

**MOUWASAT MEDICAL SERVICES COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 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 SIX MONTHS PERIOD ENDED JUNE 30, 2020

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Licence No. 46/11/323 issued 11/3/1992

# 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 June 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 June 30, 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period and six-month periods ended June 30, 2020;
- the condensed consolidated statement of changes in equity for the six-month period ended June 30, 2020;
- the condensed consolidated statement of cash flows for the six-month period ended June 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 June 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 consolidated financial statements of the Group for the year ended December 31, 2019 and condensed consolidated interim statements of the Group for the six months period ended June 30, 2019 were audited and reviewed by another auditor who expressed an unmodified audit opinion and review conclusion on those financial statements on Rajab 13, 1441H corresponding to March 8, 2020G and Dhul Qadah 22, 1440H corresponding to July 25, 2019G, respectively.

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

**Abdulaziz Abdullah Alnaim**  
License no. 394



Al Khobar,  
Date: Dhul Hijjah 28, 1441H  
Corresponding to: August 18, 2020G

**MOUWASAT MEDICAL SERVICES COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT JUNE 30, 2020**

(Expressed in Saudi Riyals, unless otherwise stated)

|   | Note | June 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|---|------|------------------------------|--------------------------------|
| <b>ASSETS</b>   |      |                              |                                |
| <b>Non-current assets</b>                                 |      |                              |                                |
| Property and equipment                                    | 3    | 2,130,147,386                | 2,075,538,020                  |
| Goodwill  |      | 16,371,000                   | 16,371,000                     |
| Intangible assets   |      | 17,383,600                   | 17,015,310                     |
| Right-of-use asset  |      | 36,248,447                   | 37,974,563                     |
| Investment in an associate                                |      | 14,162,667                   | 12,362,672                     |
| Advances to contractors                                   |      | 127,316,634                  | 103,226,793                    |
| <b>Total non-current assets</b>                           |      | <b>2,341,629,734</b>         | <b>2,262,488,358</b>           |
| <b>Current assets</b>                                     |      |                              |                                |
| Inventories   |      | 178,873,348                  | 165,326,214                    |
| Accounts receivables                                      | 4    | 642,638,013                  | 522,631,969                    |
| Advances, prepayments and other current assets            |      | 79,539,476                   | 83,223,380                     |
| Cash and cash equivalents                                 |      | 131,726,506                  | 204,624,026                    |
| Term deposit  |      | -                            | 90,000,000                     |
| <b>Total current assets</b>                               |      | <b>1,032,777,343</b>         | <b>1,065,805,589</b>           |
| <b>Total assets</b>                                       |      | <b>3,374,407,077</b>         | <b>3,328,293,947</b>           |
| <b>EQUITY AND LIABILITIES</b>                             |      |                              |                                |
| <b>Equity</b>   |      |                              |                                |
| Share capital   | 5    | 1,000,000,000                | 1,000,000,000                  |
| Statutory reserve   | 6    | 281,829,508                  | 281,829,508                    |
| Retained earnings   |      | 697,442,584                  | 673,685,617                    |
| <b>Equity attributable to shareholders of the Company</b> |      | <b>1,979,272,092</b>         | <b>1,955,515,125</b>           |
| Non-controlling interest                                  |      | 88,225,670                   | 96,675,866                     |
| <b>Total equity</b>                                       |      | <b>2,067,497,762</b>         | <b>2,052,190,991</b>           |
| <b>Liabilities</b>  |      |                              |                                |
| <b>Non-current liabilities</b>                            |      |                              |                                |
| Long-term borrowings                                      | 7    | 587,584,418                  | 601,799,471                    |
| Employees benefits  |      | 107,819,290                  | 97,142,980                     |
| Lease liabilities   |      | 32,883,203                   | 33,972,152                     |
| <b>Total non-current liabilities</b>                      |      | <b>728,286,911</b>           | <b>732,914,603</b>             |
| <b>Current liabilities</b>                                |      |                              |                                |
| Accounts payables   |      | 195,927,870                  | 211,904,715                    |
| Accruals and other current liabilities                    |      | 128,958,495                  | 134,441,957                    |
| Refund liabilities  | 9    | 53,987,405                   | 39,102,903                     |
| Current maturity of lease liabilities                     |      | 5,954,876                    | 4,002,411                      |
| Current portion of long-term borrowings                   | 7    | 153,303,233                  | 120,411,113                    |
| Provision for zakat                                       | 8    | 40,490,525                   | 33,325,254                     |
| <b>Total current liabilities</b>                          |      | <b>578,622,404</b>           | <b>543,188,353</b>             |
| <b>Total liabilities</b>                                  |      | <b>1,306,909,315</b>         | <b>1,276,102,956</b>           |
| <b>Total equity and liabilities</b>                       |      | <b>3,374,407,077</b>         | <b>3,328,293,947</b>           |

