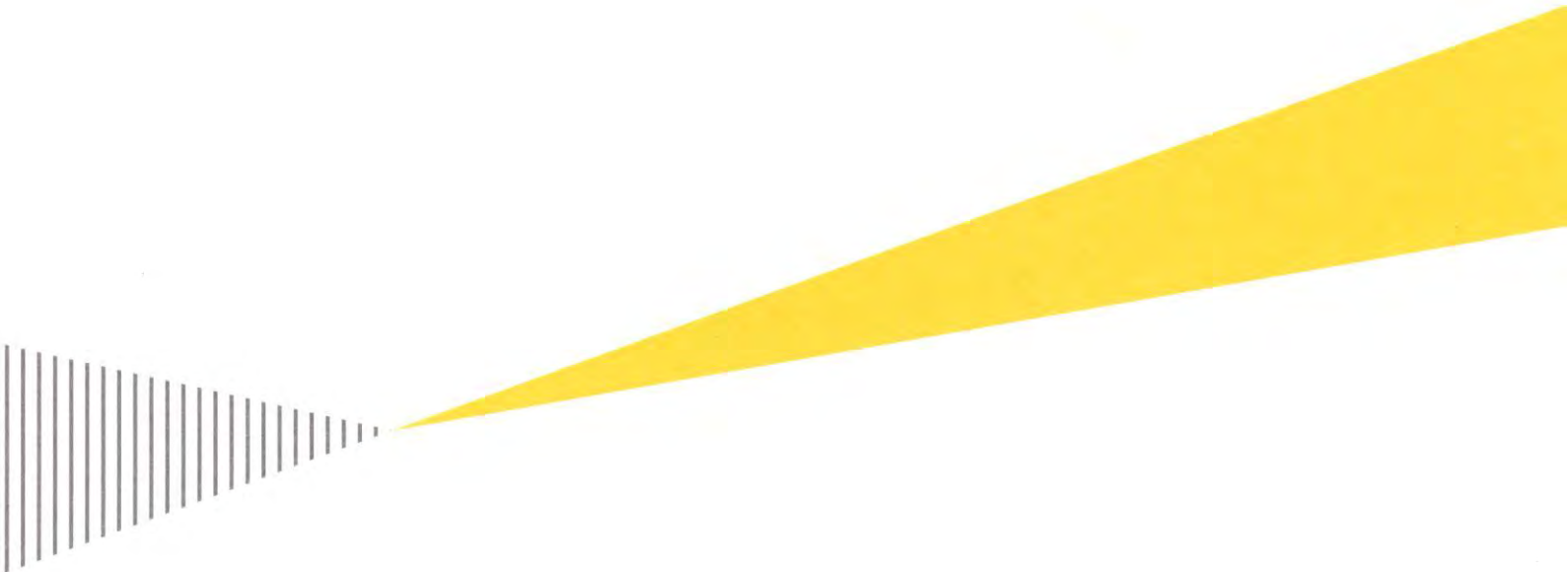


**MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

**FOR THE THREE MONTHS PERIOD ENDED
31 MARCH 2017**



Building a better
working world

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries
(Interim Condensed Consolidated Financial Statements)
For the three months period ended 31 March 2017**

Table of Contents

	Page
Review report	1
Interim condensed consolidated statement of income and other comprehensive income	2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5
Notes to the Interim condensed consolidated financial statements	6-36

**Review report on the interim condensed consolidated financial statements to the shareholders' of
Mouwasat Medical Services Company (A Saudi Joint Stock Company)**

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mouwasat Medical Services Company, A Saudi Joint Stock Company ("the company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2017, and the related interim condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) and International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards" that are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 March 2017, and its financial performance and cash flows for the three months period then ended in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) and International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards" that are endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young,

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

12 Sha'ban 1438H
8 May 2017

Al-Khobar



**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND OTHER
COMPREHENSIVE INCOME**

For the three months period ended 31 March 2017

	Notes	<i>Three months period ended 31 March</i>	
		2017	2016
		<i>(Unaudited)</i> SR	<i>(Unaudited)</i> SR
REVENUE			
Operating revenue, net		310,819,774	251,446,725
Sales		52,150,205	52,140,806
		<u>362,969,979</u>	<u>303,587,531</u>
DIRECT COSTS			
Cost of operations		(152,442,151)	(122,175,782)
Cost of sales		(37,161,437)	(37,909,271)
		<u>(189,603,588)</u>	<u>(160,085,053)</u>
GROSS PROFIT		<u>173,366,391</u>	<u>143,502,478</u>
EXPENSES			
Selling and distribution		(39,523,821)	(32,985,843)
General and administration		(40,677,526)	(34,859,632)
		<u>(80,201,347)</u>	<u>(67,845,475)</u>
OPERATING INCOME		<u>93,165,044</u>	<u>75,657,003</u>
Share in results of an associate		1,103,021	788,893
Other income		2,368,340	3,164,055
Financial charges		(1,614,838)	(1,933,518)
INCOME BEFORE ZAKAT		<u>95,021,567</u>	<u>77,676,433</u>
Zakat	9	(5,743,820)	(4,660,356)
NET INCOME FOR THE PERIOD		<u>89,277,747</u>	<u>73,016,077</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>89,277,747</u>	<u>73,016,077</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
- Shareholders of the parent company		85,114,867	68,468,913
- Non-controlling interest		4,162,880	4,547,164
		<u>89,277,747</u>	<u>73,016,077</u>
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to the shareholders of the parent company	10	<u>1.70</u>	<u>1.37</u>


Managing Director
Mohammed Al Saleem


Authorized Board Representative
Mohammed Al Saleem


Chief Finance Officer
Yusuf Sulaiman


The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.


