

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2014**

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2014

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AUDITORS' REPORT

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

Scope of Audit

We have audited the consolidated balance sheet of Mouwasat Medical Services Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries (collectively "the Group") as of December 31, 2014 and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended and notes 1 to 21 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

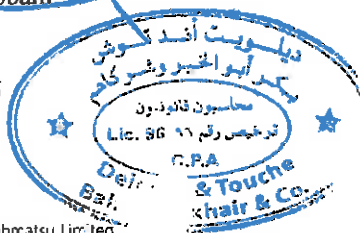
We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Group and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Bin M. Sobahi
License No. 378
30 Rabi' II, 1436
February 19, 2015



MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2014

	Note	2014 SR	2013 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	181,565,236	180,240,988
Short term investments		100,000,000	100,000,000
Accounts receivable and prepayments	4	219,880,365	233,423,321
Inventories	5	75,806,237	67,214,106
Total current assets		577,251,838	580,878,415
Non-current assets			
Investment in an associate	6	8,530,030	8,063,542
Property and equipment	7	1,097,719,041	868,496,909
Intangible assets	8	17,056,452	17,409,069
Total non-current assets		1,123,305,523	893,969,520
TOTAL ASSETS		1,700,557,361	1,474,847,935
LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS			
Current liabilities			
Short term loan	11	19,083,688	77,962,964
Current portion of long term loans	11	110,948,758	56,709,224
Accounts payable and accruals	9	161,146,474	149,396,022
Total current liabilities		291,178,920	284,068,210
Non-current liabilities			
Long term loans	11	280,971,740	206,918,941
End-of-service indemnities		40,837,948	35,766,756
Total non-current liabilities		321,809,688	242,685,697
Stockholders' equity and non-controlling interests			
Share capital	1	500,000,000	500,000,000
Statutory reserve		123,564,050	99,552,204
Retained earnings		303,680,802	188,974,191
Proposed dividends	12	100,000,000	100,000,000
Total stockholders' equity		1,027,244,852	888,526,395
Non-controlling interests	13	60,323,901	59,567,633
Total stockholders' equity and non-controlling interests		1,087,568,753	948,094,028
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		1,700,557,361	1,474,847,935


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 financial statements

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2014

	Note	2014 SR	2013 SR
Revenues			
Operating revenues		784,657,189	733,930,857
Trading sales		185,231,162	168,304,797
Total revenues		969,888,351	902,235,654
Direct costs			
Cost of operations		(356,020,940)	(326,736,196)
Cost of sales		(130,590,987)	(119,701,206)
Total direct costs		(486,611,927)	(446,437,402)
Gross profit		483,276,424	455,798,252
Expenses			
Selling and distribution expenses	15	(145,387,991)	(140,252,903)
General and administrative expenses	16	(103,941,645)	(92,737,830)
Amortization of intangible assets	8	(780,752)	(559,191)
Total expenses		(250,110,388)	(233,549,924)
Operating income		233,166,036	222,248,328
Other income	17	35,379,061	11,539,970
Finance charges	11	(1,072,719)	(1,399,673)
Income before non-controlling interest and zakat		267,472,378	232,388,625
Non-controlling interests	13	(10,556,267)	(17,522,263)
Net income before zakat		256,916,111	214,866,362
Zakat	10	(16,797,654)	(13,666,165)
NET INCOME		240,118,457	201,200,197
Earnings per share			
Earnings per share from net income		4.80	4.02
Earnings per share from continuing main operations		4.09	3.79
Earnings per share from other operations		0.71	0.23
Weighted average number of shares outstanding		50,000,000	50,000,000


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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2014