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.




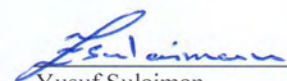
**MOUWASAT MEDICAL SERVICES COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2020**  
(Expressed in Saudi Riyals, unless otherwise stated)

|   | Note | Three months from<br>April to June |                              | Six months from<br>January to June |                              |
|---|------|------------------------------------|------------------------------|------------------------------------|------------------------------|
|   |      | June 30, 2020<br>(Unaudited)       | June 30, 2019<br>(Unaudited) | June 30, 2020<br>(Unaudited)       | June 30, 2019<br>(Unaudited) |
| <b>Revenue</b>  |      |                                    |                              |                                    |                              |
| Operating revenues, net   |      | 418,909,912                        | 385,573,431                  | 844,547,186                        | 782,324,868                  |
| Sales   |      | 49,520,305                         | 60,685,188                   | 117,826,140                        | 126,553,836                  |
|   | 9    | 468,430,217                        | 446,258,619                  | 962,373,326                        | 908,878,704                  |
| <b>Direct cost</b>  |      |                                    |                              |                                    |                              |
| Cost of operations  |      | (212,907,635)                      | (208,389,536)                | (436,398,056)                      | (412,986,161)                |
| Cost of sales   |      | (36,508,105)                       | (43,665,201)                 | (86,407,826)                       | (90,372,667)                 |
|   |      | (249,415,740)                      | (252,054,737)                | (522,805,882)                      | (503,358,828)                |
| <b>Gross profit</b>   |      | 219,014,477                        | 194,203,882                  | 439,567,444                        | 405,519,876                  |
| Selling and distribution expenses   |      | (28,605,486)                       | (27,838,263)                 | (61,067,663)                       | (58,371,415)                 |
| General and administration expenses   |      | (59,222,837)                       | (62,323,307)                 | (124,332,547)                      | (121,071,241)                |
| <b>Operating profit</b>   |      | 131,186,154                        | 104,042,312                  | 254,167,234                        | 226,077,220                  |
| Share of profit of an associate   |      | 900,000                            | 1,069,069                    | 1,800,000                          | 1,819,069                    |
| Other income  |      | 1,587,667                          | 1,520,286                    | 4,170,528                          | 3,988,384                    |
| Finance cost  |      | (3,522,011)                        | (5,082,845)                  | (8,265,720)                        | (10,369,613)                 |
| <b>Profit before zakat</b>  |      | 130,151,810                        | 101,548,822                  | 251,872,042                        | 221,515,060                  |
| Zakat expense for the period  | 8    | (3,466,347)                        | (3,801,614)                  | (7,165,271)                        | (8,914,433)                  |
| <b>Profit for the period</b>  |      | 126,685,463                        | 97,747,208                   | 244,706,771                        | 212,600,627                  |
| <b>Other comprehensive income</b>   |      |                                    |                              |                                    |                              |
| <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   |      | -                                  | -                            | -                                  | -                            |
| <b>Other comprehensive income for the period</b>  |      | -                                  | -                            | -                                  | -                            |
| <b>Total comprehensive income for the period</b>  |      | 126,685,463                        | 97,747,208                   | 244,706,771                        | 212,600,627                  |

  
Mohammed Al Saleem  
(Managing Director)

  
Mohammed Al Saleem  
(Authorized Board Representative)

  
Yusuf Sulaiman  
(Chief Financial Officer)