**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

		31 March 2017 (Unaudited) SR	31 December 2016 (Note 14) SR	1 January 2016 (Note 14) SR
ASSETS				
NON-CURRENT ASSETS				
Property and equipment		1,419,096,838	1,360,658,878	1,195,334,583
Goodwill		16,371,000	16,371,000	16,371,000
Other intangible assets		10,312,802	9,860,919	5,246,889
Investment in an associate		12,885,517	11,782,496	8,743,603
Advances to contractors		69,550,025	70,859,039	23,308,370
TOTAL NON-CURRENT ASSETS		1,528,216,182	1,469,532,332	1,249,004,445
CURRENT ASSETS				
Inventories		125,629,338	124,342,199	107,529,613
Accounts receivable and prepayments		403,189,112	350,172,554	279,895,452
Term deposits		-	30,000,000	150,000,000
Bank balances and cash		223,647,032	124,902,512	81,002,809
TOTAL CURRENT ASSETS		752,465,482	629,417,265	618,427,874
TOTAL ASSETS		2,280,681,664	2,098,949,597	1,867,432,319
EQUITY AND LIABILITIES				
EQUITY				
Share capital	5	500,000,000	500,000,000	500,000,000
Statutory reserve		170,032,563	170,032,563	144,444,240
Retained earnings		566,802,576	481,687,709	378,404,932
Proposed dividends	6	125,000,000	125,000,000	100,000,000
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		1,361,835,139	1,276,720,272	1,122,849,172
Non-controlling interests		81,709,657	77,546,777	69,860,632
TOTAL EQUITY		1,443,544,796	1,354,267,049	1,192,709,804
NON-CURRENT LIABILITIES				
Term loans	7	412,561,376	322,711,970	326,231,195
Employee defined benefit liabilities		67,340,042	65,670,952	58,459,692
TOTAL NON-CURRENT LIABILITIES		479,901,418	388,382,922	384,690,887
CURRENT LIABILITIES				
Zakat provision	9	34,651,578	28,907,758	22,411,354
Accounts payable and accruals		191,823,115	184,078,309	146,739,183
Short term loans	8	705,000	1,057,500	-
Current portion of term loans	7	130,055,757	142,256,059	120,881,091
TOTAL CURRENT LIABILITIES		357,235,450	356,299,626	290,031,628
TOTAL LIABILITIES		837,136,868	744,682,548	674,722,515
TOTAL EQUITY AND LIABILITIES		2,280,681,664	2,098,949,597	1,867,432,319


Managing Director
Mohammed Al Saleem


Authorized Board Representative
Mohammed Al Saleem


Chief Finance Officer
Yusuf Sulaiman

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

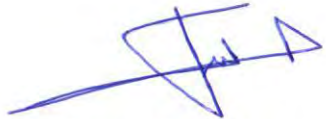
Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2017

	<i>Attributable to the shareholders of the parent company</i>						
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Proposed dividends</i>	<i>Equity attributable to the shareholders of the parent company</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Balance at 1 January 2016 (Note 14)	500,000,000	144,444,240	378,404,932	100,000,000	1,122,849,172	69,860,632	1,192,709,804
Total comprehensive income for the period	-	-	68,468,913	-	68,468,913	4,547,164	73,016,077
Balance at 31 March 2016 (Unaudited)	500,000,000	144,444,240	446,873,845	100,000,000	1,191,318,085	74,407,796	1,265,725,881
Balance at 1 January 2017 (Note 14)	500,000,000	170,032,563	481,687,709	125,000,000	1,276,720,272	77,546,777	1,354,267,049
Total comprehensive income for the period	-	-	85,114,867	-	85,114,867	4,162,880	89,277,747
Balance at 31 March 2017 (Unaudited)	500,000,000	170,032,563	566,802,576	125,000,000	1,361,835,139	81,709,657	1,443,544,796


Managing Director
 Mohammed Al Saleem


Authorized Board Representative
 Mohammed Al Saleem


Chief Finance Officer
 Yusuf Sulaiman

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

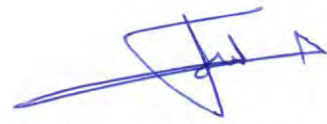
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2017

	<i>Three months period ended 31 March</i>	
	2017 <i>(Unaudited)</i> SR	2016 <i>(Unaudited)</i> SR
OPERATING ACTIVITIES		
Income before zakat for the period	95,021,567	77,676,433
Adjustments:		
Depreciation	21,842,594	16,970,183
Amortization of other intangible assets	376,783	273,976
Share in results of an associate	(1,103,021)	(788,893)
Employee defined benefit liabilities, net	1,669,090	1,022,972
Finance charges	1,614,838	1,933,518
Gains on disposal of property and equipment	(77,102)	(185,139)
	<u>119,344,749</u>	<u>96,903,050</u>
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(53,016,558)	(93,873,006)
Inventories	(1,287,139)	2,977,059
Accounts payable and accruals	7,744,806	37,802,441
Cash from operations	<u>72,785,858</u>	<u>43,809,544</u>
Financial charges paid	(1,614,838)	(1,933,518)
Net cash from operating activities	<u>71,171,020</u>	<u>41,876,026</u>
INVESTING ACTIVITIES		
Term deposits	30,000,000	150,000,000
Purchase of property and equipment	(75,985,238)	(64,231,868)
Proceeds from disposal of property and equipment	198,650	236,100
Additions to other intangible assets	(828,666)	(174,351)
Dividend received from an associate	-	788,893
Advances to contractors	(3,107,850)	(45,048)
Net cash (used in) from investing activities	<u>(49,723,104)</u>	<u>86,573,726</u>
FINANCING ACTIVITIES		
Proceeds from term loans	115,000,000	67,144,063
Repayments of term loans	(37,350,896)	(29,125,290)
Repayments of short term loans	(352,500)	-
Net cash from financing activities	<u>77,296,604</u>	<u>38,018,773</u>
INCREASE IN BANK BALANCES AND CASH	<u>98,744,520</u>	<u>166,468,525</u>
BANK BALANCES AND CASH AS AT 1 JANUARY	<u>124,902,512</u>	<u>81,002,809</u>
BANK BALANCES AND CASH AS AT 31 MARCH	<u>223,647,032</u>	<u>247,471,334</u>
NON-CASH TRANSACTIONS:		
Transfer from advances to contractors to property and equipment	<u>4,416,864</u>	<u>658,047</u>



Managing Director
Mohammed Al Saleem



Authorized Board Representative
Mohammed Al Saleem



Chief Finance Officer
Yusuf Sulaiman

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017

1 CORPORATE INFORMATION

Mouwasat Medical Services Group ("the company") is registered in Saudi Arabia under Commercial Registration number 2050032029 dated 12 Ramadan 1417H (corresponding to 22 January 1997). The company was converted into a Saudi Joint Stock Group in accordance with Ministerial Resolution No. 1880 dated 4 Dhu-al-Hijja 1426H (corresponding to 4 January 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.

