

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
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-MONTH PERIODS ENDED JUNE 30, 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

16th Floor, Al Barghash Tower
6189 Prince Turkey Road, Al Kurnaish
P.O. Box 4803
Al Khobar, 34412 - 3146
Kingdom of Saudi Arabia
Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرغش
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 June 30, 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 June 30, 2022;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended June 30, 2022;
- the condensed consolidated statement of changes in equity for the six-month period ended June 30, 2022;
- the condensed consolidated statement of cash flows for the six-month period ended June 30, 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.



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 June 30, 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: Muharram 13, 1444H
Corresponding to: August 11, 2022G

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	2,570,585,525	2,418,632,215
Right-of-use asset		29,322,272	31,048,389
Goodwill		16,371,000	16,371,000
Intangible assets		16,147,835	15,707,491
Investment in an associate		23,729,053	19,193,147
Advances to contractors and suppliers		245,534,711	242,834,706
Total non-current assets		2,901,690,396	2,743,786,948
Current assets			
Inventories		187,473,393	186,892,245
Accounts receivable	4	1,057,411,711	791,033,241
Advances, prepayments and other current assets		82,776,382	80,421,440
Term deposit		-	100,000,000
Cash and cash equivalents		57,578,140	156,868,788
Total current assets		1,385,239,626	1,315,215,714
Total assets		4,286,930,022	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		1,320,883,654	1,304,190,031
Equity attributable to shareholders of the Company		2,620,883,654	2,604,190,031
Non-controlling interest		81,191,287	97,881,293
Total equity		2,702,074,941	2,702,071,324
Liabilities			
Non-current liabilities			
Long-term borrowings	7.1	643,899,052	563,799,752
Employees' benefits		131,228,521	124,821,994
Lease liabilities		26,811,595	28,228,235
Total non-current liabilities		801,939,168	716,849,981
Current liabilities			
Accounts payable		267,784,151	218,953,312
Accruals and other current liabilities		154,678,238	124,551,596
Refund liabilities	9	68,484,167	36,018,794
Current maturity of lease liabilities		4,300,000	4,300,000
Current portion of long-term borrowings	7.1	236,021,133	232,534,205
Short term loan	7.2	40,000,000	-
Provision for zakat	8	11,648,224	23,723,450
Total current liabilities		782,915,913	640,081,357
Total liabilities		1,584,855,081	1,356,931,338
Total equity and liabilities		4,286,930,022	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 AND SIX-MONTH PERIODS ENDED JUNE 30, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	For the three month period ended		For the six month period ended	
		June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Revenue					
Operating revenues, net		479,559,085	458,496,691	970,476,436	924,582,793
Sales		78,301,182	68,208,095	154,351,021	136,244,179
	9	557,860,267	526,704,786	1,124,827,457	1,060,826,972
Direct cost					
Cost of operations		(242,647,334)	(230,361,575)	(485,847,262)	(460,907,539)
Cost of sales		(57,121,257)	(49,880,891)	(113,108,939)	(99,156,595)
		(299,768,591)	(280,242,466)	(598,956,201)	(560,064,134)
Gross profit		258,091,676	246,462,320	525,871,256	500,762,838
Selling and distribution expenses		(23,522,686)	(26,376,215)	(54,527,132)	(53,786,188)
General and administration expenses		(79,229,509)	(65,312,889)	(156,322,610)	(133,710,838)
Operating profit		155,339,481	154,773,216	315,021,514	313,265,812
Share of profit of an associate		1,790,000	900,000	4,535,906	1,800,000
Other income, net		1,609,316	1,158,450	5,901,884	2,685,503
Finance cost		(1,563,399)	(2,387,797)	(2,898,818)	(4,990,987)
Profit before zakat		157,175,398	154,443,869	322,560,486	312,760,328
Zakat expense for the period	8	(6,873,088)	(4,914,632)	(13,256,869)	(9,209,732)
Profit for the period		150,302,310	149,529,237	309,303,617	303,550,596
Other comprehensive income					
<i>Items that will not be reclassified to the condensed consolidated statement of profit or loss in subsequent periods:</i>					
Re-measurement of defined benefit obligations		-	-	-	-
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		150,302,310	149,529,237	309,303,617	303,550,596


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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-MONTH PERIODS ENDED JUNE 30, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	For the three month periods ended		For the six month periods ended	
		June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Profit attributable to:					
- Shareholders of the Company		141,481,635	141,348,125	291,693,623	288,537,758
- Non-controlling interests		8,820,675	8,181,112	17,609,994	15,012,838
		<u>150,302,310</u>	<u>149,529,237</u>	<u>309,303,617</u>	<u>303,550,596</u>
Total comprehensive income attributable to:					
- Shareholders of the Company		141,481,635	141,348,125	291,693,623	288,537,758
- Non-controlling interests		8,820,675	8,181,112	17,609,994	15,012,838
		<u>150,302,310</u>	<u>149,529,237</u>	<u>309,303,617</u>	<u>303,550,596</u>
Earnings per share					
Basic and diluted earnings per share attributable to the shareholders of the Company	11	<u>1.41</u>	<u>1.41</u>	<u>2.92</u>	<u>2.89</u>


