

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS AND SIX MONTHS ENDED
JUNE 30, 2014**

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
(LIMITED REVIEW)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

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AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the stockholders
Mouwasat Medical Services Company
Dammam, Kingdom of Saudi Arabia

Scope of Review

We have reviewed the consolidated interim balance sheet of Mouwasat Medical Services Company ("the Company"), a Saudi Joint Stock Company and its subsidiaries as of June 30, 2014 and the related consolidated interim statement of income for the three months and six months then ended, consolidated interim statements of stockholders' equity and cash flows for the six months then ended, and notes 1 to 6 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi
License No. 378
18 Ramadan, 1435
July 16, 2014



MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM BALANCE SHEET
AS OF JUNE 30, 2014

	2014 SR (Un-audited)	2013 SR (Un-audited)
ASSETS		
Current assets		
Cash and cash equivalents	132,532,777	220,117,538
Accounts receivable and prepayments	237,639,385	237,214,580
Inventories	77,978,237	66,691,239
Total current assets	448,150,399	524,023,357
Non-current assets		
Investment in an associate	8,530,030	8,063,542
Property and equipment	1,002,726,022	782,598,336
Intangible assets	17,133,978	17,390,969
Total non-current assets	1,028,390,030	808,052,847
TOTAL ASSETS	1,476,540,429	1,332,076,204
LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		
Current liabilities		
Short term loans	110,180,100	119,432,190
Current portion of long term loans	66,153,891	82,525,890
Accounts payable and accruals	121,875,720	110,438,653
Total current liabilities	298,209,711	312,396,733
Non-current liabilities		
Long term loans	178,187,192	140,861,607
End-of-service indemnities	38,476,160	33,203,497
Total non-current liabilities	216,663,352	174,065,104
Stockholders' equity and non-controlling interests		
Share capital	500,000,000	500,000,000
Statutory reserve	111,290,582	90,099,442
Retained earnings	294,619,592	205,299,338
Total stockholders' equity	905,910,174	795,398,780
Non-controlling interests	55,757,192	50,215,587
Total stockholders' equity and non-controlling interests	961,667,366	845,614,367
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	1,476,540,429	1,332,076,204



Managing Director
Mohd Sulaiman Al Saleem



Authorized Board Representative
Mohd Sulaiman Al Saleem



Chief Finance Officer
Mahmoud Soliman

The accompanying notes form an integral part of these consolidated interim financial statements

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

	From April 1 to June 30		From January 1 to June 30	
	2014	2013	2014	2013
	SR	SR	SR	SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Revenues				
Operating revenues	198,142,478	186,713,815	394,808,249	363,889,914
Trading sales	46,103,489	42,022,100	92,977,770	84,074,868
Total revenues	244,245,967	228,735,915	487,786,019	447,964,782
Direct costs				
Cost of operations	(87,291,538)	(82,578,393)	(172,654,308)	(161,565,700)
Cost of sales	(32,810,692)	(29,256,472)	(66,807,809)	(59,107,949)
Total direct costs	(120,102,230)	(111,834,865)	(239,462,117)	(220,673,649)
Gross profit	124,143,737	116,901,050	248,323,902	227,291,133
Expenses				
Selling and distribution expenses	(36,622,622)	(34,290,470)	(73,508,601)	(65,262,106)
General and administrative expenses	(24,106,544)	(22,530,884)	(48,254,911)	(43,591,124)
Amortization of intangible assets	(197,638)	(117,687)	(379,807)	(226,340)
Total expenses	(60,926,804)	(56,939,041)	(122,143,319)	(109,079,570)
Operating income	63,216,933	59,962,009	126,180,583	118,211,563
Other income	2,583,845	2,337,817	5,171,587	4,136,471
Finance charges	(316,432)	(369,145)	(464,723)	(927,955)
Income before non-controlling interests and zakat	65,484,346	61,930,681	130,887,447	121,420,079
Non-controlling interests	(2,231,909)	(4,413,047)	(5,989,559)	(8,170,217)
Net income before zakat	63,252,437	57,517,634	124,897,888	113,249,862
Zakat	(3,808,838)	(3,360,029)	(7,514,109)	(6,577,280)
NET INCOME	59,443,599	54,157,605	117,383,779	106,672,582
Earnings per share (note 3)				
Earnings per share from net income	1.19	1.08	2.35	2.13
Earnings per share from continuing main operations	1.14	1.04	2.25	2.05
Earnings per share from other operations	0.05	0.04	0.10	0.08
Weighted average number of shares outstanding	50,000,000	50,000,000	50,000,000	50,000,000

