

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

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Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Mouwasat Medical Services Company

Introduction

We have reviewed the accompanying September 30, 2020 condensed consolidated interim financial statements of **Mouwasat Medical Services Company** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at September 30, 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three and nine month periods ended September 30, 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended September 30, 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended September 30, 2020; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 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 the 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 interim financial information 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 September 30, 2020 condensed consolidated interim financial statements of Mouwasat Medical Services Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.



Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Mouwasat Medical Services Company (Continued)

Other Matter

The condensed consolidated interim financial statements of the Group for the three and nine month periods ended 30 September 2019 were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 2 Rabi Al-awwal 1441H (corresponding to 30 October 2019) and the consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 13 Rajab 1441H (corresponding to 8 March 2020).

**For KPMG Al Fozan & Partners
Certified Public Accountants**

Abdulaziz Abdullah Alnaim
License no. 394



Al Khobar,
Date: Rabi Al-awwal 19, 1442H
Corresponding to: November 5, 2020G

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	2,148,291,766	2,075,538,020
Goodwill		16,371,000	16,371,000
Intangible assets		16,871,516	17,015,310
Right-of-use asset		35,385,389	37,974,563
Investment in an associate		11,526,907	12,362,672
Advances to contractors		146,597,808	103,226,793
Total non-current assets		2,375,044,386	2,262,488,358
Current assets			
Inventories		182,564,953	165,326,214
Accounts receivables	4	759,380,515	522,631,969
Advances, prepayments and other current assets		88,366,021	83,223,380
Term deposit		40,000,000	90,000,000
Cash and cash equivalents		134,502,546	204,624,026
Total current assets		1,204,814,035	1,065,805,589
Total assets		3,579,858,421	3,328,293,947
EQUITY AND LIABILITIES			
Equity			
Share capital	5	1,000,000,000	1,000,000,000
Statutory reserve	6	281,829,508	281,829,508
Retained earnings		858,542,855	673,685,617
Equity attributable to shareholders of the Company		2,140,372,363	1,955,515,125
Non-controlling interest		97,313,248	96,675,866
Total equity		2,237,685,611	2,052,190,991
Liabilities			
Non-current liabilities			
Long-term borrowings	7	621,033,749	601,799,471
Employees' benefits		108,138,690	97,142,980
Lease liabilities		30,769,837	33,972,152
Total non-current liabilities		759,942,276	732,914,603
Current liabilities			
Accounts payables		193,379,041	211,904,715
Accruals and other current liabilities		150,481,264	134,441,957
Refund liabilities	9	52,709,068	39,102,903
Current maturity of lease liabilities		6,625,000	4,002,411
Current portion of long-term borrowings	7	152,184,812	120,411,113
Provision for zakat	8	26,851,349	33,325,254
Total current liabilities		582,230,534	543,188,353
Total liabilities		1,342,172,810	1,276,102,956
Total equity and liabilities		3,579,858,421	3,328,293,947
Mohammed Al Saleem (Managing Director)	Mohammed Al Saleem (Authorized Board Representative)	Yusuf Sulaiman (Chief Financial Officer)	


The accompanying notes 1 through 19 on pages 1 to 18 form an integral part of these condensed consolidated interim financial statements.


MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

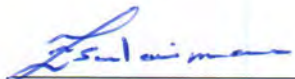
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	Three months from July to September		Nine months from January to September	
		September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Revenue					
Operating revenues, net		490,261,914	384,025,930	1,334,809,100	1,166,350,798
Sales		58,800,708	59,260,757	176,626,848	185,814,593
	9	549,062,622	443,286,687	1,511,435,948	1,352,165,391
Direct cost					
Cost of operations		(234,535,733)	(206,942,481)	(670,933,789)	(619,928,642)
Cost of sales		(43,010,631)	(42,708,058)	(129,418,457)	(133,080,725)
		(277,546,364)	(249,650,539)	(800,352,246)	(753,009,367)
Gross profit		271,516,258	193,636,148	711,083,702	599,156,024
Selling and distribution expenses		(31,453,250)	(27,333,294)	(92,520,913)	(85,704,709)
General and administration expenses		(66,744,578)	(61,565,910)	(191,077,125)	(182,637,151)
Operating profit		173,318,430	104,736,944	427,485,664	330,814,164
Share of profit of an associate		983,304	900,000	2,783,304	2,719,069
Other income		2,972,690	1,569,913	7,143,218	5,558,297
Finance cost		(2,902,205)	(4,771,529)	(11,167,925)	(15,141,142)
Profit before zakat		174,372,219	102,435,328	426,244,261	323,950,388
Zakat expense for the period	8	(4,184,370)	(3,696,980)	(11,349,641)	(12,611,413)
Profit for the period		170,187,849	98,738,348	414,894,620	311,338,975
Other comprehensive income					
<i>Items that will not be reclassified to the condensed consolidated statement of profit or loss in subsequent periods:</i>					
Re-measurement of defined benefit obligations		-	-	-	-
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		170,187,849	98,738,348	414,894,620	311,338,975


Mohammed Al Saleem
(Managing Director)


Mohammed Al Saleem
(Authorized Board Representative)


Yusuf Sulaiman
(Chief Financial Officer)


The accompanying notes 1 through 19 on pages 1 to 18 form an integral part of these condensed consolidated interim financial statements.


MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)


**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	Three months from July to September		Nine months from January to September	
		September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Profit attributable to:					
- Shareholders of the Company		161,100,271	93,039,186	384,857,238	290,563,877
- Non-controlling interests		9,087,578	5,699,162	30,037,382	20,775,098
		<u>170,187,849</u>	<u>98,738,348</u>	<u>414,894,620</u>	<u>311,338,975</u>
Total comprehensive income attributable to:					
- Shareholders of the Company		161,100,271	93,039,186	384,857,238	290,563,877
- Non-controlling interests		9,087,578	5,699,162	30,037,382	20,775,098
		<u>170,187,849</u>	<u>98,738,348</u>	<u>414,894,620</u>	<u>311,338,975</u>
Earnings per share					
Basic and diluted earnings per share attributable to the shareholders of the Company	11	<u>1.61</u>	<u>0.93</u>	<u>3.85</u>	<u>2.91</u>


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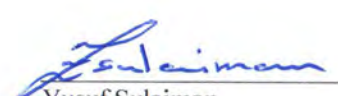
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

(Expressed in Saudi Riyals, unless otherwise stated)

	Attributable to shareholders of the Company				Non-controlling interests	Total Equity
	Share capital	Statutory reserve	Retained earnings	Total		
As at January 1, 2019 (Audited)	1,000,000,000	239,726,561	473,158,071	1,712,884,632	93,671,265	1,806,555,897
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	290,563,877	290,563,877	20,775,098	311,338,975
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	290,563,877	290,563,877	20,775,098	311,338,975
Dividends (note 13)	-	-	(175,000,000)	(175,000,000)	-	(175,000,000)
Dividends paid to non-controlling interest	-	-	-	-	(24,500,000)	(24,500,000)
As at September 30, 2019 (Unaudited)	1,000,000,000	239,726,561	588,721,948	1,828,448,509	89,946,363	1,918,394,872
As at January 1, 2020 (Audited)	1,000,000,000	281,829,508	673,685,617	1,955,515,125	96,675,866	2,052,190,991
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	384,857,238	384,857,238	30,037,382	414,894,620
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	384,857,238	384,857,238	30,037,382	414,894,620
Dividends (note 13)	-	-	(200,000,000)	(200,000,000)	-	(200,000,000)
Dividends paid to non-controlling interest	-	-	-	-	(29,400,000)	(29,400,000)
As at September 30, 2020 (Unaudited)	1,000,000,000	281,829,508	858,542,855	2,140,372,363	97,313,248	2,237,685,611


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MOUWASAT MEDICAL SERVICES COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

(Expressed in Saudi Riyals, unless otherwise stated)


