PROSPECTUS

المواساة

Mouwasat Medical Services Company

Sale of 7,500,000 Shares Representing 30% of Mouwasat Medical Services Company
Through an Initial Public Offering at an Offer Price of SAR (44) per Share

MOUWASAT MEDICAL SERVICES COMPANY

A Saudi Joint Stock Company in accordance with the Resolution of the Minister of Commerce and Industry
Number 1880 dated 4 Thul Hijjah 1426H (corresponding to 4 January 2006G)
Offering Period: from 24 Sha'ban 1430H to 30 Sha'ban 1430H (corresponding to 15 August 2009G to 21 August 2009G)

Mouwasat Medical Services Company (hereinafter referred to as the "Company" or "Mouwasat") was founded in 1974 as a sole proprietorship with a share capital of 100,000 SAR and converted into as a limited liability company with commercial registration number 2050032029 issued in Dammam on 12 Ramadan 1417H (corresponding to 22 January 1997G) and a share capital of SAR 3,000,000 divided into 1,000 shares. The capital of the Company was increased on 27 Muharram 1419H (corresponding 23 May 1998G) to SAR 4,500,000 with par value of SAR 1,000 per share. On 8 Thul Qa'dah 1425H (corresponding to 20 December 2004G), the shareholders resolved to increase the share capital of the Company to SAR 147,000,000, divided into 2,940,000 ordinary shares with SAR 50 nominal value, through capitalizing retained earnings. The Company was converted from a limited liability into a joint stock company in accordance with the Resolution of the Minister of Commerce and Industry Number 1880 dated 4 Thul Hijjah 1426H (corresponding to 4 January 2006G) with a share capital of SAR 147,000,000 divided into 2,940,000 ordinary shares with a nominal of SAR 50 per share. Pursuant to the resolution of the Extraordinary General Assembly convened on 25 Rabe'a Athani 1427H (corresponding to 23 May 2006G), the capital of the Company was increased from SAR 147,000,000 to SAR 250,000,000 divided into 25,000,000 shares fully paid with a nominal value of SAR 10 per share through the capitalization of SAR 92,993,474 from retained earnings and SAR 10,006,526 from the statutory reserve.

The Initial Public Offering (the "Offering") of 7,500,000 shares (the "Offer Shares") with a fully paid nominal value of SAR 10 per share and at a price of SAR 44 each, and representing 30% of the issued share capital of Mouwasat, is directed at and may be accepted by:

Tranche (A): Institutional Investors: including a number of institutions that were approached by the Lead Manager after consulting with the Company and the Selling Shareholders and based on certain criteria set forth by the Capital Market Authority ("CMA"). Institutional Investors are initially allocated 7,500,000 shares representing 100% of the Offer Shares for the public. The Lead Manager has the right to reduce the allocated shares to 3,750,000 shares representing 50% of the Offer Shares for the public in the event there is sufficient demand by Individuals (as defined in Tranche (B) below) subject to CMA's consent.

Tranche (B): Individual Investors: Including Saudi nationals. A Saudi woman who is divorced or widowed and has children from a non-Saudi husband may subscribe for Offer Shares in the name(s) of her children who are minors. Should an individual subscribe on behalf of his divorcee, his application shall be void. Individuals are allocated a maximum of 3,750,000 shares representing 50% of the Offer Shares for the public. In the case where the subscription by individuals is less than the allocated shares, the Lead Manager has the right to reduce the number of Offer Shares allocated to individuals to match the number of shares subscribed for, after obtaining CMA's consent.

The Offer Shares are being sold by the shareholders whose names appear on page (ix) (referred to collectively hereinafter as the "Selling Shareholders"), and who collectively own 100% of the Shares of the Company. Upon completion of the Offering, the Selling Shareholders will own collectively 70% of the Shares and will consequently retain a controlling interest in the Company. The net proceeds from the Offering will be distributed to the Selling Shareholders pro-rata based on each Selling Shareholder's percentage ownership in the Offer Shares being sold in the Offering. The Company will not receive any part of the proceeds from the Offering. The Offering is fully underwritten (See "Underwriting" section).

The Offering will commence on 24 Sha'ban 1430H (corresponding to 15 August 2009G) and will remain open for a period of 7 days up to and including 30 Sha'ban 1430H (corresponding to 21 August 2009G) (the "Offering Period"). Subscription to the Offer Shares can be made through branches of each of the selling agents (the "Selling Agents") during the Offering Period.

Each individual subscriber to the Offer Shares (the "Subscriber" and collectively referred to as the "Subscribers") must apply for a minimum of 10 Offer Shares. Each Subscriber may not apply for more than 100,000 Offer Shares. The minimum allocation per Subscriber is 10 Offer Shares, and the balance of the Offer Shares (if available) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds 375,000, the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 3,750,000, the allocation will be determined at the discretion of the Capital Market Authority ("CMA"). Excess of subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the Lead Manager or Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by 5 Ramadan 1430H (corresponding to 26 August 2009G) (see "Subscription Terms and Conditions – Allocation and Refund")

Each Share entitles the holder to one vote and each shareholder (the "Shareholder") with at least 20 Shares has the right to attend and vote at the general assembly meeting (the "General Assembly Meeting"). The Offer Shares will be entitled to receive dividends declared by the Company after the Offering Period and for subsequent fiscal years (see "Dividend Record and Policy" section).

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA have been granted. Trading in the Shares is expected to commence on the Exchange soon after the final allocation of the Shares (See "Key Dates for Investors" section). Subsequent to Shares commencing trading, Saudi and Gulf Cooperation Council ("GCC") nationals, foreigners who are permanent residents in the Kingdom, companies, banks and Saudi and Gulf funds will be permitted to trade in the Shares.

The "Important Notice" and "Risk Factors" sections in this Prospectus should be considered carefully prior to making an investment decision in the Offer Shares hereby.

Financial Adviser, Lead Manager and Sole Underwriter

HSBC

Selling Agents

NCB الأهلي | SABB ساب | بنك الرياض riyad bank | البنك السعودي الهولندي Saudi Hollandi Bank | Al Rajhi Bank مصرف الراجحي
بنك البلاد BANK ALBILAD | العربي anb | samba سامبا | البنك السعودي للاستثمار The Saudi Investment Bank | البنك السعودي الفرنسي Banque Saudi Fransi | بنك الجزيرة BANK ALJAZIRA

This Prospectus includes details given in compliance with the Listing Rules of the Capital Market Authority of Saudi Arabia ("CMA" or the "Authority"). The directors, whose names appear on page ii; collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 18 Sha'aban 1430H (corresponding to 9 August 2009G)

English Translation of the Official Arabic Language Prospectus

IMPORTANT NOTICE

This Prospectus provides full details of information relating to Mouwasat and the Shares being offered. In applying for the Offer Shares, investors will be treated as applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Company, Lead Manager, Selling Agents or by visiting the website of the Company at (www.mouwasat.com), or the CMA's website at (www.cma.org.sa).

HSBC Saudi Arabia Limited ("HSBC") has been appointed by the Company to act as Financial Advisor, Lead Manager and as the Sole Underwriter (the "Underwriter") in relation to the Offer Shares described herein.

This Prospectus includes details given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page ii; collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while neither HSBC nor any of the Company's advisors has any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information. However, the Company does take responsibility for the accuracy of its own market and industry estimates.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of Mouwasat, the Selling Shareholders or any of their advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs.