The accompanying interim condensed consolidated financial statements include the activities of the company and its following subsidiaries (collectively referred to as "the Group"):

<u>Name of the entity</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>	<u>Activities</u>
Eastern Medical Services Group Limited	Saudi Arabia	51%	Medical services
Specialized Medical Clinic Group Limited	Saudi Arabia	95%	Medical services

The interim condensed consolidated financial statements of the Group as of 31 March 2017 were authorised for issue in accordance with the Board of Directors resolution on 8 May 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in Kingdom of Saudi Arabia. These are also the Group's first interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") for part of the period covered by the first annual financial statements prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), and accordingly International Financial Reporting Standard, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in Kingdom of Saudi Arabia has been applied. Refer to Note 14 for information on the first time adoption of IFRS as endorsed in Kingdom of Saudi Arabia, by the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements to be prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the SOCPA, which would be produced for the year ending 31 December 2017.

The interim condensed consolidated financial statements have been prepared on a historical cost basis. The interim condensed consolidated financial statements are presented in Saudi Riyal "SR", which is the functional currency of the Group.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 March 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Income and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in interim condensed consolidated statement of income and other comprehensive income. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the interim condensed consolidated statement of income and other comprehensive income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in interim condensed consolidated statement of income and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Current versus non-current classification

The Group presents assets and liabilities in the interim condensed statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in interim condensed consolidated statement of income and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	33 years
Building system, fixture and furniture	3 to 10 years
Medical equipment and tools	4 to 13 years
Motor vehicles	4 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the interim condensed consolidated statement of income and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in interim condensed consolidated statement of income and other comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the interim condensed consolidated statement of income and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the interim condensed consolidated statement of income and other comprehensive income when the asset is derecognised.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in an associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The interim condensed consolidated statement of income and other comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of the investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the interim condensed consolidated statement of income and other comprehensive income outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the interim condensed consolidated statement of income and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the interim condensed consolidated statement of income and other comprehensive income.

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on purchase cost on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the interim condensed consolidated statement of income and other comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the interim condensed consolidated statement of income and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables as appropriate. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as described below:

Loans and receivables

This category is the most relevant to the Group. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effective interest rate amortization is included in finance income in the preliminary interim condensed consolidated statement of income and other comprehensive income. The losses arising from impairment are recognized in the interim condensed consolidated statement of income and other comprehensive income in finance charges for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to accounts receivable and employees' loans.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's condensed consolidated financial statements) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of its continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Financial assets (continued)

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the interim condensed consolidated statement of income. Finance income (recorded as finance income in the interim condensed consolidated statement of income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the interim condensed consolidated statement of income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables and other financial liabilities measured at amortised cost using EIR method, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

Financial liabilities (continued)

Loans and interest bearing borrowings

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the interim condensed consolidated statement of income and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the interim condensed consolidated statement of income and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the condensed consolidated financial statements if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognised 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the interim condensed consolidated statement of income and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee defined benefit liabilities

The Company operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognized in the interim condensed statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post employment benefit obligations. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized in equity through the other comprehensive income in the period in which they arise.

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Operating revenue

Revenue is recognised when services are rendered to customers, net of discounts. Net patient services revenue is recognised at the estimated net realisable amounts from the third party payers (insurance companies) and others for the services rendered, net of estimated retroactive revenue adjustments (rejections) when the related services are rendered. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as actual adjustments become known.

Sales

Sales represent the invoiced value of medicines and drugs by the Group and are recognised, net of discount, when the significant risks and rewards of ownership of those goods have passed to the buyer and the amount of revenue can be measured reliably; normally on delivery to the customer/ patient.

Finance income

For all financial instruments measured at amortized cost and interest income on such financial instruments is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the interim condensed consolidated statement of income and other comprehensive income.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is recognised in the interim condensed consolidated statement of income and other comprehensive income.

Foreign currencies

The Group's interim condensed consolidated financial statements are presented in Saudi Riyal, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the interim condensed consolidated statement of income and other comprehensive income.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised in finance costs in the interim condensed consolidated statement of income and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Contingencies

Contingent liabilities are not recognized in the condensed consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, they are recorded in the interim condensed consolidated statement of financial position under accounts payable and accruals. A contingent asset is not recognized in the condensed consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income for the year after deducting losses brought forward in each year until it has built up a reserve equal to one half of the capital. The Company may resolve to discontinue such transfers when the reserve totals 50% of the capital (reduced to 30% in accordance with new Saudi Arabian Regulations for Companies effective from 29 April 2016). The reserve is not available for distribution.

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies (that have the most significant effect on the amount recognized in the condensed consolidated financial statements) includes:

Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

Valuation of defined benefit obligations

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and other assumptions. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

During the period, the management performed a comprehensive exercise to measure the residual value of the property and equipment. Such change is considered as a change in accounting estimate and has been accounted for prospectively starting from 1 January 2017.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

(a) Classification and measurement

The Group does not expect a significant impact on its Statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group will assess the impact on its equity after performing a detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments. The Group is in the business of providing healthcare services and sale of medicines and drugs. The services and medicines and drugs are sold both on its own in separate identified contracts with customers and together as a bundled package of goods and/ or services.