	Note	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Cash flows from operating activities			
Profit before zakat		426,244,261	323,950,388
<i>Adjustment for:</i>			
Depreciation	3	105,442,018	102,982,219
Depreciation of right-of-use asset		2,589,174	-
Allowance for doubtful receivables	4	26,043,475	17,628,348
Provision for refund liabilities		27,936,836	29,745,861
Amortization of intangible assets		3,136,933	2,362,748
Share of results of an associate		(2,783,304)	(2,719,069)
Employees' benefits		16,894,754	19,149,220
Finance cost		11,167,925	15,141,142
Gain on disposal of property and equipment		(346,707)	(325,381)
		<u>616,325,365</u>	<u>507,915,476</u>
<i>Changes in:</i>			
Accounts receivables		(262,792,021)	(47,147,793)
Advances, prepayments and other current assets		(5,142,641)	(1,554,083)
Inventories		(17,238,739)	(15,023,698)
Accounts payables		(18,525,674)	(5,556,980)
Accruals and other current payables		26,483,277	(4,495,567)
Refund liabilities		(14,330,671)	(15,822,941)
Cash generated from operating activities		<u>324,778,896</u>	<u>418,314,414</u>
Employees' benefits paid		(5,899,044)	(5,475,414)
Finance cost paid		(26,667,116)	(15,479,371)
Zakat paid	8	(17,823,546)	(17,552,020)
Net cash generated from operating activities		<u>274,389,190</u>	<u>379,807,609</u>
Cash flows from investing activities			
Purchase of property and equipment		(151,869,254)	(147,255,449)
Purchase of intangible assets		(2,993,139)	(634,897)
Proceeds on disposal of property and equipment		671,228	382,711
Dividend received from an associate		3,619,069	-
Advances to contractors		(63,671,551)	(49,099,363)
Term deposit		50,000,000	(10,000,000)
Net cash used in investing activities		<u>(164,243,647)</u>	<u>(206,606,998)</u>



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(Authorized Board Representative)



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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

(Expressed in Saudi Riyals, unless otherwise stated)

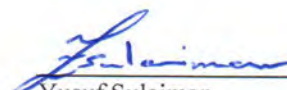
	Note	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Cash flows from financing activities			
Proceeds from long-term borrowings		135,000,000	100,000,000
Repayment of long-term borrowings		(83,992,023)	(56,693,501)
Payment of lease liability		(1,875,000)	-
Dividends paid to shareholders of the Company	13	(200,000,000)	(175,000,000)
Dividends paid to non-controlling interests in subsidiaries		(29,400,000)	(24,500,000)
Net cash used in financing activities		(180,267,023)	(156,193,501)
Net (decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		204,624,026	130,179,418
Cash and cash equivalents at the end of the period		134,502,546	147,186,528
Significant non-cash transactions			
Transfer from advances to contractors to property and equipment		20,300,536	29,074,327
Finance cost capitalized		6,350,495	4,456,414



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(Managing Director)



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(Authorized Board Representative)



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(Chief Financial Officer)

The accompanying notes 1 through 19 on pages 1 to 18 form an integral part of these condensed consolidated interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

(Expressed in Saudi Riyals, unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

Mouwasset Medical Services Company ("the Company") is registered in Saudi Arabia under Commercial Registration number 2050032029 dated Ramadan 12, 1417H (corresponding to January 21, 1997). The Company was converted into a Saudi Joint Stock Company in accordance with Ministerial Resolution No. 1880 dated Dhu-al-Hijja 4, 1426H (corresponding to January 4, 2006).

The Company through its multiple branches is engaged in the acquisition, management, operation and maintenance of hospitals, medical centers, drug stores, pharmacies and wholesale of medical equipment and drugs.

The accompanying condensed consolidated interim financial statements include the activities of the Company and its following subsidiaries (collectively referred to as "the Group"):

Name	Country of incorporation	Activities	Percentage %
Eastern Medical Services Company Limited	Saudi Arabia	Medical services	51%
Specialized Medical Clinic Company Limited	Saudi Arabia	Medical services	95%

Eastern Medical Services Company Limited is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051023824 dated Ramadan 10, 1420H (corresponding to December 18, 1999). This subsidiary is engaged in construction and operation of hospitals, dispensaries and special clinics.

