

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
(LIMITED REVIEW)
FOR THE THREE MONTHS ENDED MARCH 31, 2013

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

To the shareholders
Mouwasat Medical Services Company
Dammam, 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 March 31, 2013 and the related consolidated interim statements of income, shareholders' equity and cash flows for the three 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.

Nasser M. Al-Sagga
License No. 322
8 Jumada II, 1434
April 18, 2013



MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS OF MARCH 31, 2013

	2013 SR (Un-audited)	2012 SR (Un-audited)
ASSETS		
Current assets		
Cash and cash equivalents	219,454,887	222,481,359
Short term investment	20,000,000	-
Accounts receivable and prepayments	238,570,397	190,574,580
Inventories	65,813,966	61,929,061
Total current assets	543,839,250	474,985,000
Non-current assets		
Investment in an associate	8,063,542	7,289,216
Property and equipment	743,596,118	542,111,444
Intangible assets	17,451,645	17,354,415
Total non-current assets	769,111,305	566,755,075
TOTAL ASSETS	1,312,950,555	1,041,740,075
LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		
Current liabilities		
Short term loan	82,924,360	-
Current portion of term loans	55,594,213	27,784,960
Accounts payable and accruals	125,378,257	120,113,570
Total current liabilities	263,896,830	147,898,530
Non-current liabilities		
Term loans	147,055,561	105,047,274
End-of-service indemnities	32,114,449	27,583,915
Total non-current liabilities	179,170,010	132,631,189
Shareholders' equity and non-controlling interests		
Share capital (note 1)	500,000,000	250,000,000
Proposed increase in share capital	-	250,000,000
Statutory reserve	84,683,682	66,906,192
Retained earnings	156,557,493	72,960,093
Proposed dividend (note 4)	75,000,000	75,000,000
Total shareholders' equity	816,241,175	714,866,285
Non-controlling interests	53,642,540	46,344,071
Total shareholders' equity and non-controlling interests	869,883,715	761,210,356
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	1,312,950,555	1,041,740,075

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 ENDED MARCH 31, 2013

	2013 SR (Un-audited)	2012 SR (Un-audited)
Revenues		
Operating revenues	177,176,099	155,379,743
Trading sales	42,052,768	40,192,479
Total revenues	219,228,867	195,572,222
Direct costs		
Cost of operations	(78,987,307)	(72,237,450)
Cost of sales	(29,851,477)	(29,012,685)
Total direct costs	(108,838,784)	(101,250,135)
Gross profit	110,390,083	94,322,087
Expenses		
Selling and marketing expenses	(30,971,636)	(20,185,424)
General and administrative expenses	(21,060,240)	(20,648,351)
Amortization of intangible assets	(108,653)	(131,085)
Total expenses	(52,140,529)	(40,964,860)
Operating income	58,249,554	53,357,227
Other income	1,798,654	1,350,784
Finance charges	(558,810)	(370,586)
Income before non-controlling interests and zakat	59,489,398	54,337,425
Non-controlling interests	(3,757,170)	(4,012,360)
Net income before zakat	55,732,228	50,325,065
Zakat	(3,217,251)	(3,990,421)
NET INCOME	52,514,977	46,334,644
Earnings per share (note 3)		
Earnings per share from net income	1.05	0.93
Earnings per share from continuing main operations	1.01	0.90
Earnings per share from other operations	0.04	0.03
Weighted average number of shares outstanding	50,000,000	50,000,000


Managing Director

Mohd Sulaiman Al Saleem


Authorized Board Representative

Mohd Sulaiman Al Saleem


Chief Finance Officer
Mahmoud Soliman

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MOUWASAT MEDICAL SERVICES COMPANY
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CONSOLIDATED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2013

	Share capital SR	Proposed increase in share capital SR	Statutory reserve SR	Retained earnings SR	Proposed dividends SR	Total SR
January 1, 2012 (audited)	250,000,000	-	62,272,728	281,258,913	75,000,000	668,531,641
Transfer to proposed increase in share capital (note 1)	-	250,000,000	-	(250,000,000)	-	-
Net income for the period	-	-	-	46,334,644	-	46,334,644
Transfer to statutory reserve	-	-	4,633,464	(4,633,464)	-	-
March 31, 2012 (un-audited)	250,000,000	250,000,000	66,906,192	72,960,093	75,000,000	714,866,285
January 1, 2013 (audited)	500,000,000	-	79,432,184	109,294,014	75,000,000	763,726,198
Net income for the period	-	-	-	52,514,977	-	52,514,977
Transfer to statutory reserve	-	-	5,251,498	(5,251,498)	-	-
March 31, 2013 (un-audited)	500,000,000	-	84,683,682	156,557,493	75,000,000	816,241,175


Managing Director
Mohd Sulaiman Al Saleem


Authorized Board Representative
Mohd Sulaiman Al Saleem


Chief Finance Officer
Mahmoud Soliman

MOUWASAT MEDICAL SERVICES COMPANY
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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013

