7. Discontinued operations- continued

-The profit from discontinued operations for the three-month period ended 31 March 2022 amounted to zero Saudi Riyals (31 March 2021: 17.9 million Saudi Riyals), and the profit from continuing operations amounted to 62 million Saudi Riyals for the three-month period 31 March 2022 (31 March 2021: 17.6 million Saudi Riyals).

-The Company's management do not expect any material negative impact on the group's future profits as a result of the temporary suspension of the activity of Al-Hammadi Hospital Olaya Branch.

8. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the profit and share data used in the basic and diluted EPS computations:

	<u>31 March</u> <u>2022</u> (Unaudited) SAR	<u>31 March</u> <u>2021</u> (Unaudited) SAR
Net profit for the period	61,959,097	35,535,954
Weighted average number of ordinary shares	120,000,000	120,000,000
Basic and diluted earnings per share	0.52	0.30

9. Property and equipment

	<u>31 March</u> <u>2022</u> (Unaudited) SAR	<u>31 December</u> <u>2021</u> (Audited) SAR
Property and equipment	1,518,689,052	1,535,359,262
Right of use of assets	8,247,137	11,577,087
	1,526,936,189	1,546,936,349

10. Other receivables

	<u>31 March</u> <u>2022</u> (Unaudited) SAR	<u>31 December</u> <u>2021</u> (Audited) SAR
Cash refundable deposits *	5,118,795	118,795
Employee loans and advances	3,610,184	2,584,387
Margins of bank guarantees	1,626,820	1,626,820
Other	573,323	519,582
	10,929,122	4,849,584

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the Three Month Period Ended 31 March 2022

10. Other receivables (Continued)

* The cash refundable deposits include an amount of SR 5,000,000 representing a guarantee of entering an auction to buy a land that was awarded in favor of the company and that the amount is refundable upon payment of the first payment of the value of the purchase contract as explained below.

-On March 28, 2022, the Company (“the buyer”) signed with Alnarjes Community Real Estate Developer (the “Developer”) a land purchase agreement (“the Block”) with a total area of 19,202.68 sqm in Al Narjis District, for the purpose of establishing a hospital on it, with a total amount of 115,600,133 Saudi Riyals, excluding real estate tax and pursuit fees; so that the first payment in the amount of 92,480,106 Saudi riyals (80% of the price of the land) is due upon signing the contract, and the second payment in the amount of 23,120,026 Saudi Riyals (20% of the price of the land) is to be paid upon title transfer. The Developer will hand over the land and transfer its ownership on September 8, 2022 (the “delivery date”) provided that the buyer pays the full price of the block on its dates without delaying it until the date of delivery and payment of the pursuit and value-added tax for the pursuit and payment of the real estate tax, and the delivery is made based on the delivery record signed by both parties.

11. Trade receivables

	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 December</u> <u>2021</u> <u>(Audited)</u> <u>SAR</u>
Trade receivables – billed	703,020,443	606,538,506
Amounts due from related parties	1,029,567	1,025,048
Total Trade Receivables	704,050,010	607,563,554
Provision for expected credit losses	(250,771,917)	(243,344,449)
	453,278,093	364,219,105

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

	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 March</u> <u>2021</u> <u>(Unaudited)</u> <u>SAR</u>
1 January	243,344,449	88,458,291
Additions during the year	7,506,132	155,013,259
Written off bad debts during the year	(78,664)	(127,101)
31 December	250,771,917	243,344,449

Indicators of impairment in the value of trade receivables are reviewed at the end of the reporting period. The expected credit loss allowance is adjusted in proportion to the periodic changes that occur in these indicators. In the opinion of management, there was no decrease in the value of trade receivables other than what was recorded as a provision for expected credit losses.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the Three Month Period Ended 31 March 2022

12. Share capital

Share capital of the Company is 1,200 million SR consists of 120 million fully paid ordinary shares with a par value of SR 10 (31 December 2021: SR 1,200 million).

-The Board of Directors of Al Hammadi Company for Development and Investment has recommended the Extraordinary Assembly, in its meeting held on Sha'ban 21, 1443 AH corresponding to March 24, 2022 AH, to increase the company's share capital by SAR (400,000,000) through the capitalization of the retained earnings and part of the statutory reserve and granting shareholders free shares. The purpose for share capital increase is to support the capital base of the company and to enhance the growth plans and future activities of the company and maximizing returns for shareholders. The approval of the Capital Market Authority on the company's request to increase its capital has issued on May 18, 2022, provided that the Extraordinary Assembly meeting does not exceed six months from the date of the approval of the Capital Market Authority, provided that the company completes the relevant legal procedures and requirements.