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MOUWASAT MEDICAL SERVICES COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 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	-	-	288,537,758	288,537,758	15,012,838	303,550,596
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	288,537,758	288,537,758	15,012,838	303,550,596
Dividends (note 13)	-	-	(250,000,000)	(250,000,000)	-	(250,000,000)
Dividends paid to non-controlling interest	-	-	-	-	(34,300,000)	(34,300,000)
As at June 30, 2021 (Unaudited)	<u>1,000,000,000</u>	<u>300,000,000</u>	<u>1,017,675,957</u>	<u>2,317,675,957</u>	<u>81,216,968</u>	<u>2,398,892,925</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	-	-	291,693,623	291,693,623	17,609,994	309,303,617
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	291,693,623	291,693,623	17,609,994	309,303,617
Dividends (note 13)	-	-	(275,000,000)	(275,000,000)	-	(275,000,000)
Dividends paid to non-controlling interest	-	-	-	-	(34,300,000)	(34,300,000)
As at June 30, 2022 (Unaudited)	<u>1,000,000,000</u>	<u>300,000,000</u>	<u>1,320,883,654</u>	<u>2,620,883,654</u>	<u>81,191,287</u>	<u>2,702,074,941</u>


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MOUWASAT MEDICAL SERVICES COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Cash flows from operating activities			
Profit before zakat		322,560,486	312,760,328
<i>Adjustment for:</i>			
Depreciation of property and equipment	3	78,558,949	73,872,800
Depreciation of right-of-use asset		1,726,117	1,736,971
Allowance for expected credit losses	4	5,192,844	5,488,648
Amortization of intangible assets		2,492,523	2,436,551
Share of profit of an associate		(4,535,906)	(1,800,000)
Employees' benefits		14,686,115	10,808,866
Finance cost		2,898,818	4,990,987
Interest income on term deposit		(532,835)	(286,310)
(Gain) / loss on disposal of property and equipment		(226,833)	83,457
		<u>422,820,278</u>	<u>410,092,298</u>
<i>Changes in:</i>			
Accounts receivable		(271,571,314)	(93,453,056)
Advances, prepayments, and other current assets		(2,390,478)	(13,694,401)
Inventories		(581,148)	(20,357,031)
Accounts payable		48,830,839	48,274,253
Accruals and other current liabilities		29,382,728	43,237,358
Refund liabilities		32,465,373	23,911,214
Cash generated from operating activities		<u>258,956,278</u>	<u>398,010,635</u>
Employees' benefits paid		(8,279,588)	(3,660,421)
Finance cost paid		(9,295,533)	(9,077,173)
Zakat paid		(25,332,095)	(28,750,203)
Net cash generated from operating activities		<u>216,049,062</u>	<u>356,522,838</u>
Cash flows from investing activities			
Purchase of property and equipment		(136,342,539)	(54,703,508)
Addition to capital work in progress		(66,509,875)	(99,871,626)
Purchase of intangible assets		(2,932,867)	(1,205,461)
Proceeds from disposal of property and equipment		442,028	5,375,810
Advances to contractors and suppliers		(22,701,056)	(81,874,239)
Interest received on term deposit		568,371	537,622
Term deposit		100,000,000	83,000,000
Net cash used in investing activities		<u>(127,475,938)</u>	<u>(148,741,402)</u>


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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Cash flows from financing activities			
Proceeds from long-term borrowings		195,000,000	105,000,000
Repayment of long-term borrowings		(111,413,772)	(73,798,386)
Proceeds from short term loan		40,000,000	-
Payment of lease liability		(2,150,000)	(4,748,372)
Dividends paid to shareholder		(275,000,000)	(250,000,000)
Dividends paid to non-controlling interest		(34,300,000)	(34,300,000)
Net cash used in financing activities		(187,863,772)	(257,846,758)
Net decrease 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		57,578,140	110,088,089
Significant non-cash transactions			
Transfer from advances to contractors and supplier to property and equipment		20,001,051	13,540,895
Finance cost capitalized		7,873,989	2,744,278


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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022**

(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.

<u>Branch</u>	<u>Commercial Registration Number</u>	<u>Date</u>
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:

<u>Name</u>	<u>Country of incorporation</u>	<u>Activities</u>	<u>Percentage %</u>
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 six-month periods ended June 30, 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 SIX-MONTH PERIODS ENDED JUNE 30, 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. 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.