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Sale of goods

Contracts with customers in which the sale of medicines and drugs is generally expected to be the only performance obligation are not expected to have any impact on the Group's statement of income and other comprehensive income. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. In preparing to IFRS 15, the Group is considering that some contracts with customers provide a right of rejection, trade discounts or volume rebates. Currently, the Group recognises revenue from the sales of medicines and drugs measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint may result in more revenue being deferred than is under current IFRS.

Rendering of services

The Group provides medical services. These services are sold either on their own contracts with the patients/customers or bundled together with the sale of medicines and drugs to a patient/customer. Currently, the Group accounts for the medicines and drugs and service as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Group recognises service revenue by reference to the stage of completion. Under IFRS 15, allocation will be made based on relative stand-alone selling prices. As a result, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these sales may be impacted. The Group has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, the Group would continue to recognise revenue for these service contracts/service components of bundled contracts over time rather than at a point of time.

Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly, increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2017, the Group developed and started testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- i The beginning of the reporting period in which the entity first applies the interpretation Or
- ii The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The IFRIC is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures

Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice. The amendments clarifies that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 March 2017

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards

Deletion of short-term exemptions for first-time adopters - Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018.

5 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 50 million shares (1 January 2016 and 31 December 2016: 50 million shares) of SR 10 each.

6 PROPOSED DIVIDENDS

The board of directors at their meeting held on 25 Rabi'II 1438 H (corresponding to 23 January 2017) proposed a cash dividend of SR 2.5 per share amounting to SR 125 million for the year ended 31 December 2016 which was subsequently approved by the shareholders in the General Assembly Meeting held on 27 Rajab 1438 H (corresponding to 24 April 2017).

The board of directors at their meeting held on 15 Rabi'II 1437 H (corresponding to 25 January 2016) proposed a cash dividend of SR 2.0 per share amounting to SR 100 million for the year ended 31 December 2015 which was subsequently approved by the shareholders in the General Assembly Meeting held on 26 Jumada'II 1437 H (corresponding to 4 April 2016).

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

7 TERM LOANS

	<i>31 March</i> 2017 <i>(Unaudited)</i> SR	<i>31 December</i> 2016 <i>(Note 14)</i> SR	<i>1 January</i> 2016 <i>(Note 14)</i> SR
Ministry of finance	122,155,564	122,155,564	123,717,688
Commercial banks	<u>420,461,569</u>	<u>342,812,465</u>	<u>323,394,598</u>
	542,617,133	464,968,029	447,112,286
Less: current portion	<u>(130,055,757)</u>	<u>(142,256,059)</u>	<u>(120,881,091)</u>
Non-current portion	<u>412,561,376</u>	<u>322,711,970</u>	<u>326,231,195</u>

Ministry of finance loans:

The Group obtained loans facility of SR 147.3 million from Ministry of finance for expansions and building new hospitals. The loans are secured by a mortgage on the Group's lands and are repayable on equal annual installments. These loans do not carry any financial charges.

Commercial banks loans:

The Group also obtained islamic loans facilities from various commercial banks. These loans are secured by promissory notes and assignment of insurance and contract proceeds. The facilities are subject to commission at SIBOR plus 1.5% to 2%.

The Group is required to comply with certain covenant under the loan facility agreement mention above.

8 SHORT TERM LOANS

The short term islamic loans were obtained from a local bank to meet the working capital requirements. These borrowings are secured by promissory note issued by the Company and carry commission charges at prevailing market borrowing rates.

9 ZAKAT

Charge for the period	<i>Three months period ended 31 March (Unaudited)</i>	
	<i>2017</i>	<i>2016</i>
	SR	SR
Provision for the period	5,743,820	4,660,356
	<u>5,743,820</u>	<u>4,660,356</u>

The provision for the year is based on individual zakat base of the Company and its subsidiaries.

Movement in provision

The movement in zakat provision was as follows:	<i>Three months period ended 31 March 2017 (Unaudited) SR</i>	<i>Year ended 31 December 2016 (Note 14) SR</i>
At the beginning of the period/ year	28,907,758	22,411,354
Charge for the period/ year	5,743,820	21,823,357
Paid during the period/ year	-	(15,326,953)
At the end of the period/ year	<u>34,651,578</u>	<u>28,907,758</u>

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

9 ZAKAT (continued)

Status of assessments

Zakat returns of the Company have been agreed with the General Authority of Zakat and Tax ("the GAZT") up to 2012. The zakat assessments for the years from 2013 to 2015 have been filed with the GAZT. However, the assessments have not yet been raised by GAZT.

Eastern Medical Services Company Limited

Zakat returns have been agreed with the GAZT up to 2012. The zakat assessments for the years from 2013 to 2015 have been filed with the GAZT. However, the assessments have not yet been raised by GAZT.

Specialized Medical Clinic Company Limited

Zakat returns have been agreed with the GAZT up to 2008. The zakat declarations for the years from 2009 to 2012 have been filed with the GAZT. However, the assessments have not yet been raised by GAZT.

**10 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS
OF THE PARENT COMPANY**

Basic and diluted earnings per share is calculated by dividing the net income for the period attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the period as follows:

	<i>Three months period ended 31 March (Unaudited)</i>	
	<i>2017</i>	<i>2016</i>
Net income for the period attributable to the shareholders of the parent company (SR)	85,114,867	68,468,913
Weighted average number of outstanding shares during the period (share)	50,000,000	50,000,000
Basic and diluted earnings per share attributable to the shareholders of the parent company	1.70	1.37

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 March 2017

11 RELATED PARTIES' TRANSACTIONS AND BALANCES

Related parties represent associated companies, shareholders, directors, affiliates and key management personnel of the Group, and entities controlled or significantly influenced by such parties.