13. Loans

	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 December</u> <u>2021</u> <u>(Audited)</u> <u>SAR</u>
Current portion of Loans from Ministry of Finance	29,470,163	29,570,441
Non-Current portion of Loans from Ministry of Finance	181,882,834	179,120,978
Total	<u>211,352,997</u>	<u>208,691,419</u>

13.1 Loans from ministry of finance

- a) 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 SAR. 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, as the company began on loan settlement starting from 2018.
- b) 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 SAR 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, as the company began on loan settlement starting from 2020.
- c) 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 SAR 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, as the company began on loan settlement starting from 2021.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)
For the Three Month Period Ended 31 March 2022

14. Government Grants

	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 December</u> <u>2021</u> <u>(Audited)</u> <u>SAR</u>
Balance at the beginning of the period/year	136,744,609	144,358,206
Government grants amortized for the period/year	(1,903,399)	(7,613,597)
Balance at the end of the period/year	<u>134,841,210</u>	<u>136,744,609</u>
Current portion	7,312,533	7,412,889
Non-current portion	127,528,677	129,331,720
	<u>134,841,210</u>	<u>136,744,609</u>

15. 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:

	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 December</u> <u>2021</u> <u>(Audited)</u> <u>SAR</u>
Present value of defined benefit obligation	<u>66,334,796</u>	<u>65,853,216</u>

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

	<u>31 March</u> <u>2022</u> <u>(Unaudited)</u> <u>SAR</u>	<u>31 March</u> <u>2021</u> <u>(Unaudited)</u> <u>SAR</u>
Current service cost	3,083,824	3,181,035
Special commission cost	510,362	493,551
Benefit expense	<u>3,594,186</u>	<u>3,674,586</u>

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the Three Month Period Ended 31 March 2022

15. Employees' termination Benefits- continued

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

	<u>31 March</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>SAR</u>	<u>SAR</u>
Present value of defined benefit obligation at beginning of the period \ year	65,853,216	63,684,084
Charge recognized in consolidated statement of profit or loss:		
Current service cost	3,083,824	12,565,995
Special commission cost	510,362	1,993,671
Actuarial gain on defined benefit plan recognized in the consolidated statement of comprehensive income	(1,480,297)	(2,454,496)
Benefits paid during the period \ year	(1,632,309)	(9,936,038)
Present value of defined benefit obligation at end of the period \ year	<u>66,334,796</u>	<u>65,853,216</u>

d) Principal actuarial assumptions:

	<u>2022</u>	<u>2021</u>
Discount rate	3,1 %	3,1 %
Salary increase rate	3 %	3 %
Retirement age	60 years	60 years

16. Other credit balances

	<u>31 March</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>SAR</u>	<u>SAR</u>
Dividends payables *	48,634,724	634,643
Retention payable	19,897,787	19,836,489
Accrued VAT	12,764,671	5,232,545
Legal provision	2,305,000	2,305,000
Other	244,545	326,096
	<u>83,846,727</u>	<u>28,334,773</u>

*The Board of Directors of Al Hammadi Company for Development and Investment approved, in its meeting held on Sha'ban 21 1443 AH corresponding to March 24, 2022, the distribution of interim cash dividends of SAR48 million to the company's shareholders for the first quarter of 2022 at a rate of SAR0.40 Saudi riyals (40 cents) per share.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the Three Month Period Ended 31 March 2022

17. Subsequent events

- On Ramadan 16, 1443 AH (corresponding to April 17, 2022), the company signed a Sharia-compliant bank loan agreement with a local commercial bank for a value of 365 million Saudi riyals for a financing period of 7 years, including 3 years of grace period starting from 30 September 2022, to finance the Company's future expansions.
- On Ramadan 18, 1443 AH (corresponding to April 19, 2022), the amount of the first installment of the purchase contract for Narjis land has paid (note 10).

-On Shawwal 18, 1443 AH (corresponding to May 19, 2022), the company's board of directors recommended changing the company's name from Al Hammadi for Development and Investment Company to Al Hammadi Holding, after fulfilling the requirements of the relevant authorities and the approval of the company's extraordinary assembly.

18. Comparative Figures

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

(For the period ended March 31, 2021)

Consolidated Statement of profit or loss	Impact of reclassification				
	As previously reported	Re-classified	As Classified	Included in discontinued operations	Included in continued operations
Revenue	278,448,490	321,497	278,769,987	52,478,043	226,291,944
Other income	2,611,098	(321,497)	2,289,601	50,571	2,239,030
Cost of revenue	(163,896,331)	(7,161,386)	(171,057,717)	(32,172,271)	(138,885,446)
General and administrative expense	(30,567,262)	7,161,386	(23,405,876)	(2,383,248)	(21,022,628)
Selling and marketing expenses	(43,691,252)	42,856,987	(834,265)	-	(834,265)
Expected credit loss provision	-	(42,856,987)	(42,856,987)	-	(42,856,987)

19. Approval of the condensed consolidated interim financial statements

These consolidated financial statements have been approved by the board of directors on 18 Shawwal 1443H (corresponding to 19 May 2022).