

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

INDEX	PAGE
Independent auditor's report on review of condensed consolidated interim financial statements	-
Condensed consolidated statement of financial position	1
Condensed consolidated statement of profit or loss and other comprehensive income	2 – 3
Condensed consolidated statement of changes in equity	4
Condensed consolidated statement of cash flows	5 – 6
Notes to the condensed consolidated interim financial statements	7 – 16



KPMG Professional Services

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Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرغاش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب ٤٨٠٣
الخبير ٣١٤٦ - ٣٤٤١٢
السلكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

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 March 31, 2022 condensed consolidated interim financial statements of **Mouwasat Medical Services Company** ("the Company") and its subsidiary ("the Group") which comprises:

- the condensed consolidated statement of financial position as at March 31, 2022;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended March 31, 2022;
- the condensed consolidated statement of changes in equity for the three-month period ended March 31, 2022;
- the condensed consolidated statement of cash flows for the three-month period ended March 31, 2022; 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.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاه محاسبون ومراجعون كاتوليون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المسقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة لجزيرة محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.




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

To the Shareholders of Mouwasat Medical Services Company (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying March 31, 2022 condensed consolidated interim financial statements of Mouwasat Medical Services Company and its subsidiary are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Abdulaziz Abdullah Alnaim

License no. 394

Al Khobar,

Date: Shawwal 11, 1443H

Corresponding to: May 12, 2022G



MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	2,472,753,323	2,418,632,215
Right-of-use asset		30,185,330	31,048,389
Goodwill		16,371,000	16,371,000
Intangible assets		16,095,020	15,707,491
Investment in an associate		21,939,053	19,193,147
Advances to contractors and suppliers		261,680,950	242,834,706
Total non-current assets		2,819,024,676	2,743,786,948
Current assets			
Inventories		190,689,488	186,892,245
Accounts receivable	4	980,707,316	791,033,241
Advances, prepayments and other current assets		84,184,712	80,421,440
Term deposit		155,000,000	100,000,000
Cash and cash equivalents		147,699,136	156,868,788
Total current assets		1,558,280,652	1,315,215,714
Total assets		4,377,305,328	4,059,002,662
EQUITY AND LIABILITIES			
Equity			
Share capital	5	1,000,000,000	1,000,000,000
Statutory reserve	6	300,000,000	300,000,000
Retained earnings		1,454,402,019	1,304,190,031
Equity attributable to shareholders of the Company		2,754,402,019	2,604,190,031
Non-controlling interest		106,670,612	97,881,293
Total equity		2,861,072,631	2,702,071,324
Liabilities			
Non-current liabilities			
Long-term borrowings	7	599,196,249	563,799,752
Employees' benefits		127,792,361	124,821,994
Lease liabilities		26,444,915	28,228,235
Total non-current liabilities		753,433,525	716,849,981
Current liabilities			
Accounts payable		273,505,727	218,953,312
Accruals and other current liabilities		164,806,283	124,551,596
Refund liabilities	9	52,280,040	36,018,794
Current maturity of lease liabilities		6,450,000	4,300,000
Current portion of long-term borrowings	7	235,649,891	232,534,205
Provision for zakat	8	30,107,231	23,723,450
Total current liabilities		762,799,172	640,081,357
Total liabilities		1,516,232,697	1,356,931,338
Total equity and liabilities		4,377,305,328	4,059,002,662

Mohammed Al Saleem
(Managing Director)

Mohammed Al Saleem
(Authorized Board Representative)

Yusuf Sulaiman
(Chief Financial Officer)

The accompanying notes 1 through 17 on pages 1 to 16 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-MONTH PERIOD ENDED MARCH 31, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Revenue			
Operating revenues, net		490,917,351	466,086,102
Sales		76,049,839	68,036,084
	9	566,967,190	534,122,186
Direct cost			
Cost of operations		(243,199,928)	(230,545,964)
Cost of sales		(55,987,682)	(49,275,704)
		(299,187,610)	(279,821,668)
		267,779,580	254,300,518
Gross profit			
Selling and distribution expenses		(31,004,446)	(27,409,973)
General and administration expenses		(77,093,101)	(68,397,949)
		159,682,033	158,492,596
Operating profit			
Share of profit of associate		2,745,906	900,000
Other income, net		4,292,568	1,527,053
Finance costs		(1,335,419)	(2,603,190)
		165,385,088	158,316,459
Profit before zakat			
Zakat charge for the period	8	(6,383,781)	(4,295,100)
		159,001,307	154,021,359
Profit for the period			
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			
		159,001,307	154,021,359
Total comprehensive income for the period			