The following are the details of related parties transactions occurred during the period and resulting balances at period/ year end:

Related party	Relationship	Nature of transactions	Amounts of transactions			
			Three months		Balance	
			period ended 31 March		31 March	31 December
		2017	2016	2017	2016	
		SR	SR	(Unaudited)	(Note 14)	
a) Amounts due from related parties:						
Advance Medical Project Company ("AMPC")	Associate	Revenue	2,472,466	2,001,001	465,194	4,562,106
		Other services	59,106	24,666	770,001	825,910
Other	Affiliates	Other	-	-	1,235,195	5,388,016
b) Amounts due to related parties:						
Al-Mouwasat International Company	Affiliate	Purchases and services	3,632,748	5,036,862	2,934,955	1,188,321
AdVision Media Solution	Affiliate	Purchases and services	10,261,418	6,933,633	5,055,003	2,819,508
Magrabi Hospitals & Centers Company Ltd.	Affiliate	Expenses	616,882	647,344	912,939	359,969
Gilan Company For Restaurants	Affiliate	Revenue	205,000	-	153,750	-
					9,056,647	4,367,798

The compensation to the key management personnel during the period amounted to SR 4,019,128 (31 March 2016: SR 2,985,909)

Prices and terms of payment of the above transactions are approved by the Group's management.

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

12 SEGMENTAL INFORMATION

Operating segments:

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:

In-patient – Services to customers with overnight stay at hospital

Out-patient – Services to customers without overnight stay at hospital

Pharmaceuticals – Goods, such as medicines and healthcare products

No operating segments have been aggregated to form the above reportable operating segments.

The Management Committee monitors 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.

	<i>In-patient</i>	<i>Out-patient</i>	<i>Pharmaceuticals</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>For the three months period ended</i>				
<i>31 March 2017</i>				
Revenue	145,982,682	164,837,092	52,150,205	362,969,979
Gross profit	73,445,858	82,931,765	16,988,768	173,366,391
<i>Unallocated income (expenses)</i>				
Selling and distribution expenses				(39,523,821)
General and administration expenses				(40,677,526)
Share in results of an associate				1,103,021
Financial charges				(1,614,838)
Other income				2,368,340
Income before zakat				95,021,567
Zakat				(5,743,820)
Net income for the period				89,277,747
<i>For the three months period ended</i>				
<i>31 March 2016</i>				
Revenue	119,637,166	131,809,559	52,140,806	303,587,531
Gross profit	61,506,505	67,764,438	14,231,535	143,502,478
<i>Unallocated income (expenses)</i>				
Selling and distribution expenses				(32,985,843)
General and administration expenses				(34,859,632)
Share in results of an associate				788,893
Financial charges				(1,933,518)
Other income				3,164,055
Income before zakat				77,676,433
Zakat				(4,660,356)
Net income for the period				73,016,077

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

12 SEGMENTAL INFORMATION (continued)

	<i>In-patient</i> <i>SR</i>	<i>Out-patient</i> <i>SR</i>	<i>Pharmaceuticals</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<i>As at 31 March 2017</i>				
Total assets	1,163,147,649	843,852,215	273,681,800	2,280,681,664
Total liabilities	385,082,959	309,740,641	142,313,268	837,136,868
<i>As at 31 December 2016</i>				
Total assets	1,024,427,813	777,496,935	297,024,849	2,098,949,597
Total liabilities	344,749,705	271,646,338	128,286,505	744,682,548
<i>As at 1 January 2016</i>				
Total assets	875,537,518	692,454,861	299,439,940	1,867,432,319
Total liabilities	314,482,072	246,832,066	113,408,377	674,722,515

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment revenue in the three months ended 31 March 2017 and 2016.

Geographical segments:

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

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognised or disclosed are categorised 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

Financial assets consist of bank balances and cash, term deposits, accounts receivable, amounts due from related parties and some other current assets. Financial liabilities consist of term loans, short term loan, accounts payable, amounts due to related parties and other current liabilities. The fair values of financial assets and financial liabilities approximate their carrying amounts.

Mouwasat Medical Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS

For all periods up to and including the year ended 31 December 2016, the Group prepared and published its consolidated financial statements only in accordance with generally accepted accounting standards in Kingdom of Saudi Arabia ("SOCPA GAAP"). These are the Group's first interim condensed consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting" and IFRS 1, "First-time Adoption of International Financial Reporting Standards" that are endorsed in Kingdom of Saudi Arabia.

Accordingly, the Group has prepared consolidated financial statements, which comply with IFRS as endorsed in Kingdom of Saudi Arabia applicable for periods beginning on or before 1 January 2017, together with the comparative period data. In preparing the accompanying interim condensed consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2016 after incorporating certain adjustments made as required due to the first time adoption of IFRS as endorsed in Kingdom of Saudi Arabia.

In preparing its opening statement of financial position as at 1 January 2016 in accordance with IFRS as endorsed in Kingdom of Saudi Arabia, the consolidated financial statements for the year ended 31 December 2016 and the interim consolidated financial statements for the three month period ended 31 March 2016, the Group has analyzed the impact and noted following adjustments are required to the amounts reported previously in the consolidated financial statements prepared in accordance with SOCPA GAAP.

Exemptions applied:

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- i IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the SOCPA carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.
- ii IFRS 1 also requires that the SOCPA carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2016.
- iii The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under SOCPA GAAP on qualifying assets prior to the date of transition to IFRS.

Exceptions applied:

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance has not been applied on government loans existing at the date of transition to IFRSs and the corresponding benefit of the government loan at a below-market rate of interest as a government grant has not been recognised. Consequently, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with IFRS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to IFRSs as the carrying amount of the loan in the opening IFRS statement of financial position.

Estimates:

The estimates as at 1 January 2016, 31 December 2016 and 31 March 2016 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies).