The Offering is being made to, and is only capable of acceptance by, individual nationals of Saudi Arabia, and to Saudi female divorcee or widow who has children form a marriage to a non-Saudi can subscribe on behalf of those children to her account given that she provides proof of motherhood, in addition to eligible funds and authorized persons. The distribution of this Prospectus and the sale of the Offer Shares to any other persons or in any jurisdiction are expressly prohibited. The Company, Selling Shareholders, and Lead Manager require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

FINANCIAL INFORMATION

The audited financial statements for the years ended 31 December 2008, 2007, 2006 and 2005 and the notes thereto, each of which are incorporated elsewhere in the Prospectus, have been prepared in conformity with the Saudi Organization for Certified Public Accountants ("SOCPA") Generally Accepted Accounting Principles. The Company publishes its financial statements in Saudi Arabian Riyals.

FORECASTS AND FORWARD LOOKING STATEMENTS

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see "Risk Factors" section). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, Mouwasat does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

CORPORATE DIRECTORY

Company's Board of Directors

Name	Title	Status
Mr. Mohammed Sultan Al-Subaie	Chairman	Not Independent and non-executive
Mr. Nasser Sultan Al-Subaie	Vice Chairman	Not independent and executive
Mr. Mohammed Suliman Al-Saleem	Managing Director	Not independent and executive
Mr. Khalid Suliman Al-Saleem	Deputy Managing Director	Not independent and executive
Mr. David Anthony Price	Director	Not Independent and non-executive
Mr. Ibrahim Hamad Al-Babtain	Director	Independent and non-executive
Mr. Khalid Mohammed Al-Subaie	Director	Not independent and executive
Mr. Abdulaziz Saad Al-Mangoor	Director	Independent and non-executive
Vacant[1]	Director	Independent and non-executive

Source: The Company

Issuer's Registered Office and Representatives

المواساة
شركة المواساة للخدمات الطبية

Mouwasat Medical Services Company
P.O. Box 282
Dammam 31411
Uhod District – Block 71 – King Fahad Road
Saudi Arabia
Tel: +966 (3) 820 0000 - +966 (3) 820 0016
Fax: +966 (3) 820 3436 - +966 (3) 820 0014
www.mouwasat.com

1 The Company intends to apply to the Ministry of Commerce and Industry to convene an Extraordinary General Assembly approving to increase the composition of the Board to 9 members. The 9th member of the board will represent the public and will be a non-independent and non-executive board member.

Company's Representative:

Mr. Nasser Sultan Al-Subaie

Mouwasat Medical Services Company

P.O. Box 282

Dammam 31411

Saudi Arabia

Tel: +966 (3) 820 0000

Fax: +966 (3) 820 3436

Nassersultan@mouwasat.com

Board of Directors' Secretary:

Mr. Mahmoud Suliman Shurrab

Mouwasat Medical Services Company

P.O. Box 282

Dammam 31411

Saudi Arabia

Tel: +966 (3) 820 0000

Fax: +966 (3) 820 3436

Msoliman@mouwasat.com

Shareholders' Relation Officer:

Mr. Mustafa Husny Mustafa

Mouwasat Medical Services Company

P.O. Box 282

Dammam 31411

Saudi Arabia

Tel: +966 (3) 820 0000

Fax: +966 (3) 820 3436

Mostafa_hosny@mouwasat.com

Commercial Banking Relationship

The Saudi British Bank
Prince Abdulaziz bin Musaed bin Jlawy Street
P.O. Box 9084, Riyadh 11413 – Saudi Arabia
Tel: +966 (1) 405 0677
Fax: +966 (1) 405 0660
www.sabb.com

Samba Financial Group
King Abdulaziz Road
P.O. Box 833, Riyadh 11421 – Saudi Arabia
Tel: +966 (1) 477 4770
Fax: +966 (1) 479 9402
www.samba.com

Arab National Bank
King Faisal Street
P. O. Box 9802, Riyadh 11423 – Saudi Arabia
Tel: +966 (1) 402 9000
Fax: +966 (1) 402 7747
www.anb.com.sa

The National Commercial Bank
King Abdulaziz Road
P.O. Box 3555, Jeddah 21481 – Saudi Arabia
Tel: +966 (2) 649 3333
Fax: +966 (2) 7426 643
www.alahli.com

The Saudi Hollandi Bank
Prince Abdulaziz bin Musaed bin Jlawy Street
P.O. Box 1467, Riyadh 11431 – Saudi Arabia
Tel: +966 (1) 401 0288
Fax: +966 (1) 403 1104
www.shb.com.sa

Share Registrar

Tadawul
Abraj Atta'awoniya 700 King Fahad Road
P.O. Box 60612 Riyadh 11555, Saudi Arabia
Tel: +966 (1) 218 1200
Fax: +966 (1) 218 1260
Email: webinfo@tadawul.com.sa
www.tadawul.com.sa

ADVISORS

Financial Advisor and Lead Manager

HSBC Saudi Arabia Limited
Olaya Street
P.O. Box 9084 Riyadh 11413, Saudi Arabia
Tel: +966 (1) 470 6535
Fax: +966 (1) 470 6942
www.hsbcsaudi.com

Legal Advisors to the Transaction

Legal Advisors
Torki A. Al Shubaiki in association with Baker & McKenzie Limited
Al-Ahsa Road
P.O. Box 4288 Riyadh 11491, Saudi Arabia
Tel: +966 (1) 291 5561
Fax: +966 (1) 291 5571
www.bakernet.com

Independent Auditors

Ernst & Young
4th Floor, Flour Building
P.O. Box 3795 Al-Khobar 31952, Saudi Arabia
Tel: +966 (3) 882 5414
Fax: +966 (3) 882 7224
www.ey.com

Market Consultant

Gulf Consulting House
P.O. Box 3140 Al-Khobar 31952, Saudi Arabia
Tel: +966 (3) 882 0570
Fax: +966 (3) 882 2147

Notice:

The above advisors have given and not withdrawn their written consent to the publication of their names in the Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company.

Sole Underwriter

HSBC Saudi Arabia Limited
Olaya Street
P.O. Box 9084 Riyadh 11413, Saudi Arabia
Tel: +966 (1) 470 6535
Fax: +966 (1) 470 6942
www.hsbcsaudi.com