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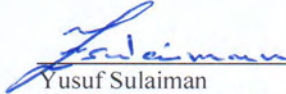
**MOUWASAT MEDICAL SERVICES COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (CONTINUED)  
FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2020**  
(Expressed in Saudi Riyals, unless otherwise stated)

|  | Note | Three months from<br>April to June |                              | Six months from<br>January to June |                              |
|--|------|------------------------------------|------------------------------|------------------------------------|------------------------------|
|  |      | June 30, 2020<br>(Unaudited)       | June 30, 2019<br>(Unaudited) | June 30, 2020<br>(Unaudited)       | June 30, 2019<br>(Unaudited) |
| <b>Profit attributable to:</b>   |      |                                    |                              |                                    |                              |
| - Shareholders of the Company  |      | 115,730,628                        | 90,309,449                   | 223,756,967                        | 197,524,691                  |
| - Non-controlling interests  |      | 10,954,835                         | 7,437,759                    | 20,949,804                         | 15,075,936                   |
|  |      | <u>126,685,463</u>                 | <u>97,747,208</u>            | <u>244,706,771</u>                 | <u>212,600,627</u>           |
| <b>Total comprehensive income attributable to:</b>                                   |      |                                    |                              |                                    |                              |
| - Shareholders of the Company  |      | 115,730,628                        | 90,309,449                   | 223,756,967                        | 197,524,691                  |
| - Non-controlling interests  |      | 10,954,835                         | 7,437,759                    | 20,949,804                         | 15,075,936                   |
|  |      | <u>126,685,463</u>                 | <u>97,747,208</u>            | <u>244,706,771</u>                 | <u>212,600,627</u>           |
| <b>Earnings per share</b>  |      |                                    |                              |                                    |                              |
| Basic and diluted earnings per share attributable to the shareholders of the Company | 11   | <u>1.16</u>                        | <u>0.90</u>                  | <u>2.24</u>                        | <u>1.98</u>                  |

  
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(Managing Director)

  
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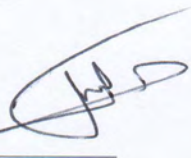
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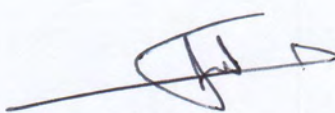


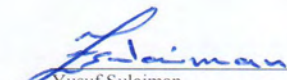
**MOUWASAT MEDICAL SERVICES COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020**  
(Expressed in Saudi Riyals, unless otherwise stated)

|  | Attributable to shareholders of the Company |                    |                    | Total                | Non-controlling interests | Total Equity         |
|--|---|--------------------|--------------------|----------------------|---------------------------|----------------------|
|  | Share capital                               | Statutory reserve  | Retained earnings  |                      |                           |                      |
| 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                            | -   | -                  | 197,524,691        | 197,524,691          | 15,075,936                | 212,600,627          |
| Other comprehensive income for the period        | -   | -                  | -                  | -                    | -                         | -                    |
| Total comprehensive income for the period        | -   | -                  | 197,524,691        | 197,524,691          | 15,075,936                | 212,600,627          |
| 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 June 30, 2019 (Unaudited)                  | <u>1,000,000,000</u>                        | <u>239,726,561</u> | <u>495,682,762</u> | <u>1,735,409,323</u> | <u>84,247,201</u>         | <u>1,819,656,524</u> |
| <b>As at January 1, 2020 (Audited)</b>           | <b>1,000,000,000</b>                        | <b>281,829,508</b> | <b>673,685,617</b> | <b>1,955,515,125</b> | <b>96,675,866</b>         | <b>2,052,190,991</b> |
| <i>Total comprehensive income for the period</i> |   |                    |                    |                      |                           |                      |
| Profit for the period                            | -   | -                  | 223,756,967        | 223,756,967          | 20,949,804                | 244,706,771          |
| Other comprehensive income for the period        | -   | -                  | -                  | -                    | -                         | -                    |
| Total comprehensive income for the period        | -   | -                  | 223,756,967        | 223,756,967          | 20,949,804                | 244,706,771          |
| 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 June 30, 2020 (Unaudited)                  | <u>1,000,000,000</u>                        | <u>281,829,508</u> | <u>697,442,584</u> | <u>1,979,272,092</u> | <u>88,225,670</u>         | <u>2,067,497,762</u> |