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Proposed dividends SR	Total SR
January 1, 2013		500,000,000	79,432,184	109,294,014	75,000,000	763,726,198
Net income for 2013		-	-	201,200,197	-	201,200,197
Transfer to statutory reserve		-	20,120,020	(20,120,020)	-	-
Dividends paid		-	-	-	(75,000,000)	(75,000,000)
Proposed dividends	12	-	-	(100,000,000)	100,000,000	-
Directors' remuneration	18	-	-	(1,400,000)	-	(1,400,000)
December 31, 2013		500,000,000	99,552,204	188,974,191	100,000,000	888,526,395
Net income for 2014		-	-	240,118,457	-	240,118,457
Transfer to statutory reserve		-	24,011,846	(24,011,846)	-	-
Dividends paid		-	-	-	(100,000,000)	(100,000,000)
Proposed dividends	12	-	-	(100,000,000)	100,000,000	-
Directors' remuneration	18	-	-	(1,400,000)	-	(1,400,000)
December 31, 2014		<u>500,000,000</u>	<u>123,564,050</u>	<u>303,680,802</u>	<u>100,000,000</u>	<u>1,027,244,852</u>


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MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

	2014 SR	2013 SR
OPERATING ACTIVITIES		
Income before non-controlling interests and zakat	267,472,378	232,388,625
Adjustments for:		
Depreciation	41,611,473	39,842,859
Amortization of intangible assets	780,752	559,191
Share of income from an associate	(3,052,172)	(3,533,803)
End-of-service indemnities, net	5,071,192	4,550,549
Finance charges	1,072,719	1,399,673
(Gain) loss on disposal of property and equipment	(24,464,919)	94,962
Changes in operating assets and liabilities:		
Accounts receivables and prepayments	13,542,956	(11,681,764)
Inventories	(8,592,131)	(4,592,039)
Accounts payables and accruals	6,786,055	25,203,841
Cash from operations	300,228,303	284,232,094
Finance charges paid	(1,072,719)	(1,399,673)
Zakat paid	(13,233,259)	(12,109,459)
Net cash from operating activities	285,922,325	270,722,962
INVESTING ACTIVITIES		
Short term investment	-	(30,000,000)
Purchase of property and equipment	(275,106,533)	(220,829,285)
Additions to intangible assets	(428,135)	(518,214)
Proceeds from disposal of property and equipment	28,737,847	421,744
Dividends received from an associate	2,585,684	3,133,086
Net cash used in investing activities	(244,211,137)	(247,792,669)
FINANCING ACTIVITIES		
Proceeds from short term loan	15,532,197	90,300,154
Proceeds from long term loans	157,923,296	161,538,600
Repayment of short term loans	(13,316,468)	(62,337,190)
Repayment of long term loans	(90,725,965)	(107,023,144)
Dividends paid	(100,000,000)	(75,000,000)
Change in non-controlling interests	(9,800,000)	(7,840,000)
Net cash used in financing activities	(40,386,940)	(361,580)
Net change in cash and cash equivalents	1,324,248	22,568,713
Cash and cash equivalents, January 1	180,240,988	157,672,275
CASH AND CASH EQUIVALENTS, DECEMBER 31	181,565,236	180,240,988


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MOUWASAT MEDICAL SERVICES COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

1. ORGANIZATION AND ACTIVITIES

Mouwasset Medical Services Company ("the Company") is registered in Saudi Arabia under commercial registration number 2050032029 dated 12 Ramadan 1417 corresponding to 22 January 1997 with share capital of 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 through distribution of one bonus share for every existing share held. The revised share capital of the Company is SR 500 million 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 as of December 31, 2014 and 2013 include the financial statements of the Company and the following subsidiaries (collectively "the Group") registered in the Kingdom of Saudi Arabia:

	<u>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 skin care and 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 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 financial statements are prepared under the historical cost convention.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and subsidiaries controlled by the Company as of December 31. 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.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

Income and expenses of subsidiaries acquired or disposed-off during the year, if any, are included in the consolidated 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.

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

Use of estimates

The preparation of consolidated 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 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 recognised when goods are delivered or services are rendered 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. 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 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 financial statements based on the latest available financial information. When fair values are not readily determinable, carrying amounts are considered to approximate fair values.

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

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 betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Buildings	33
Tools and equipment	4 - 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 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 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 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
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

End-of-service indemnities

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

Provision for obligations

A provision is recognized in the consolidated 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.

