

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) AND AUDITORS' LIMITED REVIEW REPORT
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2016**



**Building a better
working world**

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
MOUWASAT MEDICAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)**



Scope of limited review:

We have reviewed the accompanying interim consolidated balance sheet of Mouwasat Medical Services Company, A Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2016, and the related interim consolidated statement of income for the three and nine months periods then ended and the interim consolidated statements of cash flows and changes in shareholders' equity for the nine months period then ended. These interim consolidated financial statements have been prepared by the Company and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization of Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of the persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion:

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

for Ernst & Young



Abdulaziz Saud Alshubaihi
Certified Public Accountant
Registration No.339

18 Muharram 1438 H
19 October 2016


Al-Khobar


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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2016

	Notes	30 September 2016 SR	30 September 2015 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		79,100,225	88,138,872
Term deposit		30,000,000	150,000,000
Accounts receivable and prepayments		409,931,776	208,597,260
Inventories		121,607,945	105,665,476
TOTAL CURRENT ASSETS		640,639,946	552,401,608
NON-CURRENT ASSETS			
Investment in an associate		8,743,603	8,743,603
Property and equipment		1,320,114,548	1,174,150,926
Advances to contractors		26,596,113	29,932,370
Goodwill		16,371,000	16,371,000
Other intangible assets		1,714,365	1,157,090
TOTAL NON-CURRENT ASSETS		1,373,539,629	1,230,354,989
TOTAL ASSETS		2,014,179,575	1,782,756,597
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals		195,022,196	151,638,650
Short term loans	5	1,410,000	70,039,421
Current portion of term loans		125,453,638	100,352,781
Zakat provision		20,487,968	17,911,968
TOTAL CURRENT LIABILITIES		342,373,802	339,942,820
NON-CURRENT LIABILITIES			
Term loans		323,726,834	247,226,474
Employees' terminal benefits		57,138,694	47,660,992
TOTAL NON-CURRENT LIABILITIES		380,865,528	294,887,466
TOTAL LIABILITIES		723,239,330	634,830,286
SHAREHOLDERS' EQUITY			
Equity attributable to shareholders of the Company			
Share capital	6	500,000,000	500,000,000
Statutory reserve		144,444,240	123,564,050
Retained earnings		573,886,505	458,682,941
TOTAL SHAREHOLDERS' EQUITY		1,218,330,745	1,082,246,991
NON-CONTROLLING INTERESTS		72,609,500	65,679,320
TOTAL EQUITY		1,290,940,245	1,147,926,311
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,014,179,575	1,782,756,597


Managing Director
Mohammed Al Saleem


Authorized Board Representative
Mohammed Al Saleem


Chief Finance Officer
for Mahmoud Soliman

The attached notes 1 to 9 form part of these interim consolidated financial statements.


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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three and nine months periods ended 30 September 2016

	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
REVENUE:				
Operating revenue	237,440,758	189,977,215	742,073,421	596,531,754
Sales	44,316,535	41,654,011	145,966,030	143,607,629
	281,757,293	231,631,226	888,039,451	740,139,383
DIRECT COSTS:				
Cost of operations	(124,906,097)	(102,696,014)	(372,919,302)	(302,357,563)
Cost of sales	(31,728,058)	(30,255,193)	(105,633,072)	(104,695,505)
	(156,634,155)	(132,951,207)	(478,552,374)	(407,053,068)
GROSS PROFIT	125,123,138	98,680,019	409,487,077	333,086,315
EXPENSES				
Selling and distribution	(32,782,041)	(20,752,647)	(99,145,200)	(73,320,808)
General and administration	(34,961,744)	(28,640,395)	(104,107,835)	(85,007,456)
Amortization of other intangible assets	(152,591)	(149,567)	(413,782)	(516,606)
	(67,896,376)	(49,542,609)	(203,666,817)	(158,844,870)
INCOME FROM MAIN OPERATIONS	57,226,762	49,137,410	205,820,260	174,241,445
Share in results of an associate	750,000	750,000	2,288,893	2,573,055
Other income	1,562,994	1,274,449	6,821,301	5,783,979
Financial charges	(1,602,797)	(1,946,222)	(5,173,526)	(5,756,336)
INCOME BEFORE ZAKAT AND NON- CONTROLLING INTERESTS	57,936,959	49,215,637	209,756,928	176,842,143
Non-controlling interests	(3,434,630)	(2,600,571)	(12,669,363)	(10,255,419)
INCOME BEFORE ZAKAT	54,502,329	46,615,066	197,087,565	166,586,724
Zakat	(4,196,611)	(3,627,011)	(13,403,567)	(11,584,585)
NET INCOME FOR THE PERIOD	50,305,718	42,988,055	183,683,998	155,002,139
EARNINGS PER SHARE				
Earnings per share from main operations	1.14	0.98	4.12	3.48
Earnings per share from net income	1.01	0.86	3.67	3.10
Weighted average number of outstanding shares	6 50,000,000	50,000,000	50,000,000	50,000,000


Managing Director
Mohammed Al Saleem


Authorized Board Representative
Mohammed Al Saleem


Chief Finance Officer
Mahmoud Soliman

The attached notes 1 to 9 form part of these interim consolidated financial statements.