  
Mohammed Al Saleem  
(Managing Director)

  
Mohammed Al Saleem  
(Authorized Board Representative)

  
Yusuf Sulaiman  
(Chief Financial Officer)

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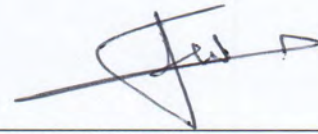
**MOUWASAT MEDICAL SERVICES COMPANY**  
(A SAUDI JOINT STOCK COMPANY)


**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020**

(Expressed in Saudi Riyals, unless otherwise stated)

|   | Note | June 30, 2020       | June 30, 2019        |
|---|------|---------------------|----------------------|
|   |      | (Unaudited)         | (Unaudited)          |
| <b>Cash flows from operating activities</b>         |      |                     |                      |
| Profit before zakat                                 |      | 251,872,042         | 221,515,060          |
| <i>Adjustment for:</i>                              |      |                     |                      |
| Depreciation  | 3    | 70,006,043          | 68,542,151           |
| Depreciation of right-of-use asset                  |      | 1,726,116           | -                    |
| Allowance for doubtful receivables                  | 4    | 18,966,211          | 12,912,304           |
| Provision for refund liabilities                    |      | 15,862,315          | 18,014,390           |
| Amortization of intangible assets                   |      | 2,055,765           | 1,629,258            |
| Share of results of an associate                    |      | (1,800,000)         | (1,819,069)          |
| Employees benefits                                  |      | 14,110,644          | 11,728,929           |
| Finance cost  |      | 8,265,720           | 10,369,613           |
| Gain on disposal of property and equipment          |      | (220,308)           | (217,644)            |
|   |      | <u>380,844,548</u>  | <u>342,674,992</u>   |
| <i>Changes in:</i>                                  |      |                     |                      |
| Accounts receivables                                |      | (138,972,255)       | 20,121,625           |
| Advances, prepayments and other current assets      |      | 3,683,904           | (12,504,273)         |
| Inventories   |      | (13,547,134)        | (2,239,281)          |
| Accounts payables                                   |      | (15,976,845)        | 5,798,447            |
| Accruals and other current payables                 |      | 4,119,452           | (11,954,790)         |
| Refund liabilities                                  |      | (977,813)           | (1,983,581)          |
| <b>Cash generate from operating activities</b>      |      | <u>219,173,857</u>  | <u>339,913,139</u>   |
| Employees benefits paid                             |      | (3,434,334)         | (3,624,369)          |
| Finance cost paid                                   |      | (21,981,393)        | (10,005,650)         |
| Zakat paid  | 8    | -                   | (17,552,019)         |
| <b>Net cash generated from operating activities</b> |      | <u>193,758,130</u>  | <u>308,731,101</u>   |
| <b>Cash flows from investing activities</b>         |      |                     |                      |
| Purchase of property and equipment                  |      | (111,714,444)       | (96,162,478)         |
| Purchase of intangible assets                       |      | (2,424,056)         | (546,979)            |
| Proceeds on disposal of property and equipment      |      | 370,285             | 655,229              |
| Advances to contractors                             |      | (32,164,502)        | (43,418,749)         |
| Term deposit  |      | 90,000,000          | 35,000,000           |
| <b>Net cash used in investing activities</b>        |      | <u>(55,932,717)</u> | <u>(104,472,977)</u> |

  
\_\_\_\_\_  
Mohammed Al Saleem  
(Managing Director)

  
\_\_\_\_\_  
Mohammed Al Saleem  
(Authorized Board Representative)

  
\_\_\_\_\_  
Yusuf Sulaiman  
(Chief Financial Officer)

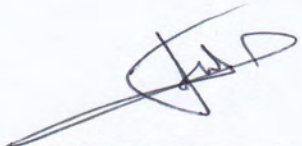
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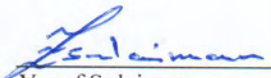
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020**