- COVID-19 Related Rent Concessions (Amendment to IFRS 16).
- Onerous Contracts - Cost of fulfilling a contract (Amendments to IAS 37).
- Annual Improvements to IFRS standards 2018 – 2020.
- Property, plant and Equipment: Proceeds before intended use (Amendments to IAS 16).
- Reference to the Conceptual Framework (amendments to IFRS 3).

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.*

The forthcoming amendments listed above are not expected to have a significant or material impact on the Group’s financial statements when they become effective.

MOUWASAT MEDICAL SERVICES COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022
(Expressed in Saudi Riyals, unless otherwise stated)

3. PROPERTY AND EQUIPMENT

3.1 The movement of property and equipment is as follows:

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Carrying value at the beginning of the period / year	2,418,632,215	2,202,931,378
Additions	230,727,454	370,716,955
Disposals, net of accumulated depreciation	(215,195)	(5,493,026)
Depreciation for the period / year	(78,558,949)	(149,523,092)
Carrying value at the end of the period / year	2,570,585,525	2,418,632,215

As of June 30, 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 six-month periods ended June 30, 2022 amounted to SR 7.87 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 680.86 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.

The pilot operation of the new hospital in Madinah region is completed and final approval has been received from the Ministry of Health on 15 June 2022 under license No. 4800032584 to begin the actual operation by the end of June 2022.

4. ACCOUNTS RECEIVABLE

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Accounts receivable – trade	1,119,382,962	847,327,352
Due from related party (note 10)	481,412	1,216,001
Less: allowance for expected credit losses	(62,452,663)	(57,510,112)
	1,057,411,711	791,033,241

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

	June 30, 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	5,192,844	5,488,648
Written off	(250,293)	(3,155,377)
Balance at the end of the period / year	62,452,663	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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022
(Expressed in Saudi Riyals, unless otherwise stated)

7. BORROWINGS

7.1 Long term loan

	<u>June 30, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Current		
Loans from commercial banks	230,074,193	226,587,265
Loans from Ministry of Finance	5,946,940	5,946,940
	<u>236,021,133</u>	<u>232,534,205</u>
Non- current		
Loans from commercial banks	567,718,084	481,671,844
Loans from Ministry of Finance	76,180,968	82,127,908
	<u>643,899,052</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 June 30, 2022. Aggregate maturities are as follows:

	<u>June 30, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Within one year	236,021,133	232,534,205
Later than one year but not later than five years	557,806,995	479,904,048
Later than five years	86,092,057	83,895,704
	<u>879,920,185</u>	<u>796,333,957</u>

7.2 Short term loan

During the six-month period ended June 30, 2022, the Group obtained short term loan amounting to SR 40 million (December 31, 2021: SR Nil) from a commercial bank which carries interest at market rates.

8. ZAKAT

The movement in zakat provision is:

	<u>June 30, 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	13,256,869	21,734,758
Paid during the period / year	(25,332,095)	(28,750,204)
Balance at the end of the period / year	<u>11,648,224</u>	<u>23,723,450</u>

Mouwasat Medical Services Company

The Company has submitted its zakat returns up to year ended 31 December 2021, settled zakat as per the return and obtained the required certificates and official receipts. The assessments for the years from 2013 to 2016 were finalized and settled in 2018. ZATCA raised queries for years 2017 and 2018 and the Company has provided the relevant information. According to ZATCA portal, the inquiry case for these years were closed and ZATCA did not raise any Zakat differences. The assessments for the years 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 SIX-MONTH PERIODS ENDED JUNE 30, 2022**

(Expressed in Saudi Riyals, unless otherwise stated)

8. ZAKAT (Continued)

Eastern Medical Services Company Limited

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.

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.

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Revenue by service lines		
Rendering of medical services	970,476,436	924,582,793
Pharmaceuticals	154,351,021	136,244,179
	<u>1,124,827,457</u>	<u>1,060,826,972</u>
Timing of revenue recognition		
Medical services and pharmaceuticals sales transferred at a point in time	650,842,951	587,063,459
Medical services transferred over time	473,984,506	473,763,513
	<u>1,124,827,457</u>	<u>1,060,826,972</u>

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Refund liabilities (note 9.1)	68,484,167	36,018,794
Contract assets (note 9.2)	<u>6,879,611</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 SIX-MONTH PERIODS ENDED JUNE 30, 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 six-month periods ended June 30,	
		2022	2021
Advance Medical Project Company ("AMPC") – Associate	- Revenue	(1,662,274)	(1,471,146)
	- Purchase of services	3,412,630	3,401,024
	- Other services	(101,157)	(25,199)
Al-Mouwasat International Company – Affiliate	- Purchases	15,829,961	9,788,305
	- Rent	1,452,000	1,351,000
	- Other services	193,349	430,445
AdVision Media Solution – Affiliate	- Advertisement services	14,970,214	17,768,086
Magrabi Hospitals & Centers Company Ltd. – Affiliate	- Revenue	(1,054,070)	(950,523)
	- Expenses	(167,829)	(350,034)
	- Interest on lease liabilities	733,360	800,006