Selling Agents

The Saudi British Bank	Prince Abdulaziz bin Musaed bin Jlawy Street P.O. Box 9084, Riyadh 11413 – Saudi Arabia Tel: +966 (1) 405 0677 Fax: +966 (1) 405 0660
Banque Saudi Fransi	Maathar Street P.O. Box 56006, Riyadh 11554 – Saudi Arabia Tel: +966 (1) 404 2222 Fax: +966 (1) 404 2311
Riyad Bank	King Abdulaziz Road P.O. Box 22622, Riyadh 11614 – Saudi Arabia Tel: +966 (1) 401 3030 Fax: +966 (1) 404 2618
Arab National Bank	King Faisal Street P. O. Box 9802, Riyadh 11423 – Saudi Arabia Tel: +966 (1) 402 9000 Fax: +966 (1) 402 7747
The National Commercial Bank	King Abdulaziz Road P.O. Box 3555, Jeddah 21481 – Saudi Arabia Tel: +966 (2) 649 3333 Fax: +966 (2) 643 7426
Samba Financial Group	King Abdulaziz Road P.O. Box 833, Riyadh 11421 – Saudi Arabia Tel: +966 (1) 477 4770 Fax: +966 (1) 479 9402
The Saudi Hollandi Bank	Prince Abdulaziz bin Musaed bin Jlawy Street P.O. Box 1467, Riyadh 11431 – Saudi Arabia Tel: +966 (1) 401 0288 Fax: +966 (1) 403 1104
The Saudi Investment Bank	Maathar Street P. O. Box 3533, Riyadh 11431 – Saudi Arabia Tel: +966 (1) 478 6000 Fax: +966 (1) 477 6781
Bank Aljazira	Khalid bin Alwalid Street P.O. Box 6277, Jeddah 21442 – Saudi Arabia Tel: +966 (2) 651 8070 Fax: +966 (2) 653 2478
Bank Albilad	Salahuddin Road P.O. Box 140, Riyadh 11411 – Saudi Arabia Tel: +966 (1) 479 8888 Fax: +966 (1) 479 8898
Al Rajhi Banking and Investment Corporation	Olaya Road P.O. Box 28, Riyadh 11411 – Saudi Arabia Tel: +966 (1) 462 9922 Fax: +966 (1) 462 4311

THE OFFERING

The Company	Mouwasat Medical Services Company, a Saudi Joint Stock Company in accordance with the Resolution of the Minister of Commerce and Industry Number 1880 dated 4 Thul Hijjah 1426H (corresponding to 4 January 2006G)
Company's Activities	The Company's activities are focused on operating hospitals and dispensaries that are either owned, leased or for a percentage of its profits as per the signed contracts. The origin of Mouwasat's operation dates back to 1975, with the launching of Mouwasat Dispensary in Dammam - the first private medical clinic in that region. In 1979, Mouwasat undertook the management and operation of clinics in the residential area of Al-Jubail industrial city. During this period, Mouwasat constructed its first owned comprehensive medical facility which was named Mouwasat Hospital in Dammam. The construction cost of this project exceeded SAR 130 million, and actual operation started in 1988. This is considered to be the first key project of the Company and the cornerstone which led to establishing other Mouwasat medical facilities Kingdom-wide. Establishing Mouwasat Hospital in Jubail was an important achievement for the Company. The year 2004 was a milestone in the history of Mouwasat Hospital in Jubail as it achieved a utilization ratio of 80%. During 2001, the Company started operating Mouwasat Medical Dispensary in Al-Ahsa, and Mouwasat Hospital in Madina through a lease contract with a duration of twenty years. Also, the Company entered into an agreement with United Development Company Limited in 2003. Today, the medical network of Mouwasat covers the main cities in the Kingdom including Dammam, Al-Qatif, Jubail, Al-Ahsa, Al-Khobar, Riyadh and Madina.
Share Capital	SAR 250,000,000
Offer Price	SAR 44
Total Number of Issued Shares	25,000,000 fully paid ordinary shares
The Offering	The Initial Public Offering (the "Offering") of 7,500,000 shares (the "Offer Shares") with a fully paid nominal value of SAR 10 per share and at a price of SAR 44 each, and representing 30% of the issued share capital of Mouwasat, is directed at and may be accepted by: Tranche (A): Institutional Investors: including a number of institutions that were approached by the Lead Manager after consulting with the Company and the Selling Shareholders and based on certain criteria set forth by the Capital Market Authority ("CMA"). Institutional Investors are initially allocated 7,500,000 shares representing 100% of the Offer Shares for the public. The Lead Manager has the right to reduce the allocated shares to 3,750,000 shares representing 50% of the Offer Shares for the public in the event there is sufficient demand by Individuals (as defined in Tranche (B) and upon the CMA's consent. Tranche (B): Individual Investors: Including Saudi nationals. A Saudi woman who is divorced or widowed and has children from a non-Saudi husband may subscribe for Offer Shares in the name(s) of her children who are minors. Should an individual subscribe on behalf of his divorcee, his application shall be void. Individuals are allocated a maximum of 3,750,000 shares representing 50% of the Offer Shares for the public. In the case where the subscription by individuals does not amount to the maximum allocated shares, the Lead Manager has the right to reduce the number of Offer Shares allocated to individuals to the subscribed amount upon CMA's consent.
Number of Offer Shares	7,500,000 Offer Shares
Percentage of Offer Shares	The Offer Shares represent 30% of the issued share capital of the Company
Nominal Value	SAR 10 per share
Total Value of Offer Shares	SAR 330,000,000
Number of Offer Shares Available to Institutions	7,500,000 Shares[2]

2 The lead Manager has the right to reduce the allocated shares to 3,750,000 shares representing 50% of the Offer Shares for the public in the event there is sufficient demand by Individuals (as defined in Tranche (B) and upon the CMA's consent

Number of Offer Shares Available to Individuals	A maximum of 3,750,000 Shares
Authorized Individual Subscribers	This Tranche consists of individuals having the Saudi Arabian nationality and the Saudi female divorcee or widow from a marriage to a non-Saudi can subscribe in the names of her minor children given that she provides proof of motherhood.
Subscription Means for Individual Subscribers	Subscription applications will be available during the Offering Period at all SABB and selling agents' branches. Subscription applications should be completed in accordance to the provided instructions within the "Subscription Terms and Conditions" section of this Prospectus. Investors who have subscribed in previous initial public offerings are able to subscribe through the internet, phone or ATM of any of the selling agents branches that offer such services to its customers.
Authorized Institutional Subscribers	Saudi investment funds and Persons authorized by the CMA
Subscription Means for Institutional Investors	Institutional investors who have been approached by the Lead Manager have the right to subscribe in accordance to standards set by the CMA and agreed with the Company and the Selling Shareholders. The Lead Manager will provide the subscription applications to the institutional investors.
Number of Offered Shares Underwritten	7,500,000 shares
Amount Underwritten	SAR 330,000,000
Minimum Number of Offer Shares to be Applied for by Individuals	10 shares
Minimum Subscription Amount for Individuals	SAR 440
Maximum Number of Offer Shares to be Applied for by Individuals	100,000 shares
Maximum Subscription Amount for Individuals	SAR 4,400,000
Minimum Number of Offer Shares to be Applied for by Institutions	100,000 shares
Minimum Subscription Amount for Institutions	SAR 4,400,000
Maximum Number of Offer Shares to be Applied for by Institutions	No maximum
Maximum Subscription Amount for Institutions	No maximum
Use of Proceeds	The net proceeds of SAR 319,200,000, after deducting issue expenses of SAR 10,800,000, will be paid to the Selling Shareholders pro-rata based on each Selling Shareholder's percentage ownership in the Shares being sold in the Offering. The Company will not receive any proceeds from the Offering.
Allocation of Offer Shares to Individual Subscribers	Allocation of the Offer Shares is expected to be completed on or around 5 Ramadan 1430H (corresponding to 26 August 2009G). The minimum allocation per Subscriber is 10 Offer Shares, and the balance of the Offer Shares allocated to Individual Subscribers Tranche (if available) will be allocated on a pro-rata basis. In the event that the number of Individual Subscribers exceeds 375,000 or if the offering is to be amended, the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Individual Subscribers. If the number of Subscribers exceeds 3,750,000, the allocation will be determined at the discretion of the Capital Market Authority ("CMA").
Offering Period	The Offer will commence on 24 Sha'ban 1430H (corresponding to 15 August 2009G) and will remain open for a period of 7 days up to and including 30 Sha'ban 1430H (corresponding to 21 August 2009G).
Excess of Subscription Monies	Excess of subscription monies, if any, will be refunded without any charge or withholding by the Lead Manager and the Receiving Banks. Notification of the final allotment and refund of subscription monies, if any, will be made by 5 Ramadan 1430H (corresponding to26 August 2009G). (see "Subscription Terms and Conditions – Allocation and Refunds").