Dividends

Dividends recorded in the consolidated financial statements in the year of approval by the Annual General 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 consolidated 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.

Earnings per share

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

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

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

3. CASH AND CASH EQUIVALENTS

	2014 SR	2013 SR
Cash in hand	503,717	675,502
Bank balances	111,061,519	179,565,486
Murabaha deposits	70,000,000	-
	<u>181,565,236</u>	<u>180,240,988</u>

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 SR	2013 SR
Trade receivable	168,958,681	180,546,828
Retention receivable	18,008,112	18,527,731
Prepaid expenses	14,395,365	10,661,403
Advances to suppliers	5,632,292	6,722,170
Due from related parties (note 18)	5,694,427	4,314,688
Other receivables	7,191,488	12,650,501
	219,880,365	233,423,321

5. INVENTORIES

	2014 SR	2013 SR
Surgical instruments and consumables	26,386,427	25,823,048
Pharmaceuticals, cosmetics and others	41,208,642	39,205,677
Spare parts	8,211,168	2,185,381
	75,806,237	67,214,106

Spare parts inventory primarily relates to property and equipment and accordingly, this inventory is expected to be utilized over a period exceeding one year.

6. INVESTMENT IN AN ASSOCIATE

The Group has 50% ownership interest in Advance Medical Project Company ("AMPC"), a limited liability company registered in the Kingdom of Saudi Arabia. The principal activity of AMPC is to operate Ophthalmology and ENT clinics. Since the fair value is not readily determinable, the carrying value of this investment is considered to be its fair value.

Details of the change in investment are given below:

	2014 SR	2013 SR
January 1	8,063,542	7,662,825
Share of income from an associate (note 17)	3,052,172	3,533,803
Dividends	(2,585,684)	(3,133,086)
December 31	8,530,030	8,063,542

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

7. PROPERTY AND EQUIPMENT

	Freehold land SR	Buildings SR	Tools, equipment, furniture, fixtures and motor vehicles SR	Capital work- in- progress SR	Total SR
Cost					
January 1, 2014	205,714,270	404,119,772	403,428,329	276,997,324	1,290,259,695
Additions	29,746,803	8,457,827	41,943,479	194,958,424	275,106,533
Transfers	-	299,161,905	85,678,425	(384,840,330)	-
Disposals	(4,129,989)	-	(10,278,101)	-	(14,408,090)
Adjustment	-	-	(227,360)	-	(227,360)
December 31, 2014	231,331,084	711,739,504	520,544,772	87,115,418	1,550,730,778
Depreciation					
January 1, 2014	-	153,245,283	268,517,503	-	421,762,786
Charge for the year	-	11,510,881	30,100,592	-	41,611,473
Disposals	-	-	(10,135,162)	-	(10,135,162)
Adjustments	-	-	(227,360)	-	(227,360)
December 31, 2014	-	164,756,164	288,255,573	-	453,011,737
Net book value					
December 31, 2014	231,331,084	546,983,340	232,289,199	87,115,418	1,097,719,041
December 31, 2013	205,714,270	250,874,489	134,910,826	276,997,324	868,496,909

Capital work-in-progress mainly represents the cost incurred for construction of new hospital in Khobar and extension of hospitals in Dammam, Madinah and Jubail. Finance charges amounting to SR 1.44 million (2013: SR 7.6 million) were capitalized during the year at the rate of 1.16% (2013: 7.86%).

Certain property and equipment were pledged as security against Ministry of Finance loans (note 11).

