

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021

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KPMG Professional Services

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Kingdom of Saudi Arabia
Headquarter in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق الأول، أبراج بالطيور
طريق الملك سعود، الصفا
ص.ب ٤٨٠٣
الخير ٣١٩٥٢
المملكة العربية السعودية
المركز الرئيسي الرياض

Commercial Registration No 2051062328

سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

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

To the Shareholders of Mouwasat Medical Services Company

Introduction

We have reviewed the accompanying September 30, 2021 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 September 30, 2021;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended September 30, 2021;
- the condensed consolidated statement of changes in equity for the nine-month period ended September 30, 2021;
- the condensed consolidated statement of cash flows for the nine-month period ended September 30, 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي منوع بالكامل، المنسمة سابقاً "شركة كي بي إم جي التوازن وشركاه محاسبين ومراجعين إلكترونيين". وهي عضو غير تديك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة لجزيرة محدودة بضمان، جميع الحقوق محفوظة.

Commercial Registration of the headquarter in Riyadh is 1010425494.



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

To the Shareholders of Mouwasat Medical Services Company (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2021 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.

For KPMG Professional Services



Abdulaziz Abdullah Alnaim

License no. 394

Al Khobar,

Date: Rabi Al-Awwal 25, 1443H

Corresponding to: October 31, 2021G

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	2,344,562,216	2,202,931,378
Right-of-use asset		31,916,874	34,522,331
Goodwill		16,371,000	16,371,000
Intangible assets		15,018,073	16,922,182
Investment in an associate		16,895,061	12,899,870
Advances to contractors and suppliers		260,426,705	169,638,055
Total non-current assets		2,685,189,929	2,453,284,816
Current assets			
Inventories		201,669,004	185,582,048
Accounts receivable	4	860,629,131	689,579,857
Advances, prepayments and other current assets		101,923,999	77,179,046
Term deposit		-	83,000,000
Cash and cash equivalents		78,711,425	160,153,411
Total current assets		1,242,933,559	1,195,494,362
Total assets		3,928,123,488	3,648,779,178
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		1,160,331,141	979,138,199
Equity attributable to shareholders of the Company		2,460,331,141	2,279,138,199
Non-controlling interest		88,774,873	100,504,130
Total equity		2,549,106,014	2,379,642,329
Liabilities			
Non-current liabilities			
Long-term borrowings	7	530,240,010	575,062,028
Employees' benefits		122,440,582	111,253,975
Lease liabilities		28,223,302	31,323,293
Total non-current liabilities		680,903,894	717,639,296
Current liabilities			
Accounts payable		266,495,642	198,019,425
Accruals and other current liabilities		120,565,290	114,747,733
Refund liabilities	9	64,464,495	31,000,754
Current maturity of lease liabilities		6,054,930	6,503,302
Current portion of long-term borrowings	7	223,769,499	170,487,443
Provision for zakat	8	16,763,724	30,738,896
Total current liabilities		698,113,580	551,497,553
Total liabilities		1,379,017,474	1,269,136,849
Total equity and liabilities		3,928,123,488	3,648,779,178

Mohammed Al Saleem
(Managing Director)

Mohammed Al Saleem
(Authorized Board Representative)

Yusuf Sulaiman
(Chief Financial Officer)

The accompanying notes 1 through 18 on pages 1 to 17 form an integral part of these condensed consolidated interim financial statements.


MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	For the three months period ended		For the nine months period ended	
		September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Revenue					
Operating revenues, net		464,534,878	490,261,914	1,389,117,671	1,334,809,100
Sales		66,447,170	58,800,708	202,691,349	176,626,848
	9	530,982,048	549,062,622	1,591,809,020	1,511,435,948
Direct cost					
Cost of operations		(237,511,305)	(234,535,733)	(698,418,844)	(670,933,789)
Cost of sales		(49,073,623)	(43,010,631)	(148,230,218)	(129,418,457)
		(286,584,928)	(277,546,364)	(846,649,062)	(800,352,246)
Gross profit		244,397,120	271,516,258	745,159,958	711,083,702
Selling and distribution expenses		(25,419,014)	(31,453,250)	(79,205,202)	(92,520,913)
General and administration expenses		(68,873,791)	(66,744,578)	(202,584,629)	(191,077,125)
Operating profit		150,104,315	173,318,430	463,370,127	427,485,664
Share of profit of associate		6,351,458	983,304	8,151,458	2,783,304
Other income, net		1,045,797	2,972,690	3,731,300	7,143,218
Finance costs		(1,723,182)	(2,902,205)	(6,714,169)	(11,167,925)
Profit before zakat		155,778,388	174,372,219	468,538,716	426,244,261
Zakat expense for the period	8	(5,565,299)	(4,184,370)	(14,775,031)	(11,349,641)
Profit for the period		150,213,089	170,187,849	453,763,685	414,894,620
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		150,213,089	170,187,849	453,763,685	414,894,620


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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)

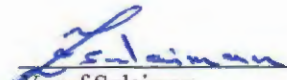
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	For the three months period ended		For the nine months period ended	
		September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Profit attributable to:					
- Shareholders of the Company		142,655,184	161,100,271	431,192,942	384,857,238
- Non-controlling interests		7,557,905	9,087,578	22,570,743	30,037,382
		<u>150,213,089</u>	<u>170,187,849</u>	<u>453,763,685</u>	<u>414,894,620</u>
Total comprehensive income attributable to:					
- Shareholders of the Company		142,655,184	161,100,271	431,192,942	384,857,238
- Non-controlling interests		7,557,905	9,087,578	22,570,743	30,037,382
		<u>150,213,089</u>	<u>170,187,849</u>	<u>453,763,685</u>	<u>414,894,620</u>
Earnings per share					
Basic and diluted earnings per share attributable to the shareholders of the Company					
	11	<u>1.43</u>	<u>1.61</u>	<u>4.31</u>	<u>3.85</u>


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MOUWASAT MEDICAL SERVICES COMPANY
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021

(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, 2020 (Audited)	1,000,000,000	281,829,508	673,685,617	1,955,515,125	96,675,866	2,052,190,991
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	384,857,238	384,857,238	30,037,382	414,894,620
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	384,857,238	384,857,238	30,037,382	414,894,620
Dividends (note 13)	-	-	(200,000,000)	(200,000,000)	-	(200,000,000)
Dividends paid to non-controlling interest	-	-	-	-	(29,400,000)	(29,400,000)
As at September 30, 2020 (Unaudited)	<u>1,000,000,000</u>	<u>281,829,508</u>	<u>858,542,855</u>	<u>2,140,372,363</u>	<u>97,313,248</u>	<u>2,237,685,611</u>
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	-	-	431,192,942	431,192,942	22,570,743	453,763,685
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	431,192,942	431,192,942	22,570,743	453,763,685
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 September 30, 2021 (Unaudited)	<u>1,000,000,000</u>	<u>300,000,000</u>	<u>1,160,331,141</u>	<u>2,460,331,141</u>	<u>88,774,873</u>	<u>2,549,106,014</u>


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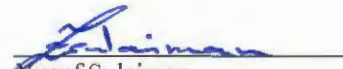
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021

(Expressed in Saudi Riyals, unless otherwise stated)