	2013 SR (Un-audited)	2012 SR (Un-audited)
OPERATING ACTIVITIES		
Income before non-controlling interests and zakat	59,489,398	54,337,425
Adjustments for:		
Depreciation	9,854,711	9,255,896
Amortization of intangible assets	108,653	131,085
Share of income from an associate	(633,889)	(540,000)
End-of-service indemnities, net	898,242	384,469
Finance charges	558,810	370,586
Gain on disposal of property and equipment	(46,997)	(86,999)
Change in fair value of profit rate swap contract	-	(415,184)
Changes in operating assets and liabilities:		
Accounts receivables and prepayments	(16,828,840)	(7,081,304)
Inventories	(3,191,899)	(3,321,796)
Accounts payables and accruals	925,531	8,279,983
Cash from operations	51,133,720	61,314,161
Finance charges paid	(558,810)	(370,586)
Net cash from operating activities	50,574,910	60,943,575
INVESTING ACTIVITIES		
Short term investment	50,000,000	-
Purchase of property and equipment	(65,423,643)	(25,776,292)
Additions to intangible assets	(110,252)	(319,411)
Proceeds from disposal of property and equipment	47,000	87,000
Dividend received from an associate	233,172	540,000
Net cash used in investing activities	(15,253,723)	(25,468,703)
FINANCING ACTIVITIES		
Proceeds from short term loan	45,424,360	-
Repayment of short term loan	(12,500,000)	-
Repayment of term loans	(6,462,935)	(5,666,832)
Net cash from (used in) financing activities	26,461,425	(5,666,832)
Net change in cash and cash equivalents	61,782,612	29,808,040
Cash and cash equivalents, January 1	157,672,275	192,673,319
CASH AND CASH EQUIVALENTS, DECEMBER 31	219,454,887	222,481,359


Managing Director


Authorized Board Representative


Chief Finance Officer

Mohd Sulaiman Al Saleem

Mohd Sulaiman Al Saleem

Mahmoud Soliman

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

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

1. ORGANIZATION AND ACTIVITIES

Mouwasat 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 Company was converted into a closed Saudi Joint Stock Company in accordance with Ministerial Resolution number 1880 dated 4 Dhu al Hijja 1426 corresponding to January 4, 2006. The share capital of the Company was SR 250 million divided into 25 million shares of SR 10 each.

The shareholders at their extra ordinary General Assembly Meeting held in April 2012 approved the increase in share capital of the Company from SR 250 million to SR 500 million by capitalizing part of the retained earnings by distribution of one bonus share for every existing share held. The revised share capital of the Company consists of 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 consolidated financial statements include the financial statements of the Company and its following subsidiaries (collectively "the Group") registered in the Kingdom of Saudi Arabia and their financing and operating policies are controlled by the Company:

<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, Saudi Arabia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared in accordance with generally accepted accounting standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia. The principal accounting policies are set out below:

Accounting convention

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

Principles of consolidation

The consolidated interim financial statements incorporate the interim financial statements of the Company and entities controlled by the Company as of March 31. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2013

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 marketing 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 administration expenses as appropriate. Allocation of joint costs between cost of operations, cost of sales, selling and marketing expenses and general and administration 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 market value after making due allowance for any obsolete or slow moving items. 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 and any impairment in value. The cost of property and equipment other than freehold land and construction in progress is depreciated on a straight-line basis over the estimated useful lives of the assets.

MOUWASAT MEDICAL SERVICES COMPANY
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2013

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

Expenditure for repair and maintenance are charged to the consolidated interim statement of income. Improvements that increase the value or materially extend the useful life of the related assets are capitalised.

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, license and pre-operating costs of certain hospitals and dispensaries. Goodwill is not amortized but reviewed for any impairment in value on an annual basis. Pre-operating costs are amortized over a maximum period of seven years and the costs of other 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 zakat base. 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 ENDED MARCH 31, 2013

End-of-service indemnities

Provision is made for amounts payable at the consolidated interim balance sheet date in accordance with the employees' contracts of employment.

Provision for obligations

A provision is recognized in the consolidated interim financial statements when the Group has a present obligation (legal or constructive) 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.

Dividends

Dividends are recognized as a liability at the time 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 interim balance sheet date. All differences are taken to consolidated interim statement of income.

Derivative financial instruments

The Group uses derivative financial instruments such as profit rate swaps to hedge its risks associated with commission rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are re-measured at fair value at subsequent reporting dates. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to 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. Outstanding number of shares at March 31, 2013 and 2012 were 50 million shares (note 1).

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 ENDED MARCH 31, 2013

4. DIVIDENDS

The Ordinary General Assembly in their meeting dated 21 Jumada I, 1434 corresponding to April 2, 2013 approved the recommendation of the Board of Directors to distribute a cash dividend of SR 1.5 per share for 50 million shares amounting to SR 75 million for the year ended December 31, 2012 (in April 2012, the shareholders approved the recommendation of the Board of Directors to distribute a cash dividend of SR 3 per share for 25 million shares amounting to SR 75 million for the year 2011).

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. Transactions between the business segments are reported as recorded by the Group's transfer pricing system. 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
2013 (un-audited)				
For the three months ended				
March 31				
Revenues	80,121,303	97,054,796	42,052,768	219,228,867
Gross profit	44,402,230	53,786,562	12,201,291	110,390,083
As of March 31				
Property and equipment	327,182,292	267,694,602	148,719,224	743,596,118
Total assets	577,698,244	472,662,200	262,590,111	1,312,950,555
Total liabilities	194,949,410	159,504,062	88,613,368	443,066,840
2012 (un-audited)				
For the three months ended				
March 31				
Revenues	68,458,859	86,920,884	40,192,479	195,572,222
Gross profit	36,631,715	46,510,578	11,179,794	94,322,087
As of March 31				
Property and equipment	237,532,018	179,190,820	125,388,606	542,111,444
Total assets	456,449,729	344,339,269	240,951,077	1,041,740,075
Total liabilities	122,917,144	92,726,968	64,885,608	280,529,720

Geographical segments:

All of 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.