8. INTANGIBLE ASSETS

	Goodwill SR	License costs SR	Total SR
Cost			
January 1, 2014	16,371,000	6,737,773	23,108,773
Additions	-	428,135	428,135
December 31, 2014	16,371,000	7,165,908	23,536,908
Amortization			
January 1, 2014	-	5,699,704	5,699,704
Charge for the year	-	780,752	780,752
December 31, 2014	-	6,480,456	6,480,456
Net book value			
December 31, 2014	16,371,000	685,452	17,056,452
December 31, 2013	16,371,000	1,038,069	17,409,069

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

9. ACCOUNTS PAYABLE AND ACCRUALS

	2014 SR	2013 SR
Trade payables	77,079,199	62,703,953
Accrued expenses	49,000,828	39,789,552
Zakat payable (note 10)	19,327,287	15,762,892
Due to related parties (note 18)	5,194,931	1,752,358
Other liabilities	10,544,229	29,387,267
	161,146,474	149,396,022

10. ZAKAT

The principal elements of the zakat base of the Company are as follows:

	2014 SR	2013 SR
Non-current assets	1,110,986,695	891,621,577
Non-current liabilities	304,438,015	224,924,547
Opening stockholders' equity	888,526,395	763,726,198
Net income before zakat	254,197,247	212,989,592
Spare parts	8,063,866	1,387,465
Dividends paid	(100,000,000)	(75,000,000)

The above represents the Company's unconsolidated elements. Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in zakat provision is as follows:

	2014 SR	2013 SR
January 1	15,762,892	14,206,186
Provision for the year	19,292,748	14,882,991
Payments during the year	(13,233,259)	(12,109,459)
Excess provision for prior years	(2,495,094)	(1,216,826)
December 31	19,327,287	15,762,892

The charge for the year is as follows:

	2014 SR	2013 SR
Zakat for current year	19,292,748	14,882,991
Excess provision for prior years	(2,495,094)	(1,216,826)
Zakat charged to the consolidated statement of income	16,797,654	13,666,165

MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

Outstanding assessments

Zakat returns have been filed and paid for all years through 2013 and zakat certificates have been received. Final zakat assessments for the Company have been received up to 2007 from the DZIT. In 2013, the Company received its final assessment for 2008 from the DZIT which showed an additional zakat due of SR 0.5 million. Further, in 2013, the Company received assessment for the years from 2009 to 2011 which showed an additional zakat due of SR 0.9 million and the Company settled such dues in 2013. In 2014, the Company received its final assessment for the year 2012 showing zakat refundable of SR 145,743. Final assessment for the year 2013 is under review by the DZIT.

11. TERM LOANS

	2014 SR	2013 SR
Ministry of Finance	126,290,808	86,340,831
Commercial banks	265,629,690	177,287,334
	391,920,498	263,628,165
Less: current portion	(110,948,758)	(56,709,224)
Non-current portion	280,971,740	206,918,941

Ministry of Finance loans:

The balance consists of long term loans obtained by the Group from the Ministry of Finance which are repayable in varying annual installments. These loans are commission free and are secured by a mortgage over the property of hospitals in Dammam, Riyadh and Qateef (note 7).

Commercial bank loans:

The Group obtained certain long term loan facilities from various local commercial banks for acquisition, construction and upgrading of hospitals. These loans are secured by promissory notes issued by the Company and assignment of certain receivables. These loans carry finance charges at the prevailing market rates. The loans' terms vary from 2.5 to 8.5 years and are repayable in varying monthly installments.

The facility agreements with commercial banks contain certain covenants, which include among other things, require maintenance of certain financial ratios and restriction on distribution of dividends by a subsidiary.

Aggregate maturities of the long term loans as of December 31, 2014 were as follows:

	SR
2015	110,948,758
2016	80,716,800
2017	55,804,925
2018	33,705,089
Thereafter	110,744,926
	391,920,498

Installments due in 2015 are shown as current liabilities in the consolidated balance sheet.

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Bank facilities

The Company obtained bank facilities ("the Facilities") from local banks in the form of short term Islamic Murabaha, working capital loans, letters of credit and guarantee, and long term loans to finance the construction of new and expansion of existing hospitals and staff accommodations. The Facilities carry commission at the prevailing market rates. The Facilities are secured by promissory notes, property and equipment, and deposits of collection from a customer.