SELLING SHAREHOLDERS

	Pre-Offering			Post-Offering		
Shareholder	Shares	%	Capital (SAR)	Shares	%	Capital (SAR)
Mohammad Sultan Al-Subaie	6,250,000	25.00%	62,500,000	4,375,000	17.50%	43,750,000
Suliman Mohammad Al-Saleem	6,250,000	25.00%	62,500,000	4,375,000	17.50%	43,750,000
Nasser Sultan Al-Subaie	6,250,000	25.00%	62,500,000	4,375,000	17.50%	43,750,000
Tala Trading WLL	2,500,000	10.00%	25,000,000	1,750,000	7.00%	17,500,000
Al-Babtain Trading Company	627,543	2.51%	6,275,430	439,280	1.76%	4,392,800
Khalid Mohammad Al-Bawardi	627,543	2.51%	6,275,430	439,280	1.76%	4,392,800
Mohammad Nasser Al-Subaie	627,543	2.51%	6,275,430	439,280	1.76%	4,392,800
Al-Mojil Trading and Contracting Company	376,531	1.51%	3,765,310	263,571	1.05%	2,635,710
General Arabian Medical & Allied Services Ltd	368,997	1.48%	3,689,970	258,298	1.03%	2,582,980
Abdulaziz Saad Al-Mangoor	267,857	1.07%	2,678,570	187,500	0.76%	1,875,000
Raboo Al-Anood Trading Establishment	260,434	1.04%	2,604,340	182,304	0.73%	1,823,040
Ibrahim Hamad Al-Babtain	163,155	0.65%	1,631,550	114,208	0.46%	1,142,080
Fahad Mohammad Al-Babtain	156,888	0.63%	1,568,880	109,822	0.44%	1,098,220
Development and Trading Company Limited	134,923	0.54%	1,349,230	94,447	0.38%	944,470
Abdulla Fouad Holding Company	131,786	0.53%	1,317,860	92,250	0.37%	922,500
Mohammad Suliman Al-Saleem	1,700	0.01%	17,000	1,190	0.007%	11,900
Khalid Suliman Al-Saleem	1,700	0.01%	17,000	1,190	0.007%	11,900
Khalid Mohammad Al-Subaie	1,700	0.01%	17,000	1,190	0.007%	11,900
Mushari Mohammad Al-Subaie	1,700	0.01%	17,000	1,190	0.007%	11,900
Total Selling Shareholders	25,000,000	100.00%	250,000,000	17,500,000	70.00%	175,000,000
Public	-	-	-	7,500,000	30.00%	75,000,000
Total	25,000,000	100.00%	250,000,000	25,000,000	100.00%	250,000,000

Dividends	The Offer Shares will be entitled to receive dividends declared by the Company after the Offering Period and for subsequent fiscal years. For discussion of the Company's dividend policy, (See "Dividend Record and Policy" section).
Voting Rights	The Company has one class of Shares only and no Shareholder has any preferential voting rights. Each Share entitles the holder to one vote and each Shareholder holding at least 20 Shares has the right to attend and vote at the General Assembly Meeting. For discussion of the Company's voting rights, (See "Summary of Company's Bylaws and Amendments" section).
Share Restrictions	The Selling Shareholders may not dispose of any Shares during the period of 6 months from the date on which trading of the Offer Shares commences on the Exchange. After the 6-month restriction period elapses, the Selling Shareholders may only dispose of their Shares after obtaining CMA approval.
Listing of Shares	Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List, all relevant approvals pertaining to this Prospectus, all other supporting documents requested by the CMA, and all relevant regulatory approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange soon after the final allocation of the Shares. (See "Key Dates for Subscribers" section).
Risk Factors	There are certain risks relating to the investment in this Offering. These risks can be categorized into (i) risks relating to the Company's operations; (ii) risks relating to the market; and (iii) risks relating to ordinary shares. These risks are described in the "Risk Factors" section of this Prospectus which should be considered carefully prior to making an investment decision in the Offer Shares.

KEY DATES FOR SUBSCRIBERS

Expected Offering Timetable	
Offering period	24 Sha'ban 1430H (corresponding to 15 August 2009G) to 30 Sha'ban 1430H (corresponding to 21 August 2009G)
Last date for submission of application form and subscription monies	Friday 30 Sha'ban 1430H (corresponding to 21 August 2009G)
Notification of final allotment and refund of funds (in the event of over-subscription)	Wednesday 5 Ramadan 1430H (corresponding to 26 August 2009G)
Start date of trading of Offer Shares	Upon completion of all relevant procedures

The above timetable and dates therein are indicative. Actual dates will be communicated through national press announcements.

HOW TO APPLY

Subscription in the Offer shares is directed at and may be accepted by:

Tranche (A): Institutional Investors, including institutions that have been contacted by the Lead Manager after discussions with the Company and the Selling Shareholders and based on predefined criteria set by the CMA.

Tranche (B): Individual Investors including individuals having the Saudi Arabian nationality and the minor children of Saudi female divorcee or widow from marriage to a non-Saudi can subscribe in the names of her minor children provided that proof of motherhood is submitted.

Subscription application forms for individuals will be available during the Offering Period at the branches of SABB and the branches of the other Selling Agents. The forms must be completed in accordance with the instructions described in the "Subscription Terms and Conditions" section of this Prospectus.

Subscription may also be made through the Internet, banking phone or ATMs at any of the selling agents, which offer such services to the subscribers who have recently participated in previous initial public offerings, provided that the following requirements are satisfied:

- the subscriber must have a bank account at the selling agent which offer such services; and
- there should have been no changes in the personal information of the Subscriber by way of exclusion or addition of any member of his family.

All Subscribers are required to fill out the subscription application according to the instructions provided within the "Subscription Terms and Conditions" section of this Prospectus.

SUMMARY OF KEY INFORMATION

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to interested Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the Company. Capitalized and abbreviated terms have the meanings ascribed to such terms in the "Definitions and Abbreviations" section and elsewhere in this Prospectus.

The Company

The origin of Mouwasat dates back to 1974 when an establishment solely owned by Mr. Mohammad Sultan Al-Subaie was established with a share capital of 100,000 SAR for the management and operation of medical facilities and started with the launching of Mouwasat Dispensary in Dammam in 1975. The Company established its first owned comprehensive medical facility in 1984 known as Mouwasat Hospital in Dammam, which commenced operations in 1988.

Mouwasat was converted into a limited liability company with commercial registration number 2050032029 issued in Dammam on 12 Ramadan 1417H (corresponding to 22 January 1997G) with a share capital of 3,000,000 divided into 1,000 shares distributed equally among Mr. Mohammad Sultan Al-Subaie, Mr. Suliman Mohammad Al-Saleem and Mr. Nasser Sultan Al-Subaie. The increase in capital was made through capitalizing retained earnings. The Company is engaged in ownership, management, operation, and maintenance of hospitals, medical centers, medicine warehouses, and pharmacies.