Specialized Medical Clinic Company Limited is a limited liability company registered in Saudi Arabia under commercial registration number 2051032296 dated Safar 11, 1427H (corresponding to March 11, 2006). This subsidiary is engaged in construction, management and operating of the hospital clinics complex in accordance with the preliminary approval of the Ministry of Health number 038-105-023033-10001 dated Rabi' 7, 1433H (corresponding to January 30, 2012). On March 31, 2020, the Board of Directors of the Group resolved to cease the operations of the subsidiary and appointed a liquidator in accordance with the Regulations of Companies in Saudi Arabia. The subsidiary has only current assets representing bank balances and receivable from parent company as well as current liabilities for routine accruals. It has sufficient cash balance to extinguish its liabilities. No significant assets and liabilities were appearing in the books of the subsidiary. Accordingly, there is no impact on the classification and measurement of the assets and liabilities of the subsidiary due to the aforementioned decision of the Board.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia (KSA). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2019 ("Last Annual Financial Statements"). However, changes in accounting policies, if any 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. Basis of preparation

These condensed consolidated interim financial statements are prepared using historical cost convention using the accrual basis of accounting except for retirement benefit obligation for which an actuarial present value calculation is used.

2.3. Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals ("SR") which is also the functional currency of the Group.

2.4. Use of judgements 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. Management has considered the potential impact of COVID-19 pandemic in the Group's significant accounting judgements and estimates. However, there was no significant impact. Accordingly, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

(Expressed in Saudi Riyals, unless otherwise stated)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5. Basis of consolidation

The condensed consolidated interim financial statements incorporate the financial information of the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquire's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.6. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2019. A number of amendments to existing standards, as detailed in note 2.7 below, became effective from January 1, 2020 but they do not have a material effect on the condensed consolidated interim financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.7. Amendment to existing standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to existing standards.

Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

Definition of a Business – Amendments to IFRS 3 Business Combinations.

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

MOUWASAT MEDICAL SERVICES COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020
(Expressed in Saudi Riyals, unless otherwise stated)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7. Amendment to existing standards adopted by the Group (Continued)

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 - Financial Instruments

Amendments regarding pre-replacement issues in the context of the IBOR reform.

Covid-19-Related Rent Concessions (Amendments to IFRS 16 'Leases')

The amendments introduce an optional practical expedient that allows lessees *not* to account for rent concessions as lease modifications if:

- the concessions are a direct consequence of COVID-19;
- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

Impact of amendment to standards issued but not yet applied by the Group

A number of new standards and amendments to existing standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the Group has not early adopted any forthcoming new or amended standards in preparing these condensed consolidated interim financial statements. Only relevant amendment is provided below:

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – effective date deferred indefinitely, adoption is still permitted.

Amendments relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) – effective from January 1, 2022.

The amendments clarify the requirements on determining if a liability is current or non-current to promote consistency in application:

- Right to defer settlement must have substance;
- Classification of rollover facilities may change; and
- Convertible debt may become current.

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3. PROPERTY AND EQUIPMENT

3.1 The movement of property and equipment is as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	(Unaudited)	(Audited)
Carrying value at the beginning of the period / year	2,075,538,020	1,910,684,112
Additions	178,520,285	303,565,762
Disposals	(324,521)	(274,041)
Write off	-	(235,000)
Depreciation for the period / year	(105,442,018)	(138,202,813)
Carrying value at the end of the period / year	<u>2,148,291,766</u>	<u>2,075,538,020</u>

As of September 30, 2020, plots of land amounting to SR 56.1 million (December 31, 2019: SR 56.1 million) have been pledged as security against long-term borrowings.

Finance costs capitalized during the nine months period ended amounted to SR 6.35 million (December 31, 2019: SR 6.45 million).