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS (continued)

14.1 Reconciliations between previously reported amounts and IFRS amounts:

14.1.1 Group's reconciliation for statement of financial position as at 1 January 2016 (date of transition to IFRS)

		<i>As previously reported under SOCPA</i>	<i>Remeasurement/ reclassification</i>	<i>IFRS</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	14.2A	1,212,212,035	(16,877,452)	1,195,334,583
Goodwill		16,371,000	-	16,371,000
Other intangible assets	14.2B	1,053,382	4,193,507	5,246,889
Investment in an associate		8,743,603	-	8,743,603
Advances to contractors		23,308,370	-	23,308,370
TOTAL NON-CURRENT ASSETS		1,261,688,390	(12,683,945)	1,249,004,445
CURRENT ASSETS				
Inventories		107,529,613	-	107,529,613
Accounts receivable and prepayments	14.2C	271,278,813	8,616,639	279,895,452
Term deposits		150,000,000	-	150,000,000
Bank balances and cash		81,002,809	-	81,002,809
TOTAL CURRENT ASSETS		609,811,235	8,616,639	618,427,874
TOTAL ASSETS		1,871,499,625	(4,067,306)	1,867,432,319
EQUITY AND LIABILITIES				
EQUITY				
Share capital		500,000,000	-	500,000,000
Statutory reserve		144,444,240	-	144,444,240
Retained earnings	14.1.2.A	390,202,507	(11,797,575)	378,404,932
Proposed dividends		100,000,000	-	100,000,000
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		1,134,646,747	(11,797,575)	1,122,849,172
Non-controlling interests	14.1.2.B	69,740,137	120,495	69,860,632
TOTAL EQUITY		1,204,386,884	(11,677,080)	1,192,709,804
NON-CURRENT LIABILITIES				
Term loans		326,231,195	-	326,231,195
Employee defined benefit liabilities	14.2D	50,849,918	7,609,774	58,459,692
TOTAL NON-CURRENT LIABILITIES		377,081,113	7,609,774	384,690,887
CURRENT LIABILITIES				
Zakat provision		22,411,354	-	22,411,354
Accounts payable and accruals		146,739,183	-	146,739,183
Short term loans		-	-	-
Current portion of term loans		120,881,091	-	120,881,091
TOTAL CURRENT LIABILITIES		290,031,628	-	290,031,628
TOTAL LIABILITIES		667,112,741	7,609,774	674,722,515
TOTAL EQUITY AND LIABILITIES		1,871,499,625	(4,067,306)	1,867,432,319

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS (continued)

14.1 Reconciliations between previously reported amounts and IFRS amounts (continued):

14.1.2 Reconciliation of retained earnings and non-controlling interest as at 1 January 2016:

14.1.2.A Following is the analysis of the impact of IFRS re-measurements on retained earnings:

	<i>Notes</i>	<i>Impact on retained earnings at 1 January 2016 SR</i>
		<u>SR</u>
<i>As per SOCPA (The local GAAP)</i>		390,202,507
<i>Adjustments :</i>		
Start-up costs	14.2A	(12,683,945)
Unbilled revenue	14.2C	8,250,635
Employee defined benefit liabilities	14.2D	(7,364,265)
<i>Adjusted balance (IFRS)</i>		<u>378,404,932</u>

14.1.2.B Following is the analysis of the impact of IFRS re-measurements on non-controlling interest:

	<i>Notes</i>	<i>Impact on non- controlling interest at 1 January 2016 SR</i>
		<u>SR</u>
<i>As per SOCPA (The local GAAP)</i>		69,740,137
<i>Adjustments :</i>		
Unbilled revenue	14.2C	366,004
Employee defined benefit liabilities	14.2D	(245,509)
<i>Adjusted balance (IFRS)</i>		<u>69,860,632</u>

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS (continued)

14.1 Reconciliations between previously reported amounts and IFRS amounts (continued):

14.1.3 Group's reconciliation for statement of financial position as at 31 December 2016:

	Notes	As previously reported under SOCPA SR	Remeasurement/ reclassification SR	IFRS SR
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	14.2A	1,381,310,201	(20,651,323)	1,360,658,878
Goodwill		16,371,000	-	16,371,000
Other intangible assets	14.2B	1,497,293	8,363,626	9,860,919
Investment in an associate		11,782,496	-	11,782,496
Advances to contractors		70,859,039	-	70,859,039
TOTAL NON-CURRENT ASSETS		1,481,820,029	(12,287,697)	1,469,532,332
CURRENT ASSETS				
Inventories		124,342,199	-	124,342,199
Accounts receivable and prepayments	14.2C	343,115,146	7,057,408	350,172,554
Term deposits		30,000,000	-	30,000,000
Bank balances and cash		124,902,512	-	124,902,512
TOTAL CURRENT ASSETS		622,359,857	7,057,408	629,417,265
TOTAL ASSETS		2,104,179,886	(5,230,289)	2,098,949,597
EQUITY AND LIABILITIES				
EQUITY				
Share capital		500,000,000	-	500,000,000
Statutory reserve		170,032,563	-	170,032,563
Retained earnings	14.1.4A	494,097,412	(12,409,703)	481,687,709
Proposed dividends		125,000,000	-	125,000,000
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		1,289,129,975	(12,409,703)	1,276,720,272
Non-controlling interests	14.1.4B	77,905,378	(358,601)	77,546,777
TOTAL EQUITY		1,367,035,353	(12,768,304)	1,354,267,049
NON-CURRENT LIABILITIES				
Term loans		322,711,970	-	322,711,970
Employee defined benefit liabilities	14.2D	58,132,937	7,538,015	65,670,952
TOTAL NON-CURRENT LIABILITIES		380,844,907	7,538,015	388,382,922
CURRENT LIABILITIES				
Zakat provision		28,907,758	-	28,907,758
Accounts payable and accruals		184,078,309	-	184,078,309
Short term loans		1,057,500	-	1,057,500
Current portion of term loans		142,256,059	-	142,256,059
TOTAL CURRENT LIABILITIES		356,299,626	-	356,299,626
TOTAL LIABILITIES		737,144,533	7,538,015	744,682,548
TOTAL EQUITY AND LIABILITIES		2,104,179,886	(5,230,289)	2,098,949,597