	Note	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cash flows from operating activities			
Profit before zakat		468,538,716	426,244,261
<i>Adjustment for:</i>			
Depreciation	3	111,196,132	105,442,018
Depreciation of right-of-use asset		2,605,457	2,589,174
Allowance for expected credit losses	4	5,488,648	26,043,475
Amortization of intangible assets		3,498,425	3,136,933
Share of profit of an associate		(8,151,458)	(2,783,304)
Employees' benefits		18,110,372	16,894,754
Finance cost		6,714,169	11,167,925
Loss / (gain) on disposal of property and equipment		81,975	(346,707)
		608,082,436	588,388,529
<i>Changes in:</i>			
Accounts receivable		(176,537,922)	(262,792,021)
Advances, prepayments, and other current assets		(24,744,953)	(5,142,641)
Inventories		(16,086,956)	(17,238,739)
Accounts payable		68,476,217	(18,525,674)
Accruals and other current payables		7,818,158	26,483,277
Refund liabilities		33,463,741	13,606,165
Cash generated from operating activities		500,470,721	324,778,896
Employees' benefits paid		(6,923,765)	(5,899,044)
Finance cost paid		(13,244,387)	(26,667,116)
Zakat paid	8	(28,750,203)	(17,823,546)
Net cash generated from operating activities		451,552,366	274,389,190
Cash flows from investing activities			
Purchase of property and equipment		(234,738,123)	(151,869,254)
Purchase of intangible assets		(1,594,316)	(2,993,139)
Proceeds from disposal of property and equipment		5,380,043	671,228
Dividend received from an associate		4,156,267	3,619,069
Advances to contractors and suppliers		(108,609,890)	(63,671,551)
Term deposit		83,000,000	50,000,000
Net cash used in investing activities		(252,406,019)	(164,243,647)


Mohammed Al Saleem
(Managing Director)


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Yusuf Sulaiman
(Chief Financial Officer)

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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021

(Expressed in Saudi Riyals, unless otherwise stated)


	Note	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cash flows from financing activities			
Proceeds from long-term borrowings		135,000,000	135,000,000
Repayment of long-term borrowings		(126,539,962)	(83,992,023)
Payment of lease liability		(4,748,371)	(1,875,000)
Dividends paid to shareholder		(250,000,000)	(200,000,000)
Dividends paid to non-controlling interest		(34,300,000)	(29,400,000)
Net cash used in financing activities		(280,588,333)	(180,267,023)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		160,153,411	204,624,026
Cash and cash equivalents at the end of the period		78,711,425	134,502,546
Significant non-cash transactions			
Transfer from advances to contractors and supplier to property and equipment		17,821,240	20,300,536
Finance cost capitalized		5,729,625	6,350,495



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(Managing Director)



Mohammed Al Saleem
(Authorized Board Representative)



Yusuf Sulaiman
(Chief Financial Officer)

The accompanying notes 1 through 18 on pages 1 to 17 form an integral part of these condensed consolidated interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021**

(Expressed in Saudi Riyals, unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

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

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

Details regarding the Company's subsidiary are as follows:

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

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

The condensed consolidated interim financial statements include all financial information of the branches of the Company and above mentioned subsidiary.

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, 2020 ("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.

2.3 Functional and presentation currency

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

2.4 Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Management has considered the potential impact of COVID-19 pandemic in the Group's significant accounting judgements and estimates and there was no significant impact. Accordingly, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021**

(Expressed in Saudi Riyals, unless otherwise stated)

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

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, 2020. A number of amendments to existing standards, as detailed in note 2.6 below, became effective from January 1, 2021 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 during the year

The Group has adopted the following standards and amendments:

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16);*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).*

The amendments listed above are either not relevant or do not have any material impact on the condensed consolidated interim financial statements of the Group. Accordingly, the Group did not have to change its accounting policies as a result of adopting these amendments.