The capital of the Company was increased on 27 Muharram 1419H (corresponding 23 May 1998G) to SAR 4,500,000 with par value of SAR 1,000 each. The increase in capital was made through capitalizing SAR 1,500,000 of retained earnings.

On 8 Thul Qa'dah 1425H (corresponding to 20 December 2004G), the shareholders resolved to increase the share capital of the Company to SAR 147,000,000 divided into 2,940,000 ordinary shares with a nominal value of SAR 50 per share through capitalizing retained earnings.

The Company was converted from a limited liability into a joint stock company in accordance with the Resolution of the Minister of Commerce and Industry Number 1880 dated 4 Thul Hijjah 1426H (corresponding to 4 January 2006G) with a share capital of SAR 147,000,000 divided into 2,940,000 ordinary shares with a nominal value of SAR 50 per share.

Pursuant to the resolution of the Extraordinary General Assembly convened on 25 Rabe'a Athani 1427H (corresponding to 23 May 2006G), the capital of the Company was increased from SAR 147,000,000 to SAR 250,000,000 divided into 25,000,000 shares fully paid with a nominal value of SAR 10 per share through the capitalization of 92,993,474 from retained earnings and SAR 10,006,526 from statutory reserve.

Today, the network of Mouwasat covers the main cities in the Kingdom including Dammam, Al-Qatif, Jubail, Al-Ahsa, Al-Khobar, Riyadh, and Madina.

The Company applies clear and specific standards, criteria, and procedures pertaining to operations and human resources. In addition, the Company adopts a clear strategy for the continuous development of these standards, policies, and procedures through benefiting from the local and international experience in the medical field. Likewise, Mouwasat undertakes a continuous advancement of its medical equipment and systems to bring them in line with international standards and up-to-date technology. Recently, Mouwasat commenced a process to obtain certification from the American Joint Commission International ("JCI") for its hospitals. JCI is an independent commission that accredits hospitals around the world according to international standards. JCI accredits hospitals for three-year periods after which it re-evaluates the hospital to ensure it is still operating within JCI standards[3]. The relevant procedures started for Mouwasat hospital in Dammam, and in December 2006 all requirements were completed and the certificate was obtained on 7 December 2006 from JCI. In addition to Dammam hospital, Al-Qatif hospital was accredited on late 2008, whereas Jubail hospital obtained the JCI accreditation in April 2009. The Company plans to obtain the JCI accreditation for its other hospitals, and therefore, this is another achievement for Mouwasat that adds up to its achievements and success on improving the quality and uniqueness of their medical services.

3 Source: the Company, www.jointcommissioninternational.com

Mouwasat has several cooperation agreements with various international medical bodies which allow the Company to benefit from international expertise, and help boost its medical services. These bodies include:

- School of Medicine, Washington University, USA;
- Parkway Healthcare Group, Singapore;
- King Hussein Medical City, Jordan.

For more information, please refer to the "Legal Information" section.

Mission and Overall Strategy

The Company is dedicated to deliver world-class medical services to both internal and external customers giving an unwavering commitment with a continuous improvement of medical services, staff expertise, team work innovation, and vision for the future.

Key Strengths

Focused Business Strategy

The Company has a thorough understanding of Saudi Arabia's healthcare market potential and requirements, together with a focused business strategy to serve customer segments. This is being achieved through increased emphasis on operational efficiency and effectiveness.

Good Profitability Level and Stable Financial Position

Given the steady growth and profitability of the Company and its stable financial position, together with its strategic plan based on accurate understanding and analysis of the market, the Company has planned to establish a wide medical network that covers several geographic areas and several cities within the same area to consolidate its presence in the market of medical services.

Favorable Economic and Business Environment

The economic environment within which the Company operates is favorable in terms of its population growth rate of 3.1%[4] and increasing demand for medical services. The Government provides financial support to the private sector such as interest-free loans that covers 50% of setup costs to a maximum of SAR 50 million and with a 4 year grace period, encouraging further increase in contribution to the national economy in general and promoting the standard of medical services.

Strong Reputation

The Company has successfully built a strong reputation over the past three decades due to the high quality medical services provided to its individual and corporate customers. This has contributed to its strong growth in revenues and high profitability. This is evidenced by the fact that the Company is retaining its existing clients and is attracting new clients. The Company has internal performance indicators related to its ability to retain customers for each medical center including its hospitals and dispensaries. The Company also complements its internal performance indicators with external feedback from patients and takes all complaints very seriously.

Wide Client Base

Saudi Aramco has been Mouwasat's client since 1996. The client list of Mouwasat also includes the SABIC group of companies, General Organization of Social Insurance, Saudi Electricity Company ("SEC"), a number of major insurance companies operating in Saudi Arabia, Saudi Arabian Airlines, cement companies, Saudi Aramco refinery in Jubail, and many others.

Developed IT Systems Supported by Qualified Technical and Management Staff

The Company adopts an integrated information system that is constantly improved to support its operations. It provides the Management with required information and reports to enhance performance and aid in making strategic decisions.

Joint Cooperation Agreements

The Company have had joint cooperation agreements with a number of major international medical centers, which have substantial impact on improving the medical services provided by the Company to match those of international hospitals and medical centers. For more information, please refer to the "Legal Information" section.

4 Source: Gulf Consulting House

Continuous Efforts to Become Internationally Accredited Medical Center

The Company has sought to obtain the necessary international accreditation of its hospital network including JCI for quality assurance. The Company has already obtained the first accreditation for its hospital in Dammam, which JCI accredited in 2006. In addition to the Dammam hospital, Al-Qatif hospital obtained the JCI accreditation in late 2008, while the Jubail hospital obtained the accreditation in April 2009. Work is ongoing for the accreditation of the Company's other hospitals

Comprehensive Services

The Company provides a wide range of medical services and ensures that it delivers quality services. This supports the Company's ability to achieve stable income levels.

External Contact Network

The Company has in place a wide external contacts network covering most Arab countries, Europe, Africa, and Canada, which has helped the Company in the recruitment of qualified human resources to work in its medical network, with contacts such as:

- Ain Shams University, Egypt;
- King Hussein Medical City, Jordan;
- Royal Hospital for Sick Children NHS Trust Glasgow, UK;
- Montreal University, Canada; and
- Parkway Health Care Eagle Glen Hospital, Singapore.

Extensively Experienced Management Team

The management team of the Company has superior qualifications and competence in future planning, high capability in management of the medical network, extensive experience in the area of financial and information systems, and the capability to utilize modern facilities and methods.

Overview of the Market

The information provided in this section and in the Market Report was prepared on March 2007, therefore, does not reflect market developments since the date of the report. The report includes statistics covering the period up to 2007 and was not updated to cover recent developments in the market. The population of Saudi Arabia in 2006 was estimated at around 24.5 million according to a study conducted by Gulf Consulting House in March 2007, and the population growth rate for the next five years is estimated to be approximately 3.1%. The population growth rate drives demand for healthcare services in Saudi Arabia. In the last decade, the importance of private sector medical services had increased due to the rising market demand in the kingdom. Generally, the private sector's market share is growing in line with the increase in demand for health care services.

The Ministry of Health ("MoH") is the regulatory body of the healthcare sector and the major provider of healthcare services in Saudi Arabia. It manages a network of primary healthcare centers in addition to general and specialized hospitals. In the last decade, the importance of private medical providers had increased due to growing demand in the Kingdom. The market share of private medical providers is increasing in line with general growth in medical demand.