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

a) Due to related parties

	<u>June 30, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
AdVision Media Solution	12,416,989	5,314,287
Al-Mouwasat International Company	7,382,072	3,600,762
Advance Medical Project Company ("AMPC")	1,649,199	1,802,087
	<u>21,448,260</u>	<u>10,717,136</u>

b) Due from related party

	<u>June 30, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Magrabi Hospitals & Centers Company Ltd.	<u>481,412</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 SIX-MONTH PERIODS ENDED JUNE 30, 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:

	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
	(Unaudited)	(Unaudited)
Salary and allowances	9,420,000	7,445,000
Incentives and other benefits	8,641,171	8,003,030
	<u>18,061,171</u>	<u>15,448,030</u>

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 1.975 million (30 June 2021: SR 1.8 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.

	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
	(Unaudited)	(Unaudited)
Profit for the period attributable to the shareholders of the Company	291,693,623	288,537,758
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	<u>2.92</u>	<u>2.89</u>

12. CONTINGENCIES AND COMMITMENTS

12.1 The Group's bankers have given guarantees, on behalf of the Group, amounting to SR 17.86 million as of June 30, 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 June 30, 2022 was approximately SR 402.63 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 28.81 million as of June 30, 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).

The Board of Directors of the Group in their meeting held on Rajab 13, 1442H (corresponding to February 25, 2021G) has proposed a cash dividend of SR 2.5 per share amounting to SR 250 million for the year ended December 31, 2020, which was subsequently approved by shareholders in General Assembly Meeting held on Ramadan 17, 1442H (corresponding to April 29, 2021G).

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 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 six-month period ended			
June 30, 2022 (unaudited)			
Revenues	<u>970,476,436</u>	<u>154,351,021</u>	<u>1,124,827,457</u>
Gross profit	484,629,174	41,242,082	525,871,256
Unallocated income / (expenses)			
Selling and distribution expenses			(54,527,132)
General and administration expenses			(156,322,610)
Share of profit of an associate			4,535,906
Other income			5,901,884
Finance cost			(2,898,818)
Profit before zakat			<u>322,560,486</u>
Zakat expense for the period			<u>(13,256,869)</u>
Profit for the period			<u><u>309,303,617</u></u>
For the three-month period ended			
June 30, 2021 (unaudited)			
Revenues	<u>924,582,793</u>	<u>136,244,179</u>	<u>1,060,826,972</u>
Gross profit	463,675,254	37,087,584	500,762,838
Unallocated income / (expenses)			
Selling and distribution expenses			(53,786,188)
General and administration expenses			(133,710,838)
Share of profit of an associate			1,800,000
Other income			2,685,503
Finance cost			(4,990,987)
Profit before zakat			312,760,328
Zakat expense for the period			<u>(9,209,732)</u>
Profit for the period			<u><u>303,550,596</u></u>

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022
(Expressed in Saudi Riyals, unless otherwise stated)

14. SEGMENT INFORMATION (Continued)

	<u>Medical Services</u>	<u>Pharmaceuticals</u>	<u>Total</u>
As at June 30, 2022 (unaudited)			
Total assets	<u>4,072,583,521</u>	<u>214,346,501</u>	<u>4,286,930,022</u>
Total liabilities	<u>1,434,293,848</u>	<u>150,561,233</u>	<u>1,584,855,081</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 SIX-MONTH PERIODS ENDED JUNE 30, 2022
(Expressed in Saudi Riyals, unless otherwise stated)

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

Particulars	June 30, 2022	December 31, 2021
	Carrying value (Amortized cost)	Carrying value (Amortized cost)
	(Unaudited)	(Audited)
Financial assets not measured at fair value		
Accounts receivable	1,057,411,711	791,033,241
Contract asset	6,879,611	3,405,998
Cash and cash equivalents	57,578,140	156,868,788
Other current assets	4,582,722	6,530,833
Term deposit	-	100,000,000
Total	1,126,452,184	1,057,838,860

Particulars	June 30, 2022	December 31, 2021
	Carrying value (Amortized cost)	Carrying value (Amortized cost)
	(Unaudited)	(Audited)
Financial liabilities not measured at fair value		
Long-term borrowings	879,920,185	796,333,957
Short term loan	40,000,000	-
Lease liabilities	31,111,595	32,528,235
Accounts payable	267,784,151	218,953,312
Refund liabilities	68,484,167	36,018,794
Other current liabilities	86,446,178	87,372,806
Total	1,373,746,276	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 June 30, 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 Muhanam 13, 1444H, corresponding to August 11, 2022G.