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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Share capital SR	Statutory reserve SR	Retained earnings SR	Proposed dividends SR	Total SR
January 1, 2013 (audited)	500,000,000	79,432,184	109,294,014	75,000,000	763,726,198
Net income for the period	-	-	106,672,582	-	106,672,582
Transfer to statutory reserve	-	10,667,258	(10,667,258)	-	-
Dividends paid (note 4)	-	-	-	(75,000,000)	(75,000,000)
June 30, 2013 (un-audited)	<u>500,000,000</u>	<u>90,099,442</u>	<u>205,299,338</u>	<u>-</u>	<u>795,398,780</u>
January 1, 2014 (audited)	500,000,000	99,552,204	188,974,191	100,000,000	888,526,395
Net income for the period	-	-	117,383,779	-	117,383,779
Transfer to statutory reserve	-	11,738,378	(11,738,378)	-	-
Dividends paid (note 4)	-	-	-	(100,000,000)	(100,000,000)
June 30, 2014 (un-audited)	<u>500,000,000</u>	<u>111,290,582</u>	<u>294,619,592</u>	<u>-</u>	<u>905,910,174</u>



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MOUWASAT MEDICAL SERVICES COMPANY
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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	2014 SR (Un-audited)	2013 SR (Un-audited)
OPERATING ACTIVITIES		
Income before non-controlling interests and zakat	130,887,447	121,420,079
Adjustments for:		
Depreciation	20,019,958	19,786,418
Amortization of intangible assets	379,807	226,340
Share of income from an associate	(1,473,318)	(1,173,889)
End-of-service indemnities, net	2,709,404	1,987,290
Finance charges	464,723	927,955
(Gain) loss on disposal of property and equipment	(375,000)	393,284
Changes in operating assets and liabilities:		
Accounts receivables and prepayments	(4,216,064)	(15,473,023)
Inventories	(10,764,131)	(4,069,172)
Accounts payables and accruals	(21,861,326)	(6,144,544)
Cash from operations	115,771,500	117,880,738
Finance charges paid	(464,723)	(927,955)
Zakat paid	(13,173,085)	(11,229,558)
Net cash from operating activities	102,133,692	105,723,225
INVESTING ACTIVITIES		
Short term investment	100,000,000	70,000,000
Purchase of property and equipment	(154,282,951)	(114,885,849)
Additions to intangible assets	(104,716)	(167,263)
Proceeds from disposal of property and equipment	408,880	135,000
Dividend received from an associate	1,006,830	773,172
Net cash used in investing activities	(52,971,957)	(44,144,940)
FINANCING ACTIVITIES		
Proceeds from short term loans	39,348,503	94,432,190
Proceeds from long term loan	6,340,875	27,000,000
Repayment of short term loans	(7,131,367)	(25,000,000)
Repayment of long term loans	(25,627,957)	(12,725,212)
Dividends paid	(100,000,000)	(75,000,000)
Change in non-controlling interests	(9,800,000)	(7,840,000)
Net cash (used in) from financing activities	(96,869,946)	866,978
Net change in cash and cash equivalents	(47,708,211)	62,445,263
Cash and cash equivalents, January 1	180,240,988	157,672,275
CASH AND CASH EQUIVALENTS, JUNE 30	132,532,777	220,117,538

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Authorized Board Representative
Mohd Sulaiman Al Saleem

Chief Finance Officer
Mahmoud Soliman

MOUWASAT MEDICAL SERVICES COMPANY
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

1. ORGANIZATION AND ACTIVITIES

Mouwasaat Medical Services Company ("the Company") is registered in Saudi Arabia under commercial registration number 2050032029 dated 12 Ramadan 1417 corresponding to 22 January 1997. The share capital of the Company is SR 500 million divided into 50 million shares of SR 10 each.

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 Board of Directors in their meeting held dated September 24, 2012, decided to close the operations of Al Mouwasat Dispensary, Dammam effective from January 1, 2013.

As of June 30, 2014 and 2013, the consolidated interim financial statements include the interim financial statements of the Company and the following subsidiaries (collectively "the Group") registered in the Kingdom of Saudi Arabia:

<u>Name of entity</u>	<u>Percentage of ownership (%)</u>
Eastern Medical Services Company Limited	51
Specialized Medical Clinic Company Limited	95

Eastern Medical Services Co. Ltd. is engaged in construction and operation of hospitals, dispensaries and special clinics. Specialized Medical Clinic Co. Ltd. is engaged in construction, management and operation of clinics (plastic surgery). Both subsidiaries operate in Saudi Arabia.

The Company's registered office is in Dammam, Kingdom of Saudi Arabia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants ("SOCPA"). The following is a summary of significant accounting policies applied by the Group:

Accounting convention

The consolidated interim financial statements are prepared under the historical cost convention.

Principles of consolidation

The consolidated interim financial statements include the interim financial statements of the Company and subsidiaries controlled by the Company as of June 30. Control is achieved where the Company has the power to govern the financial and operating policies of an investee company so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed-off during the year, if any, are included in the consolidated interim statement of income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total income of subsidiaries is attributed to the stockholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

All significant intercompany transactions and balances between the Company and its subsidiaries have been eliminated in preparing the consolidated interim financial statements.