During 1999, the Government introduced, according to the Royal Decree number M/10 dated 1/5/1423H (corresponding to 13/8/1999G) and Council of Ministers resolution number 71 dated 24/4/1420H (corresponding to 25/6/2003G), the Cooperative Health Insurance Act[5] for expatriate employees and formed the Council of Cooperative Health Insurance ("CCHI") to regulate and implement this act. In 2005, the Ministry of Health required that companies and employees share the cost of insurance.

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5 Source: The Company

The Cooperative Health Insurance Act is currently being implemented over three phases, with the first phase requiring firms with more than 500 employees already complete. The second phase, which covers firms with 100 to 500 employees, has also been completed as of 2007. The third phase will cover companies employing less than 100 expatriates. It is expected that compulsory health insurance would be applied on Saudis at a later stage.

In 2008 the Government budgetary allocation to the MoH reached SAR 25 billion – an increase of 8.7% from the previous year. On average, the Government has been allocating 8.07% of the budget to healthcare expenditures from 1998 to 2008[6].

The role of the private sector in the Saudi healthcare market is progressively growing. In 1996, there were 303 hospitals in the Kingdom, 84 of which were private. By the year 2007, 84 more hospitals were added Kingdom-wide. The private sector accounted for 123 hospitals out of the total number of 387 hospitals, which reflects an increase of 39 additional hospitals[7].

In addition, there were 3,201 dispensaries, healthcare centers, and private clinics in 1996 of which 45% were provided by the private sector. The number has increased to 4,241 in 2007, 52% of which were provided by the private sector[8].

In terms of inpatient beds, there were 44,214 beds in 1996, 19% of which were provided by the private sector. By the year 2007, the number of beds reached 53,519, 21% of which were provided by the private sector[9].

Moreover, there were 95 million visits to outpatients' clinics in 1996, 15% of which were visits to the private sector. In 2007, the total visits increased to 123 million, 35% of which were visits to the private sector[10].

In terms of inpatients, there were total hospital admissions of 2 million in 1996, 22% of which were made to private healthcare providers. In 2007, the inpatient admissions increased to 2.8 million; 23% were made to private healthcare providers[11].

6 Source: Gulf Consulting House, the Company
7 Source: Gulf Consulting House, the Company
8 Source: Gulf Consulting House, the Company
9 Source: Gulf Consulting House, the Company
10 Source: Gulf Consulting House, the Company
11 Source: Gulf Consulting House, the Company

SUMMARY FINANCIAL INFORMATION

The selected financial information presented below should be read together with the audited results as at and for the years ended 31 December 2008, 2007 and 2006, including in each case, the notes thereto, each of which are included elsewhere in this Prospectus.

Key Financial Highlights (SAR)

	Year ended 31 December		
	2008	2007	2006
Operational Performance			
Total sales	454,552,631	400,670,167	342,927,213
Cost of sales	(253,651,868)	(227,276,523)	(207,470,576)
Gross margin	200,900,763	173,393,644	135,456,637
Selling & distribution expenses	(24,365,588)	(19,496,506)	(18,862,998)
General & administrative expenses	(63,544,848)	(54,750,778)	(52,594,620)
Net income	97,072,216	88,758,536	63,231,964
Financial Condition			
Current assets	220,924,354	194,430,344	169,859,166
Fixed assets	374,534,580	333,713,511	297,096,978
Intangible assets	19,545,504	22,293,453	24,250,157
Total assets	622,312,888	557,397,713	497,084,436
Current liabilities	96,214,174	89,047,047	92,329,791
Total liabilities	196,312,441	192,343,218	189,493,460
Shareholders' equity	426,000,447	365,054,495	307,590,976
Key Indicators			
Gross profit margin	44.20%	43.27%	39.50%
Net profit margin	21.36%	22.15%	18.44%
Current ratio (times)	2.30	2.18	1.83
Total liabilities to total assets	31.55%	34.51%	38.12%
Total liabilities to equity	46.08%	52.68%	61.61%
Return on equity	22.79%	24.31%	20.56%
Return on assets	15.60%	15.92%	12.72%
Revenue growth rate	13.45%	16.83%	28.25%
Earnings' growth rate	9.37%	40.37%	17.87%

Source: Audited Financial Statements

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EXHIBITS

1 DEFINITIONS AND ABBREVIATIONS

Term	Definition
Advisors	Advisors to the Company in relation to this offering, whose names appears on pages (vii) and (viii) of the Prospectus
AMPC	Advanced Medical Projects Company
Board of Directors or Board	The Company's Board of Directors
CEO	Chief Executive Officer
CMA or the Authority	The Capital Market Authority, including where the context permits any committee, sub-committee, employee or agent to whom any function of the Authority may be delegated
Companies' Regulations	The Companies' Regulations, issued under Royal Decree No. M/6, dated 22/3/1385H, as amended
Directors	Members of the Company's Board of Directors
Exchange	The Saudi Arabian Stock Exchange including where the context permits any committee, sub-committee, employee, officer, servant or agent to whom any function of the Exchange may for the time being be delegated, and "on the Exchange" means any activity taking place through or by the facilities provided by the Exchange. Pending the establishment of the Exchange, any reference to the Exchange shall be construed as a reference to Tadawul.
Family member	Husband, wife, or children
Financial Advisor	HSBC Saudi Arabia Limited
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
Government	Government of Saudi Arabia
Individual Subscriber	Consists of individuals having the Saudi Arabian nationality and the Saudi female divorcees or widows from a marriage to a non-Saudi can subscribe in the names of her minor children given that she provides proof of motherhood. The number of offer shares allocated to individual investors is a maximum of 3,750,000 offer shares representing 50% of the offering.
IT	Information Technology
Kingdom or Saudi Arabia	The Kingdom of Saudi Arabia
Lead Manager	HSBC Saudi Arabia Limited
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G), as amended
Management	The management of Mouwasat Medical Services Company
Mouwasat or the Company or Parent Company	Mouwasat Medical Services Company
Offer Shares	7,500,000 ordinary Shares of the Company
Offering or IPO	The initial public offering of 7,500,000 ordinary shares representing 30% of the issued share capital of Mouwasat
Offering Period	The period starting from Saturday 24 Sha'ban 1430H (corresponding to 15 August 2009G) up to and including Friday 30 Sha'ban 1430H (corresponding to 21 August 2009G)
Offer price	SAR 44 per offer share
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
Person	A natural or legal person
Prospectus	This document prepared by the Company in relation to the Offering
SAR	Saudi Arabian Riyal

Term	Definition
Selling Agents	The Saudi British Bank, the National Commercial Bank, Bank Albilad, Bank Aljazira, Riyad Bank, Banque Saudi Fransi, the Saudi Hollandi Bank, the Saudi Investment Bank, Arab National Bank, Samba Financial Group, and Al Rajhi Bank which the Company designated as selling agents in relation to the Offering.
Selling Shareholders	Mouwasat shareholders whose names appear on page xiii
Shareholder	The holder of the Shares in Mouwasat as of any particular time
Shares	25,000,000 fully paid ordinary shares of the Company with a nominal value of SAR 10 each
SMCC	Specialized Medical Clinic Company Limited
SOCPA	Saudi Organization for Certified Public Accountants
Sole Underwriter	HSBC Saudi Arabia Limited
SUDC	Saudi United Development Company Limited
Subscriber	Each individual subscribing to the Offer Shares
Tadawul	Automated system for trading of Saudi shares
Underwriting Agreement	The underwriting agreement between the Company, its current shareholders, and SABB, the sole underwriter

2 RISK FACTORS

In considering an investment in the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, including the risks described below. Mouwasat's business, prospects, financial condition, results of operations, and cash flows could be adversely and materially affected if any of the following risks, which the Management currently believes to be material, or any other risks that the Management has not identified or that it currently considers not to be material, actually occur or become material risks. The trading price of the Company's Offer Shares could decrease due to any of these risks, and prospective investors may lose all or part of their investment.