(Expressed in Saudi Riyals, unless otherwise stated)

|   | Note | <b>June 30, 2020</b> | June 30, 2019        |
|---|------|----------------------|----------------------|
| <b>Cash flows from financing activities</b>                     |      | <b>(Unaudited)</b>   | <b>(Unaudited)</b>   |
| Proceeds from long-term borrowings                              |      | 75,000,000           | 60,000,000           |
| Repayment of long-term borrowings                               |      | (56,322,933)         | (34,193,501)         |
| Dividends paid to shareholders of the Company                   | 13   | (200,000,000)        | (175,000,000)        |
| Dividends paid to non-controlling interests                     |      | (29,400,000)         | (24,500,000)         |
| <b>Net cash used in financing activities</b>                    |      | <b>(210,722,933)</b> | <b>(173,693,501)</b> |
| <b>Net (decrease) / increase in cash and cash equivalents</b>   |      | <b>(72,897,520)</b>  | <b>30,564,623</b>    |
| Cash and cash equivalents at the beginning of the period        |      | 204,624,026          | 130,179,418          |
| <b>Cash and cash equivalents at the end of the period</b>       |      | <b>131,726,506</b>   | <b>160,744,041</b>   |
| <b>Significant non-cash transactions</b>                        |      |                      |                      |
| Transfer from advances to contractors to property and equipment |      | 8,074,661            | 10,146,841           |
| Finance cost capitalized  |      | 4,976,281            | 2,204,273            |

  
\_\_\_\_\_  
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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED JUNE 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"):

| <b>Name</b>                                | <b>Country of incorporation</b> | <b>Activities</b> | <b>Percentage %</b> |
|--|---------------------------------|-------------------|---------------------|
| 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.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020**

(Expressed in Saudi Riyals, unless otherwise stated)

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**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'.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**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.

**MOUWASAT MEDICAL SERVICES COMPANY**  
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**3. PROPERTY AND EQUIPMENT**

3.1 The movement of property and equipment is as follows:

|  | <b>June 30, 2020</b> | December 31, 2019 |
|--|----------------------|-------------------|
|  | <b>(Unaudited)</b>   | (Audited)         |
| Carrying value at the beginning of the period / year | <b>2,075,538,020</b> | 1,910,684,112     |
| Additions  | <b>124,765,386</b>   | 303,565,762       |
| Disposals  | <b>(149,977)</b>     | (274,041)         |
| Write off  | -                    | (235,000)         |
| Depreciation for the period / year                   | <b>(70,006,043)</b>  | (138,202,813)     |
| Carrying value at the end of the period / year       | <b>2,130,147,386</b> | 2,075,538,020     |

As of June 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 six months period ended amounted to SR 4.98 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 relating to construction work-in-progress which represents costs incurred to construct new hospitals and expansion of existing hospitals.

**4. ACCOUNTS RECEIVABLES**

|  | <b>June 30, 2020</b> | December 31, 2019 |
|--|----------------------|-------------------|
|  | <b>(Unaudited)</b>   | (Audited)         |
| Accounts receivables – trade             | <b>685,351,267</b>   | 551,845,519       |
| Less: allowance for doubtful receivables | <b>(42,713,254)</b>  | (29,213,550)      |
|  | <b>642,638,013</b>   | 522,631,969       |

Movement in the allowance for doubtful receivables is as follows:

|   | <b>June 30, 2020</b> | December 31, 2019 |
|---|----------------------|-------------------|
|   | <b>(Unaudited)</b>   | (Audited)         |
| Balance at the beginning of the period / year               | <b>29,213,550</b>    | 39,881,857        |
| Allowance for doubtful receivables during the period / year | <b>18,966,211</b>    | 12,352,654        |
| Written off   | <b>(5,466,507)</b>   | (23,020,961)      |
| Balance at the end of the period / year                     | <b>42,713,254</b>    | 29,213,550        |

**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**

|                                    | <b>June 30, 2020</b><br><b>(Unaudited)</b> | <b>December 31, 2019</b><br><b>(Audited)</b> |
|------------------------------------|--|--|
| <b>Current</b>                     |  |  |
| Loans from commercial banks (a)    | <b>145,426,360</b>                         | 112,534,240                                  |
| Loans from ministry of finance (b) | <b>7,876,873</b>                           | 7,876,873                                    |
|                                    | <b>153,303,233</b>                         | 120,411,113                                  |
| <b>Non- current</b>                |  |  |
| Loans from commercial banks (a)    | <b>499,509,568</b>                         | 505,847,748                                  |
| Loans from ministry of finance (b) | <b>88,074,850</b>                          | 95,951,723                                   |
|                                    | <b>587,584,418</b>                         | 601,799,471                                  |