3.2 Capital work-in-progress

The carrying value in note 3.1 above includes a balance amounting to SR 347.35 million (December 31, 2019: SR 241.97 million) relating to construction work-in-progress which represents costs incurred to construct new hospitals and expansion of existing hospitals.

4. ACCOUNTS RECEIVABLES

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	(Unaudited)	(Audited)
Accounts receivables – trade	807,531,433	551,845,519
Due from related party (note 10)	848,662	-
Less: allowance for doubtful receivables	(48,999,580)	(29,213,550)
	<u>759,380,515</u>	<u>522,631,969</u>

Movement in the allowance for doubtful receivables is as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	29,213,550	39,881,857
Allowance for doubtful receivables during the period / year	26,043,475	12,352,654
Written off	(6,257,445)	(23,020,961)
Balance at the end of the period / year	<u>48,999,580</u>	<u>29,213,550</u>

5. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company is divided into 100 million shares (December 31, 2019: 100 million shares) of SR 10 each.

6. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution. The statutory reserve is appropriated at the year-end based on the final year end net income.

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7. LONG TERM BORROWINGS

	<u>September 30, 2020</u> (Unaudited)	<u>December 31, 2019</u> (Audited)
Current		
Loans from commercial banks (a)	144,307,939	112,534,240
Loans from ministry of finance (b)	7,876,873	7,876,873
	<u>152,184,812</u>	<u>120,411,113</u>
Non-current		
Loans from commercial banks (a)	532,958,899	505,847,748
Loans from ministry of finance (b)	88,074,850	95,951,723
	<u>621,033,749</u>	<u>601,799,471</u>

- a) The Group obtained Islamic loans facilities from various local commercial banks. These loans are secured by promissory notes and assignment of insurance and contract proceeds. The facilities are subject to commission at SIBOR plus 1.15% to 2%.
- b) The Group obtained loans facility of SR 147.3 million from Ministry of finance for expansions and building of new hospitals and purchase of medical equipment. The loans are secured by a mortgage on the Group's plots of land and are repayable on equal annual installments. These loans do not carry any financial charges.

The Group is required to comply with certain covenant under the loan facility agreements mentioned above. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by management, in case of potential breach, actions are taken by management to ensure compliance. The Group was in compliance with financial covenants as of September 30, 2020. Aggregate maturities are as follows:

	<u>September 30, 2020</u> (Unaudited)	<u>December 31, 2019</u> (Audited)
2020	152,184,812	120,411,113
2021	193,939,089	159,219,899
2022	146,439,089	165,123,300
2023	94,860,142	95,123,300
2024	59,008,338	66,373,300
2025 and onwards	126,787,091	115,959,672
	<u>773,218,561</u>	<u>722,210,584</u>

8. ZAKAT

The movement in zakat provision is as follows:

	<u>September 30, 2020</u> (Unaudited)	<u>December 31, 2019</u> (Audited)
Balance at the beginning of the period / year	33,325,254	37,469,074
Charge for the period / year	11,349,641	13,465,942
Paid during the period / year	(17,823,546)	(17,609,762)
Balance at the end of the period / year	<u>26,851,349</u>	<u>33,325,254</u>

Mouwasat Medical Services Company

The Company has submitted its zakat returns up to year ended December 31, 2019, settled zakat as per the returns and obtained the required certificates and official receipts. The assessments for the years from 2013 to 2016 were finalized and settled in 2018. The assessments for the years 2017, 2018 and 2019 are still under review by the General Authority of Zakat and Tax ("GAZT").

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8. ZAKAT (Continued)

Eastern Medical Services Company Limited

EMS has submitted its zakat returns up to year ended December 31, 2019, settled zakat as per the returns and obtained the required certificates and official receipts. The assessments for the years from 2013 to 2016 were finalized and settled in 2018. The assessment for the years 2017, 2018 and 2019 are still under review by the GAZT.

Specialised Medical Clinic Company Limited

The Company has submitted its zakat returns up to year ended December 31, 2019, settled zakat as per the returns and obtained the required certificates and official receipts. The assessments for the years from 2013 to 2019 are under review by the GAZT.