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

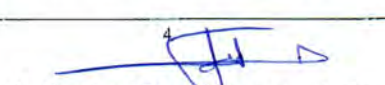
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)


For the nine months period ended 30 September 2016

	<i>For the nine months period ended 30 September</i>	
	2016 SR	2015 SR
OPERATING ACTIVITIES		
Income before zakat and non-controlling interests	209,756,928	176,842,143
Adjustments for:		
Depreciation	55,766,836	37,662,327
Amortization of other intangible assets	413,782	516,606
Share in results of an associate	(2,288,893)	(2,573,055)
Employees' terminal benefits, net	6,288,776	6,823,044
Financial charges	5,173,526	5,756,336
Gain on disposal of property and equipment	(368,334)	(214,196)
	274,742,621	224,813,205
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(138,652,963)	(18,649,265)
Inventories	(14,078,332)	(29,859,239)
Accounts payable and accruals	48,283,013	9,819,463
Cash from operations	170,294,339	186,124,164
Financial charges paid	(5,173,526)	(5,756,336)
Zakat paid	(15,326,953)	(12,999,904)
Net cash from operating activities	149,793,860	167,367,924
INVESTING ACTIVITIES		
Term deposit	120,000,000	(50,000,000)
Purchase of property and equipment	(161,441,627)	(114,411,916)
Proceeds from disposal of property and equipment	1,275,916	531,900
Additions to other intangible assets	(1,074,765)	(988,244)
Dividend from an associate	2,288,893	2,359,482
Advances to contractors paid	(6,423,047)	-
Net cash used in investing activities	(45,374,630)	(162,508,778)
FINANCING ACTIVITIES		
Proceeds from short term loans	1,410,000	52,863,258
Repayments of short term loans	-	(1,907,525)
Proceeds from term loans	95,880,299	45,000,000
Repayments of term loans	(93,812,113)	(89,341,243)
Dividends paid	(100,000,000)	(100,000,000)
Movement in non-controlling interests	(9,800,000)	(4,900,000)
Net cash used in financing activities	(106,321,814)	(98,285,510)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,902,584)	(93,426,364)
Cash and cash equivalents at the beginning of the period	81,002,809	181,565,236
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	79,100,225	88,138,872
NON-CASH TRANSACTION:		
Transfer from advances to contractors to property and equipment	3,135,304	-

The attached notes 1 to 9 form part of these interim consolidated financial statements.


Managing Director
Mohammed Al Saleem


Authorized Board Representative
Mohammed Al Saleem


Chief Finance Officer
Mahmoud Soliman


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


INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)


For the nine months period ended 30 September 2016

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

	<i>Share capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Proposed dividends</i> SR	<i>Total</i> SR
Balance at 31 December 2014 (Audited)	500,000,000	123,564,050	303,680,802	100,000,000	1,027,244,852
Net income for the period	-	-	155,002,139	-	155,002,139
Dividends (note 7)	-	-	-	(100,000,000)	(100,000,000)
Balance at 30 September 2015 (Unaudited)	<u>500,000,000</u>	<u>123,564,050</u>	<u>458,682,941</u>	<u>-</u>	<u>1,082,246,991</u>
Balance at 31 December 2015 (Audited)	500,000,000	144,444,240	390,202,507	100,000,000	1,134,646,747
Net income for the period	-	-	183,683,998	-	183,683,998
Dividends (note 7)	-	-	-	(100,000,000)	(100,000,000)
Balance at 30 September 2016 (Unaudited)	<u>500,000,000</u>	<u>144,444,240</u>	<u>573,886,505</u>	<u>-</u>	<u>1,218,330,745</u>


Managing Director
Mohammed Al Saleem


Authorized Board Representative
Mohammed Al Saleem


Chief Finance Officer
Mahmoud Soliman

The attached notes 1 to 9 form part of these interim consolidated financial statements.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2016

1 ACTIVITIES

Mouwasat Medical Services Company ("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 Company in accordance with Ministerial Resolution No. 1880 dated 4 Dhu al Hijja 1426 (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 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>
Eastern Medical Services Company Limited	Saudi Arabia	51%
Specialized Medical Clinic Company Limited	Saudi Arabia	95%

2 INTERIM PERIOD RESULTS

The Group has made all necessary adjustments which are important to present fairly in all material respects the interim financial position and interim results of operations. The interim financial results may not be considered an indicative of the actual results for the whole year.

3 BASIS OF PREPERATION

These interim consolidated financial statements include assets, liabilities and the results of the operations of the Company and its subsidiaries. A subsidiary company is that in which the Group has, directly or indirectly, long term investment comprising an interest in the voting capital which it exerts control. A subsidiary company is consolidated from the date on which the Group obtains control until the date that control ceases. The interim consolidated financial statements are prepared on the individual interim financial statements of the Company and its subsidiaries. The interim financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All Intra-companies balances, income, expenses and unrealised gains and losses resulting from intra-companies transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets that are not held by the Group and are presented in the interim consolidated statement of income and within equity in the interim consolidated balance sheet, separately from shareholders' equity.