2.1 Risks Relating to the Company's Operations

2.1.1 Regulatory Environment

The regulatory environment in which the Company operates may be subject to change. It is difficult to predict the future course of international and local regulation. Further changes in the regulatory framework caused by political, economic, technical, and/or environmental factors could significantly impact the Company's operations by restricting the development of the Company or its customers, restricting sales and distribution of the Company's products or increasing the opportunity for additional competition. The Company may deem it necessary or advisable to modify its services or operations in order to operate in compliance with such regulations, which may have a negative impact on the Company's earnings and cash flow.

In particular, the healthcare industry is subject to laws, rules, and regulations which govern the areas in which the Company operates or to which the Company may expand its business.

The Company is subject to extensive international and local regulation relating, among other things, to:

- conduct of operations;
- addition of facilities and services;
- adequacy of medical care, including required ratios of nurses to hospital beds;
- quality of medical equipment and services;
- qualifications of medical and support personnel;
- confidentiality, maintenance, and security issues associated with health-related information and medical records; and
- the screening, stabilization, and transfer of patients who have emergency medical conditions.

It is possible that health, safety, and environmental laws and regulations in the Kingdom will become significantly more stringent in the future. In order to comply with these requirements the Company may have to incur substantial operating costs and/or capital expenditure in the future.

Further, if a determination is made that the Company is in material violation of such laws, rules or regulations, the Company's business, financial position, results of operations or cash flows could be adversely affected.

2.1.2 Effective Information Systems and Sound Database

If the information the Company relies upon to run the business is found to be inaccurate or unreliable or if it fails to effectively maintain the information systems and data integrity, the Company may lose existing customers, face difficulty attracting new customers, determining medical cost estimates and establishing appropriate pricing.

Furthermore, if such risk materializes, the Company might face disputes with customers, physicians, and/or other healthcare providers, legal issues, and might consequently suffer from increasing operating expenses.

2.1.3 Dependence on Physicians, Nurses, and other Healthcare Professionals

The Company's operations depend on the efforts, ability, and experience of its employees, physicians, and medical staff. The Company competes with other healthcare providers, including providers located within the Middle East Region, in recruiting and retaining qualified physicians and other healthcare professionals. In some of the Company's markets, doctor recruitment and retention is affected by a shortage of physicians in certain specialties. The factors that physicians consider important before deciding where they will work include the level of compensation, the reputation of the hospital and its owner, the quality of the facilities, research opportunities, and community relations. The Company may not be able to compare favorably with other healthcare providers on all of these factors. Many of these healthcare professionals are well known personalities in their fields and regions, with large patient bases and referral networks, and it may be difficult to negotiate favorable terms and arrangements with them.

The Company may experience significant wage and benefit pressures created by the current global nursing shortage, with many nurses pursuing opportunities abroad. The global nursing shortage may continue, and it may be necessary to enhance wages and benefits to recruit and retain nurses or increase the Company's use of more expensive temporary personnel in the face of increasing opportunities for nurses to work abroad.

The loss of some or all of the Company's physicians, nurses, and other healthcare professionals or the inability to attract or retain sufficient numbers of qualified physicians and other healthcare professionals could have a material adverse effect on the Company's business, financial position, and results of operations.

2.1.4 Dependence on Third Party Service Providers

Mouwasat has entered into two main subcontract agreements with Al-Maghrabi Hospitals and Medical Centers where Al-Maghrabi operates and runs the ENT departments in both Dammam and Riyadh hospitals. For more information, please refer to the "Legal Information" section. Failure to maintain effective and adequate services within these sections of the hospital may lead to unfavorable outcomes such as discontinuation of any or all of the ENT healthcare services, therefore adversely affecting the Company's results of operations and cash flows.

Furthermore, Mouwasat has entered into three medical service and cooperation agreements with universities and medical centers in the USA, Jordan, and Singapore which provide the Company with medical consultancy, exchange of physicians and advanced medical expertise. For more information, please refer to the "Legal Information" section. As with any such similar services, differences in views between the two parties may result in delayed decisions or in failures to agree on major matters, potentially affecting the patients' schedules and operations process of the Company. Mouwasat assumes that those parties will observe their obligations. However, in the event that any party does not observe its obligations, it is possible that the Company would not be able to operate in accordance with its business plans and this may have an adverse effect on its reputation and thus its profitability.

2.1.5 Rapid Technological Advances

The Company uses sophisticated and expensive medical equipment in its hospitals to provide services. The healthcare industry is characterized by frequent product improvements and evolving technology, which could, at times, lead to earlier than planned redundancy of the Company's medical equipment. Replacement of obsolete equipment may involve significant costs, as well as foreign currency risk because a large amount of equipment has to be imported from other countries. Furthermore, because of the high replacement cost of medical equipment, the Company may be unable to secure imminent replacement for significantly damaged/discontinued medical equipment, which may impair the Company's ability to provide required services to its patients.

2.1.6 Management and Operation of Riyadh Hospital

Pursuant to the agreement signed between the Company and Saudi United Development Company Limited ("SUDC"), the Company has undertaken to manage and operate the SUDC's hospital in Riyadh, which operates under the name "Najd Consulting Hospital". For more information, please refer to the "Legal Information" section. As a result, the Company may incur liabilities in the ordinary course of managing Najd Consulting Hospital. In addition, if SUDC fails to fulfill its obligations under the agreement or if the management agreement is determined to be unenforceable, such liabilities could adversely affect the Company's business, financial position, results of operations or cash flow.

2.1.7 Reputation

The Company follows strict policies and implements rigorous procedures in order to achieve the best quality of service for its patients. The Company attracts, hires, and retains fully qualified physicians and nursing teams. However, the Company cannot guarantee that its physicians, nurses or other healthcare providers will not make human errors of judgment when treating patients. In which case, legal issues or proceedings may arise and the Company's reputation may suffer, resulting in a significant loss to the Company and a decline in operations. This would have a materially adverse affect on the Company's ability to stay in operation.

2.1.8 Key Licenses and Permits

The Company is in possession of a number of key licenses for hospitals, dispensaries, and pharmacies. The breach of any such licenses or permits or the change of regulations may lead to the revocation, termination, or suspension of any relevant license and in probable cases imposition of financial and non-financial penalties by the government or the relevant regulator.

There can be no assurances as to the Company's ability to maintain and/or comply with the necessary licenses, permits, and approvals for its services and operations. Failure in any or the inability to obtain new licenses when needed may adversely impact the Company's business prospects, financial condition, and results of operations.

2.1.9 Insurance Cover

Claimants often bring actions against hospitals and other healthcare providers, alleging malpractice, product liability or other legal theories. Many of these actions involve large claims and significant defense costs. The Company maintains professional liability and general liability insurance coverage to cover claims arising out of the operations of its hospitals. Some of the claims, however, could exceed the scope of the coverage in effect or coverage of particular claims could be denied. There can be no assurance that the Company's insurance coverage will be sufficient to cover all future claims.