Mohammed Al Sa leem
(Managing Director)

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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)


FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Profit attributable to:			
- Shareholders of the Company		150,211,988	147,189,633
- Non-controlling interests		<u>8,789,319</u>	<u>6,831,726</u>
		<u>159,001,307</u>	<u>154,021,359</u>
Total comprehensive income attributable to:			
- Shareholders of the Company		150,211,988	147,189,633
- Non-controlling interests		<u>8,789,319</u>	<u>6,831,726</u>
		<u>159,001,307</u>	<u>154,021,359</u>
Earnings per share			
Basic and diluted earnings per share attributable to the shareholders of the Company	11	<u>1.50</u>	<u>1.47</u>



Mohammed Al Saleem
(Managing Director)



Mohammed Al Saleem
(Authorized Board Representative)



Yusuf Sulaiman
(Chief Financial Officer)


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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

(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, 2021 (Audited)	1,000,000,000	300,000,000	979,138,199	2,279,138,199	100,504,130	2,379,642,329
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	147,189,633	147,189,633	6,831,726	154,021,359
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	147,189,633	147,189,633	6,831,726	154,021,359
As at March 31, 2021 (Unaudited)	<u>1,000,000,000</u>	<u>300,000,000</u>	<u>1,126,327,832</u>	<u>2,426,327,832</u>	<u>107,335,856</u>	<u>2,533,663,688</u>
As at January 1, 2022 (Audited)	1,000,000,000	300,000,000	1,304,190,031	2,604,190,031	97,881,293	2,702,071,324
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	150,211,988	150,211,988	8,789,319	159,001,307
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	150,211,988	150,211,988	8,789,319	159,001,307
As at March 31, 2022 (Unaudited)	<u>1,000,000,000</u>	<u>300,000,000</u>	<u>1,454,402,019</u>	<u>2,754,402,019</u>	<u>106,670,612</u>	<u>2,861,072,631</u>


Mohammed AlSaleem
(Managing Director)


Mohammed AlSaleem
(Authorized Board Representative)


Yusuf Sulaiman
(Chief Financial Officer)


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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Cash flows from operating activities			
Profit before zakat		165,385,088	158,316,459
<i>Adjustment for:</i>			
Depreciation	3	39,047,499	36,442,911
Depreciation of right-of-use asset		863,059	868,486
Allowance for expected credit losses	4	3,641,202	4,242,643
Amortization of intangible assets		1,168,008	1,198,638
Share of profit of an associate		(2,745,906)	(900,000)
Employees' benefits		7,837,115	7,347,940
Finance cost		1,335,419	2,603,190
Interest income on term deposit		(180,017)	(171,083)
Gain on disposal of property and equipment		(45,854)	(123,561)
		<u>216,305,613</u>	<u>209,825,623</u>
<i>Changes in:</i>			
Accounts receivable		(193,315,277)	(75,264,899)
Advances, prepayments, and other current assets		(3,692,505)	(51,761,366)
Inventories		(3,797,243)	(9,926,975)
Accounts payable		54,552,415	26,487,634
Accruals and other current liabilities		39,970,660	55,678,573
Refund liabilities		16,261,246	10,673,597
Cash generated from operating activities		<u>126,284,909</u>	<u>165,712,187</u>
Employees' benefits paid		(4,866,748)	(3,331,374)
Finance cost paid		(3,472,267)	(3,375,746)
Net cash generated from operating activities		<u>117,945,894</u>	<u>159,005,067</u>
Cash flows from investing activities			
Purchase of property and equipment		(44,631,909)	(31,986,305)
Addition to capital work in progress		(33,924,888)	(49,187,382)
Purchase of intangible assets		(1,555,537)	(411,342)
Proceeds from disposal of property and equipment		118,676	2,764,160
Advances to contractors and suppliers		(30,743,321)	(8,277,195)
Interest received on term deposit		109,250	194,222
Term deposit		(55,000,000)	40,000,000
Net cash used in investing activities		<u>(165,627,729)</u>	<u>(46,903,842)</u>