Standards and amendments to existing standards issued but not yet effective

Certain new amendments to existing accounting standards have been published that are not mandatory for reporting period and have not been early adopted by the Group. The below mentioned amendments to existing standards are not expected to have a material impact on the Group in the year of its adoption:

- *Onerous Contracts-Cost of Fulfilling a Contract – Amendments to IAS 37;*
- *Annual Improvements of 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;*
- *Classification of Liabilities as Current or Non-Current (amendments to IAS 1);*
- *Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Accounting Estimates; and*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *IFRS 17 Insurance Contracts;*
- *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes);*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021
(Expressed in Saudi Riyals, unless otherwise stated)

3. PROPERTY AND EQUIPMENT

3.1 The movement of property and equipment is as follows:

	<u>September 30, 2021</u> (Unaudited)	<u>December 31, 2020</u> (Audited)
Carrying value at the beginning of the period / year	2,202,931,378	2,075,538,020
Additions	258,288,988	268,576,400
Disposals, net of accumulated depreciation	(5,462,018)	(375,589)
Depreciation for the period / year	(111,196,132)	(140,807,453)
Carrying value at the end of the period / year	<u>2,344,562,216</u>	<u>2,202,931,378</u>

As of September 30, 2021, plots of land amounting to SR 56.1 million (December 31, 2020: SR 56.1 million) have been pledged as security against term loans from Ministry of Finance.

Finance costs capitalized during the nine months period ended September 30, 2021 amounted to SR 5.73 million (December 31, 2020: SR 8.63 million).

3.2 Capital work-in-progress

The carrying value in note 3.1 includes a balance amounting to SR 537.29 million (December 31, 2020: SR 408.77 million). It represents costs incurred to construct new hospitals and expansion of existing hospitals, which is currently in work-in-progress

4. ACCOUNTS RECEIVABLE

	<u>September 30, 2021</u> (Unaudited)	<u>December 31, 2020</u> (Audited)
Accounts receivable – trade	920,119,002	743,801,955
Due from related party (note 10)	809,359	954,743
Less: allowance for expected credit losses	(60,299,230)	(55,176,841)
	<u>860,629,131</u>	<u>689,579,857</u>

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

	<u>September 30, 2021</u> (Unaudited)	<u>December 31, 2020</u> (Audited)
Balance at the beginning of the period / year	55,176,841	29,213,550
Allowance for doubtful receivables during the period / year	5,488,648	32,960,556
Written off	(366,259)	(6,997,265)
Balance at the end of the period / year	<u>60,299,230</u>	<u>55,176,841</u>

5. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company is divided into 100 million shares (December 31, 2020: 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 appropriating 10% of its net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution. The statutory reserve is appropriated at the year-end, based on the final year end net income.

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7. LONG TERM BORROWINGS

	<u>September 30, 2021</u> (Unaudited)	<u>December 31, 2020</u> (Audited)
Current		
Loans from commercial banks	217,822,559	162,610,570
Loans from Ministry of Finance	5,946,940	7,876,873
	<u>223,769,499</u>	<u>170,487,443</u>
Non-current		
Loans from commercial banks	448,112,101	486,987,178
Loans from Ministry of Finance	82,127,909	88,074,850
	<u>530,240,010</u>	<u>575,062,028</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 September 30, 2021. Aggregate maturities are as follows:

	<u>September 30, 2021</u> (Unaudited)	<u>December 31, 2020</u> (Audited)
Within one year	223,769,499	170,487,443
Later than one year but not later than five years	438,272,055	457,498,622
Later than five years	91,967,955	117,563,406
	<u>754,009,509</u>	<u>745,549,471</u>

8. ZAKAT

The movement in zakat provision is:

	<u>September 30, 2021</u> (Unaudited)	<u>December 31, 2020</u> (Audited)
Balance at the beginning of the period / year	30,738,896	33,325,254
Charge for the period / year	14,775,031	15,241,952
Paid during the period / year	(28,750,203)	(17,828,310)
Balance at the end of the period / year	<u>16,763,724</u>	<u>30,738,896</u>

Mouwasat Medical Services Company

The Company has submitted its zakat returns up to year ended December 31, 2020, 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, 2019 and 2020 are still under review by the Zakat, Tax and Customs Authority (“ZATCA”).