- 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 June 30, 2020. Aggregate maturities are as follows:

|                  | <b>June 30, 2020</b><br><b>(Unaudited)</b> | <b>December 31, 2019</b><br><b>(Audited)</b> |
|------------------|--|--|
| 2020             | <b>153,303,232</b>                         | 120,411,113                                  |
| 2021             | <b>181,373,300</b>                         | 159,219,899                                  |
| 2022             | <b>151,373,300</b>                         | 165,123,300                                  |
| 2023             | <b>96,373,300</b>                          | 95,123,300                                   |
| 2024             | <b>64,177,429</b>                          | 66,373,300                                   |
| 2025 and onwards | <b>94,287,090</b>                          | 115,959,672                                  |
|                  | <b>740,887,651</b>                         | 722,210,584                                  |

**8. ZAKAT**

The movement in zakat provision is as follows:

|   | <b>June 30, 2020</b><br><b>(Unaudited)</b> | <b>December 31, 2019</b><br><b>(Audited)</b> |
|---|--|--|
| Balance at the beginning of the period / year | <b>33,325,254</b>                          | 37,469,074                                   |
| Charge for the period / year                  | <b>7,165,271</b>                           | 13,465,942                                   |
| Paid during the period / year                 | -  | (17,609,762)                                 |
| Balance at the end of the period / year       | <b>40,490,525</b>                          | 33,325,254                                   |

**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 2009 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>June 30, 2020</u><br>(Unaudited) | <u>June 30, 2019</u><br>(Unaudited) |
|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>Revenue by service lines</b>      |                                     |                                     |
| Rendering of medical services        | 844,547,186                         | 782,324,868                         |
| Pharmaceuticals                      | 117,826,140                         | 126,553,836                         |
|                                      | <u>962,373,326</u>                  | <u>908,878,704</u>                  |
| <b>Timing of revenue recognition</b> |                                     |                                     |
| <i>At a point in time</i>            |                                     |                                     |
| Outpatient services                  | 349,444,956                         | 377,900,406                         |
| Pharmaceuticals                      | 117,826,140                         | 126,553,836                         |
|                                      | <u>467,271,096</u>                  | <u>504,454,242</u>                  |
| <i>Over time</i>                     |                                     |                                     |
| Inpatient services                   | 495,102,230                         | 404,424,462                         |
|                                      | <u>962,373,326</u>                  | <u>908,878,704</u>                  |

**a) Contract balances**

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

|                    | <u>June 30, 2020</u><br>(Unaudited) | <u>December 31, 2019</u><br>(Audited) |
|--------------------|-------------------------------------|---------------------------------------|
| Refund liabilities | 53,987,405                          | 39,102,903                            |
| Contract assets    | <u>2,637,374</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 contract 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.



**MOUWASAT MEDICAL SERVICES COMPANY**  
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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 six months ended |               |
|--|---------------------------------|--------------------------|---------------|
|  |                                 | June 30, 2020            | June 30, 2019 |
| Advance Medical Project Company ("AMPC") – Associate | - Revenue                       | (1,072,077)              | (1,429,879)   |
|  | - Purchase of services          | 3,339,037                | 3,410,598     |
|  | - Other services                | (80,862)                 | 57,353        |
| Al-Mouwasat International Company – Affiliate        | - Purchases                     | 7,674,157                | 11,343,979    |
|  | - Rent                          | 2,018,359                | 1,965,662     |
|  | - Other services                | 345,897                  | (207,074)     |
| AdVision Media Solution – Affiliate                  | - Advertisement services        | 16,757,183               | 17,413,377    |
| Magrabi Hospitals & Centers Company Ltd. – Affiliate | - Revenue                       | (518,712)                | (1,010,099)   |
|  | - Expenses                      | -                        | 2,151,581     |
|  | - Interest on lease liabilities | 863,516                  | 317,688       |