Mohammed Al Saleem
(Managing Director)


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(Authorized Board Representative)


Yusuf Sulaiman
(Chief Financial Officer)


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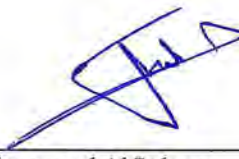
MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	<u>Note</u>	<u>March 31, 2022</u> <u>(Unaudited)</u>	<u>March 31, 2021</u> <u>(Unaudited)</u>
Cash flows from financing activities			
Proceeds from long-term borrowings		85,000,000	35,000,000
Repayment of long-term borrowings		(46,487,817)	(28,312,380)
Payment of lease liability		-	(2,150,000)
Net cash from financing activities		38,512,183	4,537,620
Net (decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		156,868,788	160,153,411
Cash and cash equivalents at the end of the period		147,699,136	276,792,256
Significant non-cash transactions			
Transfer from advances to contractors and supplier to property and equipment		11,897,077	6,658,748
Finance cost capitalized		2,787,555	644,824


 Mohammed Al Saleem
 (Managing Director)


 Mohammed Al Saleem
 (Authorized Board Representative)


 Yusuf Sulaiman
 (Chief Financial Officer)

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

(Expressed in Saudi Riyals, unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

Mouwasat 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.

Branch	Commercial Registration Number	Date
Dammam	2050046891	18/09/1425H
Dammam	2050111494	20/04/1438H
Dammam	2050111780	25/05/1438H
Dammam	2050086573	27/11/1433H
Khobar	2051064380	12/09/1438H
Jubail	2055004626	09/03/1421H
Jubail	2055006727	19/09/1425H
Madinah	4650029967	06/05/1421H
Madinah	4650030759	11/11/1421H
Madinah	4650083001	18/01/1438H
Riyadh	1010295838	09/11/1431H

Details regarding the Company's subsidiary are as follows:

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

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.

These condensed consolidated interim financial statements as at and for the three-month period ended March 31, 2022 include all financial information of the branches of the Company and above mentioned subsidiary (together referred to as 'the Group').

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" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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, 2021 ("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 employees benefit obligation which is measured at present value of the defined benefit obligation.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

(Expressed in Saudi Riyals, unless otherwise stated)

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

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals (“SR”) which is also the functional and presentation currency of the Group. All values are rounded to the nearest one Riyal except where otherwise indicated.

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 and 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.

2.5 Significant accounting policies

The accounting policies applied in these condensed consolidated 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, 2021. A number of amendments to existing standards, as detailed in note 2.6 below, became effective from January 1, 2022 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.

2.6 New standards and amendments to existing standards

New and amended standards adopted by the Group

A number of 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 amended standards.

Amendments to existing standards issued but not yet effective

The amendments to existing standards that are issued, but not yet effective, up to the date of issuance of the condensed consolidated interim financial statements are disclosed below. The Group intends to adopt these amendments to existing standards, if applicable, when they become effective:

- *Classification of liabilities as current or non-current (Amendments to IAS 1);*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Definition of Accounting Estimate (Amendments to IAS 8);*
- *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.*

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022
(Expressed in Saudi Riyals, unless otherwise stated)

3. PROPERTY AND EQUIPMENT

3.1 The movement of property and equipment is as follows:

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
Carrying value at the beginning of the period / year	2,418,632,215	2,202,931,378
Additions	93,241,429	370,716,955
Disposals, net of accumulated depreciation	(72,822)	(5,493,026)
Depreciation for the period / year	(39,047,499)	(149,523,092)
Carrying value at the end of the period / year	2,472,753,323	2,418,632,215

As of March 31, 2022, plots of land amounting to SR 56.1 million (December 31, 2021: SR 56.1 million) have been pledged as security against term loans from Ministry of Finance. During 2021, the Group has fully paid the outstanding loan amount related to one region and applied for release of mortgage against land (having carrying amount of SR 3.18 million).