12. PROPOSED DIVIDENDS

The Board of Directors at their meeting held on 7 Rabi'II, 1436 corresponding to January 27, 2015 proposed a cash dividend of SR 2.0 per share amounting to SR 100 million for the year ended December 31, 2014 for the approval of the shareholders in General Assembly Meeting.

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).

13. NON-CONTROLLING INTERESTS

As of December 31, 2014 and 2013, non-controlling interests represent minority shareholders' interest of 49% in the Eastern Medical Services Company Limited and 5% in Specialized Medical Clinic Company Limited.

14. 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				
For the year ended December 31				
Revenues	341,010,235	443,646,954	185,231,162	969,888,351
Gross profit	186,284,342	242,351,907	54,640,175	483,276,424
As of December 31				
Property and equipment	504,950,759	406,156,045	186,612,237	1,097,719,041
Total assets	782,256,386	629,206,224	289,094,751	1,700,557,361
Total liabilities	281,974,760	226,805,785	104,208,063	612,988,608

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	In-patient SR	Out-patient SR	Pharmaceuticals SR	Total SR
2013				
For the year ended December 31				
Revenues	335,918,298	398,012,559	168,304,797	902,235,654
Gross profit	186,371,967	220,822,694	48,603,591	455,798,252
As of December 31				
Property and equipment	399,508,578	312,658,887	156,329,444	868,496,909
Total assets	678,430,050	530,945,257	265,472,628	1,474,847,935
Total liabilities	242,306,797	189,631,407	94,815,703	526,753,907

Geographical segments:

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

15. SELLING AND DISTRIBUTION EXPENSES

	2014 SR	2013 SR
Employees' related costs	28,453,864	24,857,391
Doubtful debts	113,804,923	108,440,138
Advertising and promotions	3,129,204	6,955,374
	145,387,991	140,252,903

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2014 SR	2013 SR
Employees' related costs	56,907,728	49,714,782
Depreciation	8,324,626	7,968,572
Management incentives (note 18)	8,359,187	5,079,858
Repair and maintenance	3,886,752	3,886,023
Executive directors' salaries (note 18)	2,431,750	2,985,000
Support services	2,654,646	2,731,205
Rental	2,421,847	2,655,595
Water and electricity	2,155,543	2,531,584
Others	16,799,566	15,185,211
	103,941,645	92,737,830

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17. OTHER INCOME

	2014 SR	2013 SR
Share of income from an associate (note 6)	3,052,172	3,533,803
Services provided to an affiliate	431,525	367,405
Gain (loss) on disposal of property and equipment (note a)	24,464,919	(94,962)
Other income	7,430,445	7,733,724
	<u>35,379,061</u>	<u>11,539,970</u>

a) Includes gain on sale of land amounting to SR 23.9 million.

18. RELATED PARTY TRANSACTIONS

The significant transactions and the related approximate amounts are as follows:

	2014 SR	2013 SR
Purchases and other services	26,412,914	17,231,311
Management incentives (note 16)	8,359,187	5,079,858
Executive directors' salaries (note 16)	2,431,750	2,985,000
Directors' remuneration	1,400,000	1,400,000

Amounts due from and due to related parties are shown in notes 4 and 9 respectively.

19. CONTINGENCIES AND COMMITMENTS

	2014 SR	2013 SR
Letters of credit and guarantees	20,202,875	22,458,427
Capital commitments	207,365,983	411,159,316

Capital commitments are subject to approval of the Board of Directors.

20. RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market rates. The Group is subject to commission rate risk on its commission bearing liabilities, which comprise term loans.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. Adequate allowances are made for debts considered doubtful. As of the balance sheet date, no significant credit risk was identified by the management.

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Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group limits its liquidity risk by ensuring that bank facilities are available. The Group's invoicing terms require amounts to be paid within 60 to 120 days of the date of the invoice. Trade payables are normally settled within 60 to 90 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year. As Saudi Riyal is pegged to US Dollar, balances in US Dollars are not considered to represent significant currency risk.

21. FAIR VALUE

The fair values of the Group's financial assets and liabilities approximate their carrying amounts.