9. REVENUE

The Group generates revenue primarily from:

- Services relating to inpatient and outpatient; and
- Sale of pharmaceutical goods.

Disaggregation of revenue

In the following table, revenue from contracts with customers is disaggregated by service lines and timing of revenue recognition. All revenues are generated within Kingdom of Saudi Arabia.

	<u>September 30, 2020</u> (Unaudited)	<u>September 30, 2019</u> (Unaudited)
Revenue by service lines		
Rendering of medical services	1,334,809,100	1,166,350,798
Pharmaceuticals	176,626,848	185,814,593
	<u>1,511,435,948</u>	<u>1,352,165,391</u>
Timing of revenue recognition		
<i>At a point in time</i>		
Outpatient services	561,270,302	563,682,282
Pharmaceuticals	176,626,848	185,814,593
	<u>737,897,150</u>	<u>749,496,875</u>
<i>Over time</i>		
Inpatient services	773,538,798	602,668,516
	<u>1,511,435,948</u>	<u>1,352,165,391</u>

The following table provides information about contract assets and refund liabilities from contracts with customers:

	<u>September 30, 2020</u> (Unaudited)	<u>December 31, 2019</u> (Audited)
Refund liabilities	52,709,068	39,102,903
Contract assets	<u>7,516,547</u>	<u>7,311,028</u>

Certain contracts provide for discounts comprise retrospective volume discounts granted to insurance companies on attainment of certain admission levels / certain levels of patient visits. The retrospective volume discounts give rise to variable consideration. Variable consideration is recognised as a revenue to the extent that it is highly probable that it will not reverse. Discounts are accrued over the course of the period based on the estimates of the level of business expected using single most likely amount method. This is adjusted at the end of the period to reflect actual volumes. Volume discounts are recorded as a reduction in revenue and liabilities are created based on these estimates.

Contract assets are related to in-patients who were provided services during the reporting period but were not discharged or billed as of the reporting date.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated companies and their shareholders, key management personnel, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. During the period, the Group transacted with the following related parties:

Related Party	Nature of transaction	For the nine months period ended September 30,	
		2020	2019
Advance Medical Project Company ("AMPC") – Associate	- Revenue	(1,795,359)	(2,085,835)
	- Purchase of services	4,986,957	4,949,125
	- Other services	(97,049)	(196,778)
Al-Mouwasat International Company – Affiliate	- Purchases	14,741,724	18,527,899
	- Rent	2,868,660	2,172,736
	- Other services	163,001	(424,476)
AdVision Media Solution – Affiliate	- Advertisement services	18,782,472	19,935,737
Magrabi Hospitals & Centers Company Ltd. – Affiliate	- Revenue	(1,182,510)	(1,559,140)
	- Expenses	-	2,835,939
	- Interest on lease liabilities	1,295,274	-

The breakdown of the amounts due to related parties are as follows:

a) Due to related parties

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
AdVision Media Solution	12,922,863	4,547,259
Al-Mouwasat International Company	3,347,872	1,603,797
Advance Medical Project Company ("AMPC")	501,203	259,207
Magrabi Hospitals & Centers Company Ltd.	-	1,615,630
	16,771,938	8,025,893

b) Due from related party

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Magrabi Hospitals & Centers Company Ltd.	848,662	-
	848,662	-

Amounts due to and due from related parties as at September 30, 2020 principally include balances related to the above mentioned transactions and are included within accounts payables and accounts receivables, respectively in the statement of financial position. Balances above are not subject to interest charges and do not have specific repayments date. Prices and terms of payment of the above transactions are approved by the Group's management.

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10. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

c) Compensation to key management personnel

The remuneration of directors and other members of key management personnel during the period was as follows:

	Nine month period ended September 30, 2020	Nine month period ended September 30, 2019
	(Unaudited)	(Unaudited)
Salary and allowances	11,092,500	8,272,750
Incentives and other benefits	11,147,534	8,283,154
	22,240,034	16,555,904

The remuneration of directors and key executives is determined by the remuneration committee considering the performance of individuals and market trends. Board of Directors' fee of SR 2.7 million (September 2019: SR 2.7 million) have been included as part of key management personnel remuneration.

11. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net income for the period attributable to the shareholders of the Company by the weighted average number of outstanding shares during the period as follows:

	Three months from July to September		Nine months from January to September	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to the shareholders of the Company	161,100,271	93,039,186	384,857,238	290,563,877
Weighted average number of outstanding shares during the period (Number of share)	100,000,000	100,000,000	100,000,000	100,000,000
Basic and diluted earnings per share attributable to the shareholders of the Company	1.61	0.93	3.85	2.91

12. CONTINGENT LIABILITIES AND COMMITMENTS

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Capital commitments	193,128,750	269,271,514
Letter of credit	127,571,744	50,083,368
Letter of guarantees	1,745,411	966,051
	322,445,905	320,320,933

13. DIVIDENDS

The Board of Directors at their meeting held on Rajab 21, 1441H (corresponding to March 16, 2020G) proposed a cash dividend of SR 2 per share amounting to SR 200 million for the year ended December 31, 2019G, which was subsequently approved by shareholders in General Assembly Meeting held on Sha'ban 29, 1441H (corresponding to April 22, 2020G).

The Board of Directors at their meeting held on Jumada 20, 1440H (corresponding to February 25, 2019G) proposed a cash dividend of SR 1.75 per share amounting to SR 175 million for the year ended December 31, 2018G, which was subsequently approved by shareholders in General Assembly Meeting held on Sha'ban 17, 1440H (corresponding to April 22, 2019G).

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14. SEGMENT INFORMATION

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the interim condensed consolidated financial statements.

Operating segments:

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- In-patient - Services to customers with overnight stay at hospital
- Out-patient Services to customers without overnight stay at hospital
- Pharmaceuticals Goods, such as medicines and healthcare products.

No operating segments have been aggregated to form the above reportable operating segments.

	<u>In-patient</u>	<u>Out-patient</u>	<u>Pharmaceuticals</u>	<u>Total</u>
For the nine-month period ended September 30, 2020 (unaudited)				
Revenues	773,538,798	561,270,302	176,626,848	1,511,435,948
Gross profit	384,724,160	279,151,151	47,208,391	711,083,702
Unallocated income / (expenses)				
Selling and distribution expenses				(92,520,913)
General and administration expenses				(191,077,125)
Share of profit of an associate				2,783,304
Other income				7,143,218
Finance cost				(11,167,925)
Profit before zakat				426,244,261
Zakat expense for the period				(11,349,641)
Profit for the period				414,894,620
For the nine-month period ended September 30, 2019 (unaudited)				
Revenues	602,668,516	563,682,282	185,814,593	1,352,165,391
Gross profit	282,343,383	264,078,773	52,733,868	599,156,024
Unallocated income / (expenses)				
Selling and distribution expenses				(85,704,709)
General and administration expenses				(182,637,151)
Share of profit of an associate				2,719,069
Finance cost				(15,141,142)
Other income				5,558,297
Profit before zakat				323,950,388
Zakat expense for the period				(12,611,413)
Profit for the period				311,338,975

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14. SEGMENT INFORMATION (Continued)

	In-patient	Out-patient	Pharmaceuticals	Total
As at September 30, 2020 (unaudited)				
Total assets	1,958,182,556	1,433,733,298	187,942,567	3,579,858,421
Total liabilities	738,195,046	469,760,483	134,217,281	1,342,172,810
As at December 31, 2019 (audited)				
Total assets	1,830,561,671	1,331,317,579	166,414,697	3,328,293,947
Total liabilities	701,856,625	446,636,035	127,610,296	1,276,102,956

Geographical segments:

All of the Group's operating assets and principal markets of activity are located in the Kingdom of Saudi Arabia.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of the share of profits of associates, central administration costs including directors' salaries, profit from term deposit, non-operating gains and losses in respect of financial instruments and finance costs. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

15. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

The Group's principal financial assets include cash and cash equivalents, accounts receivables and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise long-term borrowings and accounts payables, due to related parties and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

Fair values hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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 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.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Accounting classifications and fair values

The following table shows the carrying value of financial assets and financial liabilities. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts is a reasonable approximation of fair value.