Use of estimates

The preparation of consolidated interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Revenue recognition

Revenue is recognized when services are rendered or goods are delivered to customers.

Expenses

Selling and distribution expenses are those that specifically relate to marketing personnel, advertisements, promotion as well as bad debts expense. All other expenses, other than cost of operations, cost of sales, amortization of intangible assets and finance charges, are classified as general and administrative expenses as appropriate. Allocation of joint costs between cost of operations, cost of sales, selling and distribution expenses and general and administrative expenses are made based on the factors determined by the management and applied consistently.

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand, and murabaha deposits that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Short term investment

Investments in deposits with original maturities of more than three months but less than twelve months are classified as short term investment.

Accounts receivable

Accounts receivable include billings made on credit which are outstanding at the consolidated interim balance sheet date, net of allowance for doubtful debts.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

Investment in an associate

An associate is an enterprise in which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee. Investment in an associate is accounted for using the equity method in the consolidated interim financial statements based on the latest available financial information. When fair values are not readily determinable, carrying amounts are considered to approximate fair values.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation except freehold land and capital work-in-progress which is stated at cost. Expenditure on maintenance and repairs is expensed while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Buildings	33
Tools and equipment	4 to 12.5
Furniture and fixtures	3 – 10
Motor vehicles	4

Borrowing costs

Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated interim statement of income.

Intangible assets

These represent goodwill on acquisition of subsidiary and license costs of certain hospitals and dispensaries. Goodwill is not amortized but reviewed for any impairment in value on an annual basis. Intangible assets are amortized over the estimated period of benefit.

Impairment

At each consolidated interim balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as an income immediately.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods and services when risks and rewards attributable to goods are transferred to the Group or services are received, whether or not billed to the Group.

Zakat

The Company and its subsidiaries are subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the consolidated interim statement of income. Zakat is computed on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

MOUWASAT MEDICAL SERVICES COMPANY
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

End-of-service indemnities

End-of-service indemnities, required by Saudi labor law, are provided in the consolidated interim financial statements based on the employees' length of service.

Provision for obligations

A provision is recognized in the consolidated interim financial statements when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. The statutory reserve is appropriated at the period end based on period's net income and any difference between the amount appropriated and the actual is adjusted in the last quarter.

Dividends

Dividends are recognized as a liability in the consolidated interim financial statements in the period of their approval by the General Assembly Meeting. Interim dividends are recorded as and when approved by the Board of Directors.

Foreign currency translation

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated balance sheet date. All differences are taken to the consolidated interim statement of income.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

3. EARNINGS PER SHARE

Earnings per share are computed by dividing the net income for the period by the weighted average number of shares outstanding during the period.

Earnings per share from the continuing main operations are computed by dividing the net income excluding other income for the period by the weighted average number of shares outstanding during the period.

Earnings per share from other operations are computed by dividing other income for the period by the weighted average number of shares outstanding during the period.

MOUWASAT MEDICAL SERVICES COMPANY
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

4. PROPOSED DIVIDENDS

The Board of Directors at their meeting held on 13 Safar, 1435 corresponding to December 16, 2013 proposed a cash dividend of SR 2.0 per share amounting to SR 100 million for the year ended December 31, 2013, which was subsequently approved by the shareholders in the General Assembly Meeting held on 2 Jumada II, 1435, corresponding to April 2, 2014 (the shareholders at the General Assembly meeting held on 21 Jumada I, 1434 corresponding to April 2, 2013, approved the recommendation of the Board of Director to distribute a cash dividend of SR 1.5 per share amounting to SR 75 million for the year 2012).

5. SEGMENTAL INFORMATION

Business segments:

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. The Group's revenues, gross profit, property and equipment, total assets and total liabilities, by business segment, are as follows:

	In-patient SR	Out-patient SR	Pharmaceuticals SR	Total SR
2014 (un-audited)				
For the six months ended June 30				
Revenues	168,490,457	226,317,792	92,977,770	487,786,019
Gross profit	94,807,591	127,346,350	26,169,961	248,323,902
As of June 30				
Property and equipment	461,253,970	371,008,628	170,463,424	1,002,726,022
Total assets	679,208,597	546,319,959	251,011,873	1,476,540,429
Total liabilities	236,841,609	190,503,033	87,528,421	514,873,063
2013 (un-audited)				
For the six months ended June 30				
Revenues	166,134,870	197,755,044	84,074,868	447,964,782
Gross profit	92,371,637	109,952,577	24,966,919	227,291,133
As of June 30				
Property and equipment	344,343,268	281,735,401	156,519,667	782,598,336
Total assets	586,113,530	479,547,433	266,415,241	1,332,076,204
Total liabilities	214,043,208	175,126,262	97,292,367	486,461,837

Geographical segments:

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

6. RESULTS OF INTERIM PERIOD

The results of the interim period are not audited and therefore it may not give an accurate indication of the annual operating results.