Finance costs capitalized during the three-months period ended March 31, 2022 amounted to SR 2.79 million (December 31, 2021: SR 8.32 million).

3.2 Construction work-in-progress

The carrying value in note 3.1 includes construction work-in-progress amounting to SR 644 million (December 31, 2021: SR 601 million). It represents costs incurred to construct new hospitals and expansion of existing hospitals, which is currently in work-in-progress.

Subsequent to period end, the pilot operation of the new hospital in Madinah region is completed and management is in the process of obtaining the necessary final approvals from the competent authorities

4. ACCOUNTS RECEIVABLE

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
Accounts receivable – trade	1,040,585,240	847,327,352
Due from related party (note 10)	1,112,695	1,216,001
Less: allowance for expected credit losses	(60,990,619)	(57,510,112)
	980,707,316	791,033,241

Movement in the allowance for expected credit losses is as follows:

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	57,510,112	55,176,841
Allowance for doubtful receivables during the period / year	3,641,202	5,488,648
Written off	(160,695)	(3,155,377)
Balance at the end of the period / year	60,990,619	57,510,112

5. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company is divided into 100 million shares (December 31, 2021: 100 million shares) of SR 10 each.

6. STATUTORY RESERVE

In accordance with the Saudi Arabian Regulations for Companies, 10% of the profit for the year is required to be transferred to the legal reserve until the balance in the reserve equals 30% of the capital. This reserve is not normally available for distribution except in circumstances specified in the Saudi Arabian Companies Regulations.

MOUWASAT MEDICAL SERVICES COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022
(Expressed in Saudi Riyals, unless otherwise stated)

7. LONG TERM BORROWINGS

	<u>March 31, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Current		
Loans from commercial banks	229,702,951	226,587,265
Loans from Ministry of Finance	5,946,940	5,946,940
	<u>235,649,891</u>	<u>232,534,205</u>
Non- current		
Loans from commercial banks	517,711,629	481,671,844
Loans from Ministry of Finance	81,484,620	82,127,908
	<u>599,196,249</u>	<u>563,799,752</u>

Loans from Commercial Banks

The Group obtained Islamic loan facilities from various local commercial banks. These loans are secured by promissory notes and assignment of insurance and contract proceeds. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin.

Loans from Ministry of Finance

The Group obtained loan facilities of SR 147.3 million from Ministry of Finance for expansions and building of new hospitals and purchase of medical equipments. The loans are secured by 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. 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 March 31, 2022. Aggregate maturities are as follows:

	<u>March 31, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Within one year	235,649,891	232,534,205
Later than one year but not later than five years	520,360,500	479,904,048
Later than five years	78,835,749	83,895,704
	<u>834,846,140</u>	<u>796,333,957</u>

8. ZAKAT

The movement in zakat provision is:

	<u>March 31, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Balance at the beginning of the period / year	23,723,450	30,738,896
Charge for the period / year	6,383,781	21,734,758
Paid during the period / year	-	(28,750,204)
Balance at the end of the period / year	<u>30,107,231</u>	<u>23,723,450</u>

Mouwasat Medical Services Company

Subsequent to the period end, the Company has submitted its zakat returns up to year ended December 31, 2021, paid zakat as per the return, however the certificate and official receipt are yet to be obtained. The assessments for the years from 2013 to 2016 were finalized and settled in 2018. The assessments for the years 2017, 2018, 2019, 2020 and 2021 are still under review by the Zakat, Tax and Customs Authority ("ZATCA").