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15. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (Continued)

Particulars	September 30, 2020	December 31, 2019
	Carrying value (Amortized cost)	Carrying value (Amortized cost)
	(Unaudited)	(Audited)
Financial assets not measured at fair value		
Accounts receivables	759,380,515	522,631,969
Cash and cash equivalents	134,502,546	204,624,026
Other current assets	18,542,573	11,693,813
Term deposit	40,000,000	90,000,000
Total	952,425,634	828,949,808

Particulars	September 30, 2020	December 31, 2019
	Carrying value (Amortized cost)	Carrying value (Amortized cost)
	(Unaudited)	(Audited)
Financial liabilities not measured at fair value		
Long-term borrowings	773,218,561	722,210,584
Lease liabilities	37,394,837	37,974,563
Accounts payables	193,379,041	211,904,715
Refund liabilities	52,709,068	39,102,903
Other current liabilities	115,548,900	117,854,330
Total	1,172,250,407	1,129,047,095

As at the reporting date all financial assets and financial liabilities are measured at amortized cost. The carrying value of the financial assets and financial liabilities of the Group approximate their fair value.

Risk management activities

The Group's financial risk management objectives and policies are consistent with those disclosed in the last annual consolidated financial statements as at and for the year ended December 31, 2019.

16. CORONA VIRUS PANDEMIC (COVID-19)

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organization on January 31, 2020 and upgraded to a global pandemic on March 11, 2020. Since then the virus spread across the globe including Saudi Arabia and significantly affected business and commercial activities due to suspension of activities considered non-essential including restrictions on movement of the general public. 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 the Group's operations or its supply chain.

Further, during the nine month periods ended September 30, 2020, the financial performance of the Group was affected due to drop in patient visit in the month of March, April and May 2020. Management believes that drop in patient visits was due to lockdown rules and precautionary measures implemented by Government authorities. As the Government authorities announced relaxation of coronavirus lockdown rules, the number of patient visits has improved.

Management have assessed the impact of COVID-19 on all aspects of the balance sheet and considered that there has been no material impact on the amounts reported on statement of financial position. Specifically, the carrying value of trade receivables was considered with provisioning reflecting management's best estimate of the impact based on information available at the time of preparing these consolidated condensed interim financial statements.

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16. CORONA VIRUS PANDEMIC (COVID-19) (Continued)

The Group's management continues to monitor the situation closely with focus on sustainability of supply chain, availability of sufficient cash balances to fund the operation requirements, availability of required pharmaceuticals and consumables.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these interim condensed consolidated financial statements.

These developments could impact the Group's future financial results, cash flows and financial condition. However, management estimates that these effects will not have a significant impact on the Group's ability to continue as going concern for foreseeable future.

17. COMPARATIVE INFORMATION

During the period, management has reviewed the presentation of prompt payment discounts and rejection of claims by the insurer companies in the statement of financial position and has concluded that these should be reclassified and netted off against accounts receivable for better presentation. Previously, these were presented in the statement of financial position as refund liabilities under current liabilities. The comparative as at December 31, 2019 have been reclassified as follows to conform with current period presentation.

<u>Description</u>	<u>Reclassified from</u>	<u>Reclassified to</u>	<u>Amount – SR</u>
Prompt payment discount and rejection of claims	Refund liabilities	Accounts receivables	194,951,280

The reclassification did not have any effect on the statement of profit or loss and other comprehensive income, earning per share and statement of cash flows.

18. SUBSEQUENT EVENTS

There were no events subsequent to September 30, 2020 and occurring before the date of the approval of the interim condensed consolidated financial statements report that are expected to have a significant impact on these financial statements.

19. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved by the Board of Directors on Rabi Al-awwal 19, 1442H, corresponding to November 5, 2020G.