Eastern Medical Services Company Limited

The Company has submitted its zakat returns up to year ended December 31, 2020, settled zakat as per the returns and obtained the required certificates and official receipts. 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 and 2020 are still under review by the ZATCA.

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9. REVENUE

The Group generates revenue primarily from:

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

Disaggregation of revenue

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

	<u>September 30, 2021</u> (Unaudited)	<u>September 30, 2020</u> (Unaudited)
Revenue by service lines		
Rendering of medical services	1,389,117,671	1,334,809,100
Pharmaceuticals	202,691,349	176,626,848
	<u>1,591,809,020</u>	<u>1,511,435,948</u>
Timing of revenue recognition		
Medical services and pharmaceuticals sales transferred at a point in time	879,755,527	737,897,150
Medical services transferred over time	712,053,493	773,538,798
	<u>1,591,809,020</u>	<u>1,511,435,948</u>

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

	<u>September 30, 2021</u> (Unaudited)	<u>December 31, 2020</u> (Audited)
Refund liabilities (note 9.1)	64,464,495	31,000,754
Contract assets (note 9.2)	<u>5,352,383</u>	<u>3,360,156</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.

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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 nine month periods ended September 30,	
		2021	2020
Advance Medical Project Company ("AMPC") – Associate	- Revenue	(2,191,880)	(1,795,359)
	- Purchase of services	5,112,609	4,986,957
	- Other services	(63,897)	(97,049)
Al-Mouwasat International Company – Affiliate	- Purchases	15,919,765	14,741,724
	- Rent	2,007,000	2,868,660
	- Other services	745,131	163,001
AdVision Media Solution – Affiliate	- Advertisement services	19,831,729	18,782,472
Magrabi Hospitals & Centers Company Ltd. – Affiliate	- Revenue	(1,408,780)	(1,182,510)
	- Expenses	(703,722)	(436,310)
	- Interest on lease liabilities	1,200,008	1,295,274

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

a) Due to related parties

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
AdVision Media Solution	8,376,596	3,941,962
Al-Mouwasat International Company	4,143,263	680,785
Advance Medical Project Company ("AMPC")	3,872,383	1,015,552
	<u>16,392,242</u>	<u>5,638,299</u>

b) Due from related party

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Magrabi Hospitals & Centers Company Ltd.	<u>809,359</u>	<u>954,743</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. Balances above are not subject to interest charges and do not have specific repayments date. Prices and terms of payment of the above transactions are approved by the Group's management.

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10. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

c) Compensation to key management personnel

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

	Nine month period ended September 30, 2021	Nine month period ended September 30, 2020
	(Unaudited)	(Unaudited)
Salary and allowances	11,167,500	11,092,500
Incentives and other benefits	18,325,080	11,147,534
	29,492,580	22,240,034

The remuneration of directors and key executives is determined by the remuneration committee considering the performance of individuals and market trends. Board of Directors' fee of SR 2.7 million (September 2020: SR 2.7 million) have been included as part of key management personnel remuneration.

11. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net income for the period attributable to the shareholders of the Company by the weighted average number of outstanding shares during the period. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as basic earnings per share.

	Nine month period ended September 30, 2021	Nine month period ended September 30, 2020
	(Unaudited)	(Unaudited)
Profit for the period attributable to the shareholders of the Company	431,192,942	384,857,238
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	4.31	3.85

12. CONTINGENCIES AND COMMITMENTS

12.1 The Group's bankers have given guarantees, on behalf of the Group, amounting to SR 2.92 million as of September 30, 2021, (December 31, 2020: SR 1.91 million) mainly in respect of performance guarantees to customers.

12.2 The capital expenditure contracted by the Group but not yet incurred until September 30, 2021 was approximately SR 92.41 million (December 31, 2020: SR 156.64 million) relating to certain expansion projects.

12.3 The Group has outstanding letter of credits amounting to SR 74.81 million as of September 30, 2021, (December 31, 2020: SR 132.88 million).