Eastern Medical Services Company Limited

Subsequent to the period end, the subsidiary has submitted its zakat returns up to year ended December 31, 2021, paid zakat as per the return, however the certificate and official receipt are yet to be obtained. The assessments for the years from 2013 to 2016 and for the year 2018 were finalized and settled in 2018 and 2021 respectively. The assessment for the years 2017, 2019, 2020 and 2021 are still under review by the ZATCA.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

(Expressed in Saudi Riyals, unless otherwise stated)

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>March 31, 2022</u> (Unaudited)	<u>March 31, 2021</u> (Unaudited)
Revenue by service lines		
Rendering of medical services	490,917,351	466,086,102
Pharmaceuticals	76,049,839	68,036,084
	<u>566,967,190</u>	<u>534,122,186</u>
Timing of revenue recognition		
Medical services and pharmaceuticals sales transferred at a point in time	325,750,710	294,543,797
Medical services transferred over time	241,216,480	239,578,389
	<u>566,967,190</u>	<u>534,122,186</u>

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

	<u>March 31, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Refund liabilities (note 9.1)	52,280,040	36,018,794
Contract assets (note 9.2)	<u>4,352,885</u>	<u>3,405,998</u>

9.1 Refund liability:

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 estimated level of business 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.

9.2 Contract assets:

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.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

(Expressed in Saudi Riyals, unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include 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. Terms and conditions of these transactions are approved by the Group's management. During the period, the Group transacted with the following related parties:

Related Party	Nature of transaction	For the three-month period ended March 31,	
		2022	2021
Advance Medical Project Company ("AMPC") – Associate	- Revenue	(803,884)	(765,339)
	- Purchase of services	1,733,424	1,702,490
	- Other services	(94,335)	(5,908)
Al-Mouwasat International Company – Affiliate	- Purchases	6,321,204	4,270,440
	- Other services	(141,860)	169,006
AdVision Media Solution – Affiliate	- Advertisement services	3,669,781	15,182,903
Magrabi Hospitals & Centers Company Ltd. – Affiliate	- Revenue	(615,838)	(546,926)
	- Expenses	(3,850)	(137,508)
	- Interest on lease liabilities	366,680	400,003

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

a) Due to related parties

	<u>March 31, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
AdVision Media Solution	7,154,430	5,314,287
Advance Medical Project Company ("AMPC")	2,637,293	1,802,087
Al-Mouwasat International Company	4,677,378	3,600,762
	<u>14,469,101</u>	<u>10,717,136</u>

b) Due from related party

	<u>March 31, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Magrabi Hospitals & Centers Company Ltd.	<u>1,112,695</u>	<u>1,216,001</u>

Amounts due to and due from related parties principally include balances related to above mentioned transactions and are included within accounts payable and accounts receivable, respectively in the statement of financial position. Outstanding balances at the reporting date are unsecured, interest free and payable within 12 months in ordinary course of business. Prices and terms of payment of the above transactions are approved by the Group's management.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

(Expressed in Saudi Riyals, unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

c) Compensation to key management personnel

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

	Three-month period ended March 31, 2022	Three-month period ended March 31, 2021
	(Unaudited)	(Unaudited)
Salary and allowances	4,710,000	3,722,500
Incentives and other benefits	4,292,947	4,013,221
	9,002,947	7,735,721

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 1.04 million (March 2021: SR 0.9 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 the Company does not have any dilutive potential shares, the diluted earnings per share is the same as basic earnings per share.

	Three-month period ended March 31, 2022	Three-month period ended March 31, 2021
	(Unaudited)	(Unaudited)
Profit for the period attributable to the shareholders of the Company	150,211,988	147,189,633
Weighted average number of outstanding shares during the period	100,000,000	100,000,000
Basic and diluted earnings per share attributable to the shareholders of the Company	1.50	1.47

12. CONTINGENCIES AND COMMITMENTS

12.1 The Group's bankers have given guarantees, on behalf of the Group, amounting to SR 18.3 million as of March 31, 2022, (December 31, 2021: SR 18.3 million) mainly in respect of performance guarantees to customers.

12.2 The capital expenditure contracted by the Group but not yet incurred until March 31, 2022 was approximately SR 6726 million (December 31, 2021: SR 82.75 million) relating to certain expansion projects.

12.3 The Group has outstanding letter of credits amounting to SR 77.42 million as of March 31, 2022, (December 31, 2021: SR 60.89 million).