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS (continued)

14.1 Reconciliations between previously reported amounts and IFRS amounts (continued):

14.1.4 Reconciliation of retained earnings and non-controlling interest as at 31 December 2016:

14.1.4.A Following is the analysis of the impact of IFRS re-measurements on retained earnings:

	Notes	<i>Impact on retained earnings at 31 December 2016</i>
		<u>SR</u>
<i>As per SOCPA (The local GAAP)</i>		494,097,412
<i>Adjustments :</i>		
IFRS adjustments as of Jan 1, 2016	14.1.2.A	(11,797,575)
Start-up costs	14.2A	396,248
Unbilled revenue	14.2C	(1,366,323)
Employee defined benefit liabilities	14.2D	357,947
Adjusted balance (IFRS)		<u><u>481,687,709</u></u>

14.1.4.B Following is the analysis of the impact of IFRS re-measurements on non-controlling interest:

	Notes	<i>Impact on non- controlling interest at 31 December 2016</i>
		<u>SR</u>
<i>As per SOCPA (The local GAAP)</i>		77,905,378
<i>Adjustments :</i>		
Unbilled revenue	14.2C	173,096
Employee defined benefit liabilities	14.2D	(531,697)
Adjusted balance (IFRS)		<u><u>77,546,777</u></u>

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS (continued)

14.1 Reconciliations between previously reported amounts and IFRS amounts (continued):

14.1.5 Group's reconciliation of statement of income and other comprehensive income for the year ended 31 December 2016:

	Notes	As previously reported under SOCPA SR	Remeasurement/ reclassification SR	IFRS SR
REVENUE				
Operating revenue, net	14.2C	1,045,947,795	(1,559,231)	1,044,388,564
Sales		198,832,871	-	198,832,871
		1,244,780,666	(1,559,231)	1,243,221,435
DIRECT COSTS				
Cost of operations	14.2A & 14.2D	(524,728,316)	3,026,457	(521,701,859)
Cost of sales		(145,067,377)	-	(145,067,377)
		(669,795,693)	3,026,457	(666,769,236)
GROSS PROFIT				
		574,984,973	1,467,226	576,452,199
EXPENSES				
Selling and distribution	14.2A & 14.2D	(141,732,650)	387,065	(141,345,585)
General and administration	14.2A, 14.2D & 14.2E	(146,498,370)	(546,623)	(147,044,993)
		(288,231,020)	(159,558)	(288,390,578)
OPERATING INCOME				
		286,753,953	1,307,668	288,061,621
Share in results of an associate		3,038,893	-	3,038,893
Other income		12,415,726	-	12,415,726
Financial charges		(6,536,746)	-	(6,536,746)
INCOME BEFORE ZAKAT AND INCOME TAX				
		295,671,826	1,307,668	296,979,494
Zakat		(21,823,357)	-	(21,823,357)
NET INCOME FOR THE YEAR				
		273,848,469	1,307,668	275,156,137
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit and loss:				
Remeasurement of defined benefit obligation	14.2D	-	(3,798,892)	(3,798,892)
OTHER COMPREHENSIVE INCOME FOR THE YEAR				
		-	(3,798,892)	(3,798,892)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
		273,848,469	(2,491,224)	271,357,245
NET INCOME FOR THE YEAR ATTRIBUTABLE TO:				
- Shareholders of the parent company		255,883,228	1,299,693	257,182,921
- Non-controlling interest		17,965,241	7,975	17,973,216
		273,848,469	1,307,668	275,156,137
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
- Shareholders of the parent company		255,883,228	(2,012,128)	253,871,100
- Non-controlling interest		17,965,241	(479,096)	17,486,145
		273,848,469	(2,491,224)	271,357,245

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS (continued)

14.1 Reconciliations between previously reported amounts and IFRS amounts (continued):

14.1.6 Group's reconciliation for statement of financial position as at 31 March 2016:

		<i>As previously reported under SOCPA</i>	<i>Remeasurement/ reclassification</i>	<i>IFRS</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>Notes</i>			
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	14.2A	1,259,842,943	(17,306,641)	1,242,536,302
Goodwill		16,371,000	-	16,371,000
Other intangible assets	14.2B	1,092,558	4,721,758	5,814,316
Investment in an associate		8,743,603	-	8,743,603
Advances to contractors		22,695,371	-	22,695,371
TOTAL NON-CURRENT ASSETS		1,308,745,475	(12,584,883)	1,296,160,592
CURRENT ASSETS				
Inventories		104,552,554	-	104,552,554
Accounts receivable and prepayments	14.2C	368,389,120	5,379,338	373,768,458
Term deposits		-	-	-
Bank balances and cash		247,471,334	-	247,471,334
TOTAL CURRENT ASSETS		720,413,008	5,379,338	725,792,346
TOTAL ASSETS		2,029,158,483	(7,205,545)	2,021,952,938
EQUITY AND LIABILITIES				
EQUITY				
Share capital		500,000,000	-	500,000,000
Statutory reserve		144,444,240	-	144,444,240
Retained earnings	14.1.7.A	461,309,233	(14,435,388)	446,873,845
Proposed dividends		100,000,000	-	100,000,000
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		1,205,753,473	(14,435,388)	1,191,318,085
Non-controlling interests	14.1.7.B	74,362,802	44,994	74,407,796
TOTAL EQUITY		1,280,116,275	(14,390,394)	1,265,725,881
NON-CURRENT LIABILITIES				
Term loans		361,082,719	-	361,082,719
Employee defined benefit liabilities	14.2D	52,647,815	6,834,849	59,482,664
TOTAL NON-CURRENT LIABILITIES		413,730,534	6,834,849	420,565,383
CURRENT LIABILITIES				
Zakat provision		27,071,710	-	27,071,710
Accounts payable and accruals		184,191,624	350,000	184,541,624
Short term loans		-	-	-
Current portion of term loans		124,048,340	-	124,048,340
TOTAL CURRENT LIABILITIES		335,311,674	350,000	335,661,674
TOTAL LIABILITIES		749,042,208	7,184,849	756,227,057
TOTAL EQUITY AND LIABILITIES		2,029,158,483	(7,205,545)	2,021,952,938