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

**a) Due to related parties**

|  | June 30, 2020<br>(Unaudited) | December 31, 2019<br>(Audited) |
|--|------------------------------|--------------------------------|
| AdVision Media Solution                  | 16,172,437                   | 4,547,259                      |
| Al-Mouwasat International Company        | 2,712,548                    | 1,603,797                      |
| Magrabi Hospitals & Centers Company Ltd. | 1,829,182                    | 1,615,630                      |
| Advance Medical Project Company ("AMPC") | 1,451,063                    | 259,207                        |
|  | <b>22,165,230</b>            | <b>8,025,893</b>               |

Amounts due to related parties as at June 30, 2020 principally include balances related to the above mentioned transactions and are included within accounts payables in the statement of financial position. Payable 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.

**b) Compensation to key management personnel**

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

|                               | June 30, 2020<br>(Unaudited) | June 30, 2019<br>(Audited) |
|-------------------------------|------------------------------|----------------------------|
| Salary and allowances         | 7,395,000                    | 5,305,500                  |
| Incentives and other benefits | 6,070,111                    | 5,516,103                  |
|                               | <b>13,465,111</b>            | <b>10,821,603</b>          |

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 1.8 million (June 2019: SR 1.8 million) have been included as part of key management personnel remuneration.

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**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:

|  | <b>Three months from</b> |               | <b>Six months from</b> |               |
|--|--------------------------|---------------|------------------------|---------------|
|  | <b>April to June</b>     |               | <b>January to June</b> |               |
|  | <b>June 30, 2020</b>     | June 30, 2019 | <b>June 30, 2020</b>   | June 30, 2019 |
|  | <b>(Unaudited)</b>       | (Unaudited)   | <b>(Unaudited)</b>     | (Unaudited)   |
| Profit for the period attributable to the shareholders of the Company                | <b>115,730,628</b>       | 90,309,449    | <b>223,755,454</b>     | 197,524,691   |
| Weighted average number of outstanding shares during the period (Number of share)    | <b>100,000,000</b>       | 100,000,000   | <b>100,000,000</b>     | 100,000,000   |
| Basic and diluted earnings per share attributable to the shareholders of the Company | <b>1.16</b>              | 0.90          | <b>2.24</b>            | 1.98          |

**12. CONTINGENT LIABILITIES AND COMMITMENTS**

|                      | <b>June 30, 2020</b> | December 31, 2019 |
|----------------------|----------------------|-------------------|
|                      | <b>(Unaudited)</b>   | (Audited)         |
| Capital commitments  | <b>215,219,336</b>   | 269,271,514       |
| Letter of credit     | <b>22,360,585</b>    | 50,083,368        |
| Letter of guarantees | <b>1,745,411</b>     | 966,051           |
|                      | <b>239,325,332</b>   | 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).

**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.

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**14. SEGMENT INFORMATION (Continued)**