13. DIVIDENDS

The Board of Directors of the Group in their meeting held on Jumada Al-Akhirah 14, 1443H corresponding to January 17, 2022G has proposed a cash dividend of SR 2.75 per share for the year ended December 31, 2021 which was subsequently approved by shareholders in General Assembly Meeting held on Shawwal 8, 1443H (corresponding to May 9, 2022G).

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

(Expressed in Saudi Riyals, unless otherwise stated)

14. SEGMENT INFORMATION

The Board of Directors monitor 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.

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

Operating segments:

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

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

	<u>Medical Services</u>	<u>Pharmaceuticals</u>	<u>Total</u>
For the three-month period ended March 31, 2022 (unaudited)			
Revenues	<u>490,917,351</u>	<u>76,049,839</u>	<u>566,967,190</u>
Gross profit	247,717,423	20,062,157	267,779,580
Unallocated income / (expenses)			
Selling and distribution expenses			(31,004,446)
General and administration expenses			(77,093,101)
Share of profit of associate			2,745,906
Other income			4,292,568
Finance cost			(1,335,419)
Profit before zakat			<u>165,385,088</u>
Zakat expense for the period			<u>(6,383,781)</u>
Profit for the period			<u><u>159,001,307</u></u>
For the three-month period ended March 31, 2021 (unaudited)			
Revenues	<u>466,086,102</u>	<u>68,036,084</u>	<u>534,122,186</u>
Gross profit	235,540,138	18,760,380	254,300,518
Unallocated income / (expenses)			
Selling and distribution expenses			(27,409,973)
General and administration expenses			(68,397,949)
Share of profit of associate			900,000
Other income			1,527,053
Finance cost			(2,603,190)
Profit before zakat			158,316,459
Zakat expense for the period			<u>(4,295,100)</u>
Profit for the period			<u><u>154,021,359</u></u>

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022
(Expressed in Saudi Riyals, unless otherwise stated)

14. SEGMENT INFORMATION (Continued)

	<u>Medical Services</u>	<u>Pharmaceuticals</u>	<u>Total</u>
As at March 31, 2022 (unaudited)			
Total assets	<u>4,158,527,679</u>	<u>218,777,649</u>	<u>4,377,305,328</u>
Total liabilities	<u>1,372,357,065</u>	<u>143,875,632</u>	<u>1,516,232,697</u>
As at December 31, 2021 (audited)			
Total assets	<u>3,856,052,529</u>	<u>202,950,133</u>	<u>4,059,002,662</u>
Total liabilities	<u>1,228,022,861</u>	<u>128,908,477</u>	<u>1,356,931,338</u>

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 Board of Directors 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 receivable and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise long-term borrowings and accounts payable, 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 as their carrying amount is a reasonable approximation of fair value.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022
(Expressed in Saudi Riyals, unless otherwise stated)

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

Particulars	March 31,	December 31,
	2022	2021
	Carrying value	Carrying value
	(Amortized cost)	(Amortized cost)
	(Unaudited)	(Audited)
Financial assets not measured at fair value		
Accounts receivable	980,707,316	791,033,241
Contract asset	4,352,885	3,405,998
Cash and cash equivalents	147,699,136	156,868,788
Other current assets	8,226,516	6,530,833
Term deposit	155,000,000	100,000,000
Total	1,295,985,853	1,057,838,860

Particulars	March 31,	December 31,
	2022	2021
	Carrying value	Carrying value
	(Amortized cost)	(Amortized cost)
	(Unaudited)	(Audited)
Financial liabilities not measured at fair value		
Long-term borrowings	834,846,140	796,333,957
Lease liabilities	32,894,915	32,528,235
Accounts payable	273,505,727	218,953,312
Refund liabilities	52,280,040	36,018,794
Other current liabilities	98,574,434	87,372,806
Total	1,292,101,256	1,171,207,104

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, 2021.

16. SUBSEQUENT EVENTS

There were no significant events occurred subsequent to March 31, 2022, except mentioned otherwise in these condensed interim consolidated financial statements, that would have a material impact on the financial position and financial performance of the Group.

17. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved by the Board of Directors on Shawwal 11, 1443H, corresponding to May 12, 2022G.