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS (continued)

14.1 Reconciliations between previously reported amounts and IFRS amounts (continued):

14.1.7 Reconciliation of retained earnings and non-controlling interest as at 31 March 2016:

14.1.7.A Following is the analysis of the impact of IFRS re-measurements on retained earnings:

	<i>Notes</i>	<i>Impact on retained earnings at 31 March 2016 SR</i>
<i>As per SOCPA (The local GAAP)</i>		461,309,233
<i>Adjustments :</i>		
IFRS adjustments as of Jan 1, 2016	14.1.2.A	(11,797,575)
Start-up costs	14.2A	99,062
Unbilled revenue	14.2C	(3,124,647)
Employee defined benefit liabilities	14.2D	737,772
Board of directors' remuneration	14.2E	(350,000)
Adjusted balance (IFRS)		<u>446,873,845</u>

14.1.7.B Following is the analysis of the impact of IFRS re-measurements on non-controlling interest:

	<i>Notes</i>	<i>Impact on non- controlling interest at 31 March 2016 SR</i>
<i>As per SOCPA (The local GAAP)</i>		74,362,802
<i>Adjustments :</i>		
Unbilled revenue	14.2C	253,350
Employees' terminal benefits	14.2D	(208,356)
Adjusted balance (IFRS)		<u>74,407,796</u>

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS (continued)

14.1 Reconciliations between previously reported amounts and IFRS amounts (continued):

14.1.8 Group's reconciliation of statement of income and other comprehensive income for the period ended 31 March 2016:

	Notes	As previously reported under SOCPA SR	Remeasurement/ reclassification SR	IFRS for the period ended 31 March 2016 SR
REVENUE				
Operating revenue, net	14.2C	254,684,026	(3,237,301)	251,446,725
Sales		52,140,806	-	52,140,806
		306,824,832	(3,237,301)	303,587,531
DIRECT COSTS				
Cost of operations	14.2A & 14.2D	(122,797,480)	621,698	(122,175,782)
Cost of sales		(37,909,271)	-	(37,909,271)
		(160,706,751)	621,698	(160,085,053)
GROSS PROFIT				
		146,118,081	(2,615,603)	143,502,478
EXPENSES				
Selling and distribution	14.2A & 14.2D	(33,063,335)	77,492	(32,985,843)
General and administration	14.2A, 14.2D & 14.2E	(34,684,429)	(175,203)	(34,859,632)
		(67,747,764)	(97,711)	(67,845,475)
OPERATING INCOME				
		78,370,317	(2,713,314)	75,657,003
Share in results of an associate		788,893	-	788,893
Other income		3,164,055	-	3,164,055
Financial charges		(1,933,518)	-	(1,933,518)
INCOME BEFORE ZAKAT AND INCOME TAX				
		80,389,747	(2,713,314)	77,676,433
Zakat		(4,660,356)	-	(4,660,356)
NET INCOME FOR THE PERIOD				
		75,729,391	(2,713,314)	73,016,077
OTHER COMPREHENSIVE INCOME FOR THE PERIOD				
		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
		75,729,391	(2,713,314)	73,016,077
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE				
- Shareholders of the parent company		71,106,726	(2,637,813)	68,468,913
- Non-controlling interest		4,622,665	(75,501)	4,547,164
		75,729,391	(2,713,314)	73,016,077

**Mouwasat Medical Services Company (A Saudi Joint Stock Company)
and its Subsidiaries**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (CONTINUED)**

At 31 March 2017

14 FIRST-TIME ADOPTION OF IFRS (continued)

14.2 Notes to the IFRS reconciliations of the opening financial statements:

14.2A Property and equipment

Under IFRS, Entities are not allowed to capitalize pre-operating/ start up costs. These costs should be expensed when they incurred. The Group has previously capitalized these costs which do not meet the definition of cost of an asset as per IFRS. Therefore, the balance is now being derecognized from property and equipment amounting to SR 12.68 million and the impact has been debited to the retained earnings at the transition date.

14.2B Other intangible assets

Software Licenses have been reclassified from Property and Equipment to be presented under intangible assets for fair presentation in line with IAS 38. The net book value of the intangible has been reclassified to intangible assets.

14.2C Accounts receivable and prepayments

Under IFRS, the revenue is recognised in the accounting periods in which the services are rendered. This concept was not followed properly by the Group. It was not practically possible for the Company to determine the amount of accrued income at each period end, which represents the amount of services rendered but not billed to the patients. As part of the transition to IFRS, the Group has applied the concept of accrued income, which resulted in an increase in accounts receivable and prepayments on the IFRS transition date amounting to SAR 8.3 million. The net impact has been booked as part of the transition adjustments and credited to retained earnings at the transition date.

14.2D Employees' terminal benefits

Under the Saudi GAAP, the Company was required to recognize the provision for employees' end-of-service benefits for the amounts payable at the balance sheet date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service.

However under IAS 19, the Company is required to recognize an amount of a liability that equals to the net amount of present value of the defined benefit obligation, deferred actuarial gains and losses, deferred past service costs and the fair value of any plan assets at statement of financial position.

Accordingly, the Company has restated employees' end-of-service benefits as at 1 January 2016, 31 March 2016 and 31 December 2016. The impact of restatement which pertains to 2015 and periods prior to 2015, has been charged to opening retained earnings as at 1 January 2016.

14.2E Board of directors' remuneration

Under Saudi GAAP, accepted practice was to charge the Directors' remuneration in the statement of changes in shareholders' equity, However under IFRS amounts of Directors' remuneration should be charged to interim condensed consolidated statement of income and other comprehensive income.