13. DIVIDENDS

The Board of Directors of the Group in their meeting held on Rajab 13, 1442H (corresponding to February 25, 2021G) 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 their General Assembly Meeting held on Ramadan 17, 1442H (corresponding to April 29, 2021G).

The Board of Directors in 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 their General Assembly Meeting held on Sha'ban 29, 1441H (corresponding to April 22, 2020G).

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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 nine month period ended			
September 30, 2021 (unaudited)			
Revenues	<u>1,389,117,671</u>	<u>202,691,349</u>	<u>1,591,809,020</u>
Gross profit	690,698,827	54,461,131	745,159,958
Unallocated income / (expenses)			
Selling and distribution expenses			(79,205,202)
General and administration expenses			(202,584,629)
Share of profit of associate			8,151,458
Other income			3,731,300
Finance cost			(6,714,169)
Profit before zakat			<u>468,538,716</u>
Zakat expense for the period			<u>(14,775,031)</u>
Profit for the period			<u>453,763,685</u>
For the nine month period ended			
September 30, 2020 (unaudited)			
Revenues	<u>1,334,809,100</u>	<u>176,626,848</u>	<u>1,511,435,948</u>
Gross profit	663,875,311	47,208,391	711,083,702
Unallocated income / (expenses)			
Selling and distribution expenses			(92,520,913)
General and administration expenses			(191,077,125)
Share of profit of associate			2,783,304
Other income			7,143,218
Finance cost			(11,167,925)
Profit before zakat			426,244,261
Zakat expense for the period			<u>(11,349,641)</u>
Profit for the period			<u>414,894,620</u>

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14. SEGMENT INFORMATION (Continued)

	<u>Medical Services</u>	<u>Pharmaceuticals</u>	<u>Total</u>
As at September 30, 2021 (unaudited)			
Total assets	<u>3,731,717,314</u>	<u>196,406,174</u>	<u>3,928,123,488</u>
Total liabilities	<u>1,248,010,814</u>	<u>131,006,660</u>	<u>1,379,017,474</u>
As at December 31, 2020 (audited)			
Total assets	<u>3,466,341,733</u>	<u>182,437,445</u>	<u>3,648,779,178</u>
Total liabilities	<u>1,148,571,724</u>	<u>120,565,125</u>	<u>1,269,136,849</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 if the carrying amounts is a reasonable approximation of fair value.

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

Particulars	September 30, 2021	December 31, 2020
	Carrying value (Amortized cost)	Carrying value (Amortized cost)
	(Unaudited)	(Audited)
Financial assets not measured at fair value		
Accounts receivable	860,629,131	689,579,857
Cash and cash equivalents	78,711,425	160,153,411
Other current assets	12,577,216	7,403,846
Term deposit	-	83,000,000
Total	951,917,772	940,137,114

Particulars	September 30, 2021	December 31, 2020
	Carrying value (Amortized cost)	Carrying value (Amortized cost)
	(Unaudited)	(Audited)
Financial liabilities not measured at fair value		
Long-term borrowings	754,009,509	745,549,471
Lease liabilities	34,278,232	37,826,595
Accounts payable	266,495,642	198,019,425
Refund liabilities	64,464,495	31,000,754
Other current liabilities	78,916,074	84,731,664
Total	1,198,163,952	1,097,127,909

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, 2020.

16. SIGNIFICANT EVENT

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread globally, including the Kingdom of Saudi Arabia, causing disruptions to many businesses and economic activities.

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 condensed consolidated interim financial statements. However, management considers that developments are not expected to have a material impact the Group's future financial results, cash flows and financial condition.

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17. SUBSEQUENT EVENTS

There were no significant events occurred subsequent to September 30, 2021 that would have a material impact on the financial position and financial performance of the Group.

18. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements have been approved by the Board of Directors on Rabi Al-Awwal 25, 1443H, corresponding to October 31, 2021G.