4 SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by the Group in preparing its interim consolidated financial statements, summarized below, are consistent with those used in the preparation of the last audited consolidated financial statements for the year ended 31 December 2015.

Accounting convention

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

Use of estimates

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -(continued)

At 30 September 2016

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Accounts receivable

Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and market 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.

Investment in an associate

Investment in associate is accounted for using equity method of accounting.

Property and equipment/depreciation

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated. The cost of other property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

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

Other intangible assets

These represent the license costs of certain hospitals. Costs which have a long term future benefits are treated as other intangible assets and are amortised over the estimated period of benefit.

Goodwill

Goodwill is measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. Following initial recognition, the goodwill is measured at cost less any accumulated impairment losses.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at each reporting date. When subsidiaries are sold, the difference between the selling price and the net assets and goodwill is recognized in the interim consolidated statement of income.

Impairment of non-current assets

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the non-current assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The excess of carrying value over the estimated recoverable amount is charged to the interim consolidated statement of income.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -(continued)
At 30 September 2016

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

Provision

Provision is recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Zakat

Zakat is provided for the Company and its subsidiaries in accordance with Saudi Arabian fiscal regulations. The provision is charged to the interim consolidated statement of income. Additional amounts, if any, that become due on finalization of an assessment are accounted for in the period in which the assessment is finalized.

The provision for the Company and Saudi Arabia subsidiaries for the interim period is calculated based on estimated zakat provision for the whole year. The difference between the provision made during the interim period and the actual provision for the period based on detailed zakat calculation for the year is accounted for at year end.

Employees' terminal benefits

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

Revenue

Operating revenue

Operating revenue represents the invoiced value of services rendered by the Group to the patients and is recognized, net of discount and estimated insurance rejection, when services are performed.

Sales

Sales represent the invoiced value of medicines and drugs by the Group and are recognized, 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.

Commission income on term deposits is recognised on an accrual basis.

Operating lease

Operating leases payments are recognised as an expense in the interim consolidated statement of income on a straight-line basis over the lease term.

Expenses

Selling and distribution expenses are those that specifically relate to marketing personnel, advertisements, promotions as well as allowance for doubtful debts. All other expenses other than amortization of intangible assets and financial charges are allocated on a consistent basis to direct costs and general and administration expenses in accordance with allocation factors determined as appropriate by the Group.

Foreign currencies

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

Borrowing cost

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (continued)

At 30 September 2016

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

Earnings per share from main operations is calculated by dividing income from main operations for the period by the weighted average number of outstanding shares during the period.

Earnings per share from net income is calculated by dividing the net income for the period by the weighted average number of outstanding shares during the period.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Group carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

5 SHORT TERM LOANS

The short term loans were obtained from various local banks for the purpose of financing and construction of the new projects. These borrowings are secured by promissory note issued by the Company and carry commission charges at prevailing market borrowing rates.

6 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 50 million shares (30 September 2015: 50 million shares) of SR 10 each.

7 CASH DIVIDENDS

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) (30 September 2015: the Board of Directors at their meeting held on 7 Rabi'II 1436 H (corresponding to 27 January 2015) proposed a cash dividend of SR 2.0 per share amounting to SR 100 million for the year ended 31 December 2014 which was subsequently approved by the shareholders in the General Assembly Meeting held on 12 Jamadah'II 1436 H (corresponding to 1 April 2015)).

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (continued)

At 30 September 2016

8 SEGMENTAL INFORMATION

Business segments:

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

	<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>
<u>2016</u>				
<i>For the three months period ended</i>				
<i>30 September 2016</i>				
Revenue	111,911,318	125,529,440	44,316,535	281,757,293
Gross profit	52,984,957	59,549,704	12,588,477	125,123,138
<i>For the nine months period ended</i>				
<i>30 September 2016</i>				
Revenue	354,748,145	387,325,276	145,966,030	888,039,451
Gross profit	176,474,100	192,680,019	40,332,958	409,487,077
<i>As at 30 September 2016</i>				
Property and equipment	646,856,128	488,442,383	184,816,037	1,320,114,548
Total assets	986,947,991	745,246,443	281,985,141	2,014,179,575
Total liabilities	332,690,092	267,598,552	122,950,686	723,239,330
<u>2015</u>				
<i>For the three months period ended</i>				
<i>30 September 2015</i>				
Revenue	84,166,138	105,811,077	41,654,011	231,631,226
Gross profit	38,641,225	48,639,976	11,398,818	98,680,019
<i>For the nine months period ended</i>				
<i>30 September 2015</i>				
Revenue	258,839,502	337,692,252	143,607,629	740,139,383
Gross profit	127,007,010	167,167,181	38,912,124	333,086,315
<i>As at 30 September 2015</i>				
Property and equipment	540,109,426	434,435,843	199,605,657	1,174,150,926
Total assets	820,068,035	659,619,941	303,068,621	1,782,756,597
Total liabilities	292,021,932	234,887,205	107,921,149	634,830,286

Geographical segments:

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

9 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.