|  | <u>In-patient</u>    | <u>Out-patient</u>   | <u>Pharmaceuticals</u> | <u>Total</u>         |
|--|----------------------|----------------------|------------------------|----------------------|
| <b>For the six-months period ended<br/>June 30, 2020 (unaudited)</b> |                      |                      |                        |                      |
| Revenues   | 495,102,230          | 349,444,956          | 117,826,140            | 962,373,326          |
| <b>Gross profit</b>  | <b>239,270,875</b>   | <b>168,878,255</b>   | <b>31,418,314</b>      | <b>439,567,444</b>   |
| <b>Unallocated income / (expenses)</b>                               |                      |                      |                        |                      |
| Selling and distribution expenses                                    |                      |                      |                        | (61,067,663)         |
| General and administration<br>Expenses                               |                      |                      |                        | (124,332,547)        |
| Share of profit of an associate                                      |                      |                      |                        | 1,800,000            |
| Finance cost   |                      |                      |                        | (8,265,720)          |
| Other income   |                      |                      |                        | 4,170,528            |
| <b>Profit before zakat</b>   |                      |                      |                        | <b>251,872,042</b>   |
| Zakat expense for the period   |                      |                      |                        | (7,165,271)          |
| <b>Profit for the period</b>   |                      |                      |                        | <b>244,706,771</b>   |
| <b>For the six-months period ended<br/>June 30, 2019 (unaudited)</b> |                      |                      |                        |                      |
| Revenues   | 404,424,462          | 377,900,406          | 126,553,836            | 908,878,704          |
| <b>Gross profit</b>  | <b>190,930,410</b>   | <b>178,408,297</b>   | <b>36,181,169</b>      | <b>405,519,876</b>   |
| <b>Unallocated income / (expenses)</b>                               |                      |                      |                        |                      |
| Selling and distribution expenses                                    |                      |                      |                        | (58,371,415)         |
| General and administration<br>expenses                               |                      |                      |                        | (121,071,241)        |
| Share of profit of an associate                                      |                      |                      |                        | 1,819,069            |
| Finance cost   |                      |                      |                        | (10,369,613)         |
| Other income   |                      |                      |                        | 3,988,384            |
| <b>Profit before zakat</b>   |                      |                      |                        | <b>221,515,060</b>   |
| Zakat expense for the period   |                      |                      |                        | (8,914,433)          |
| <b>Profit for the period</b>   |                      |                      |                        | <b>212,600,627</b>   |
|  |                      |                      |                        |                      |
|  | <u>In-patient</u>    | <u>Out-patient</u>   | <u>Pharmaceuticals</u> | <u>Total</u>         |
| <b>As at June 30, 2020 (unaudited)</b>                               |                      |                      |                        |                      |
| <b>Total assets</b>  | <b>1,855,923,892</b> | <b>1,349,762,831</b> | <b>168,720,354</b>     | <b>3,374,407,077</b> |
| <b>Total liabilities</b>   | <b>718,800,123</b>   | <b>457,418,260</b>   | <b>130,690,932</b>     | <b>1,306,909,315</b> |
|  |                      |                      |                        |                      |
| <b>As at December 31, 2019 (audited)</b>                             |                      |                      |                        |                      |
| 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        |

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**14. SEGMENT INFORMATION (Continued)**

**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 described in note 3. 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.

| <b>Particulars</b>                                 | <b>June 30, 2020</b>                       | <b>December 31, 2019</b>                   |
|--|--|--|
|  | <b>Carrying value<br/>(Amortized cost)</b> | <b>Carrying value<br/>(Amortized cost)</b> |
|  | <b>(Unaudited)</b>                         | <b>(Audited)</b>                           |
| <b>Financial assets not measured at fair value</b> |  |  |
| Accounts receivables                               | <b>642,638,013</b>                         | 522,631,969                                |
| Cash and cash equivalents                          | <b>131,726,506</b>                         | 204,624,026                                |
| Other current assets                               | <b>14,210,833</b>                          | 11,693,813                                 |
| Term deposit                                       | -  | 90,000,000                                 |
| <b>Total</b>                                       | <b>788,575,352</b>                         | <b>828,949,808</b>                         |



**MOUWASAT MEDICAL SERVICES COMPANY**  
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**15. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (Continued)**

**Accounting classifications and fair values (Continued)**

| <b>Particulars</b>                                      | <b>June 30, 2020</b>                       | <b>December 31, 2019</b>                   |
|---|--|--|
|   | <b>Carrying value<br/>(Amortized cost)</b> | <b>Carrying value<br/>(Amortized cost)</b> |
|   | <b>(Unaudited)</b>                         | <b>(Audited)</b>                           |
| <b>Financial liabilities not measured at fair value</b> |  |  |
| Long-term borrowings                                    | <b>740,887,651</b>                         | 722,210,584                                |
| Lease liabilities                                       | <b>38,838,079</b>                          | 37,974,563                                 |
| Accounts payables                                       | <b>195,927,870</b>                         | 211,904,715                                |
| Refund liabilities                                      | <b>53,987,405</b>                          | 39,102,903                                 |
| Other current liabilities                               | <b>104,789,467</b>                         | 117,854,330                                |
| <b>Total</b>  | <b>1,134,430,472</b>                       | 1,129,047,095                              |

As at 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 six months period ended June 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.

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.

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**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 June 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 Dhul Hijjah 28, 1441H, corresponding to August 18, 2020G.