In addition, some physicians face increases in malpractice insurance premiums and limitations on availability of insurance coverage. The inability of the Company's physicians to obtain appropriate insurance coverage could cause those physicians to limit their practice. That, in turn, could result in lower admissions to the Company's hospitals. All reinsurance and any excess insurance purchased by the Company are subject to policy aggregate limitations. Should such policy aggregates be partially or fully exhausted in the future, or if actual payments of claims materially exceed projected estimates of claims, the Company's business, financial position, results of operations or cash flows could be materially adversely affected.

2.1.10 Sources of Funds

The Company's ability to provide additional sources of funds depends upon many factors including its ability to increase its revenues and absorb potential losses. The Company may require additional sources of funds by obtaining loans, and if not, the Company might be forced to limit its growth due to the inability to obtain sufficient funds by borrowing. In the event of not being able to obtain sufficient funds from both internal and external sources, the Company's business, financial condition, and results of operations could be materially adversely affected.

2.1.11 Inability to Carry Out Expansions or Continue to Develop

The development and expansion of the Company is one of the main elements of the Company's strategy. The Company's ability to carry out this strategy is reliant on the quality of its Management, and will also be subject to a number of factors beyond its control, including government regulations that should be adhered to and market competition. There can be no assurance that the Company will be successful in establishing or growing its business, or that such operations will be profitable.

2.2 Risks Relating to the Market

2.2.1 Competitive Environment

In general, the Company operates in a competitive market. In addition to Government sponsored healthcare providers that offer services free of charge, there are a number of large and well-established private healthcare companies with whom Mouwasat competes.

Aramco and SABIC are main sources of revenue for the Company. Competitors will constantly attempt to attract more business from these quality customers, which may have a negative effect on the results of the Company.

Furthermore, due to the introduction of compulsory healthcare insurance, Mouwasat along with other healthcare providers may face eroding profit margins due to potential increase in bargaining power of insurance companies. There can be no assurance that the Company will be able to compete effectively against current and future competitors, and changes in the competitive environment may result in price reductions, reduced margins or loss of market share, any of which could materially adversely affect such entity's profit margins.

2.2.2 Key Clients

A significant portion of the Company's revenues comes from a limited number of companies such as Aramco, SABIC, and insurance companies. An adverse change in a client relationship could harm the Company's business and its financial results. The Company thus relies to a great extent on the agreements and their provisions with those insurance companies and their clients.

These arrangements provide an important source of revenue for the Company and therefore impact its occupancy rates and revenues. The Company's revenues from major clients may vary from year to year and from quarter to quarter and any adverse development could affect its business, financial condition, and results of operations.

The inability to renew such arrangements, the occurrence of an adverse change in the customer relationship, and/or Company's inability to negotiate more favorable terms in the future, may also have an adverse impact on its business and financial results.

2.2.3 Medical industry trends

The medical industry is a continuously evolving industry and due to the constant introduction of medical and technological breakthroughs (new medications, new techniques and new medical equipments) constant pursuance of market industry requirements is necessary for the Company to continue to maintain a competitive position. This competitive advantage might deteriorate by the introduction of rival products and services or cost saving measures from rival companies. This in turn might result in the Company's loss of market share and profitability.

The Company cannot make any assurances that current or potential competitors will not provide products comparable or superior to those provided by it or adapt more quickly to the evolving trends or changing market requirements subject to the continuous advancement and introduction of new medical technology.

Furthermore, there are no assurances that medical products can be available in sufficient amounts or that prices will not undergo major fluctuations, each of which may have a material adverse effect on the Company's business prospects, financial condition, and results of operations.

2.2.4 Market Consolidation

It is possible that there will be significant consolidation in the medical industry; competitors may develop alliances and these alliances may rapidly acquire significant market share. In addition, concentration within the sector or other possible moves by major players could improve their competitive strengths and market share vis-à-vis the Company.

2.2.5 Potential Pricing Pressure

While the Company, as all other medical companies in the Kingdom, is highly dependant on medications and medical equipment imported from abroad, and since the competition in the local market plays a strong role in influencing the flow of the business, the Company's profitability may be adversely affected if a price war is instigated throughout the medical industry.

2.2.6 Exchange and Interest Rate Risks

Fluctuations between the value of the Saudi Riyal and foreign currencies may have an adverse effect on the costs and profits of the Company.

The Company's operations involve the purchase of medical products and equipments denominated in currencies other than the Saudi Riyal. The Company does not hedge all of its currency exposure and as a result the Company has and could sustain further losses from foreign exchange fluctuations.

In addition, interest payments under the Company's debt facilities are calculated by reference to a floating interest rate. An adverse shift in exchange rates or interest rates would have a negative impact.

2.2.7 Saudization

Although the Company is complying with the Saudization ratio mandatory to the healthcare sector of 15%, and although its current Saudization level is around 18.4%, it actively pursues recruiting Saudi nationals under its Saudization policy. To this effect, it has established a Saudization managerial committee which has initiated key steps for the recruitment and training of the Saudi workforce that include the establishment of a national training program whereby new recruits receive on-the-job training and occasional class room instructions.

The operations of the Company, its ability to meet its commitments and apply for Government loans, and its financial performance may be adversely affected if it fails in the future to comply with new more stringent Saudization policies or if new policies by the Ministry of Labor are issued.

2.3 Risks Relating to Ordinary Shares

2.3.1 Effective Control by the Selling Shareholders

Following this Offering, the Selling Shareholders will own no less than 70% of the Company's issued Shares. As a result, the Selling Shareholders acting together may be able to influence all matters requiring shareholders' approval, and they may exercise this ability in a manner that could have a significant effect on the Company's business, financial condition, and results of operations including the election of directors, significant corporate transactions, and capital adjustments.

2.3.2 Absence of a Prior Market for the Shares

Currently, there is no public market for the Shares, and there can be no assurance that an active trading market for the Shares will develop or be sustained after this Offering. If no active trading for the shares will develop, the stock's liquidity will be affected, and this may negatively affect stock price.

The Offer Price has been determined based upon several factors, including the history of and prospects for the Company's business, the industry in which it competes, and an assessment of the Company's management, operational, and financial results. Various factors, including the Company's financial results, general conditions in the industry, health of the overall economy, the regulatory environment within which the Company operates, and other pertinent factors beyond the Company's control could cause significant fluctuations in the price and trading liquidity of the Company's Shares.

2.3.3 Dividends

Payment of dividends in the future will be dependent on, amongst other things, the Company's ability to make profits, its financial position, capital requirements, legal reserves requirements, available credit of the Company, general economic conditions, and other factors relating to board of directors sole discretion to declare dividends as they deem appropriate.

2.3.4 Future Sales and Offerings

Sales of substantial amounts of the Shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Selling Shareholders will be subject to a restriction period of 6 months during which they may not dispose of any Shares. The sale of a substantial number of Shares by any of the Selling Shareholders following the 6-month share restriction period could have an adverse effect on the market for the Shares and may result in a lower market price of the Shares.

The Company does not currently intend to issue additional shares immediately following the Offering. If and when the Company decides to raise additional capital by issuing new shares, the newly issued shares will dilute existing shares to a certain extent and could potentially reduce the value of the Shares.

2.3.5 Risk Relating to the Economy

Any oil price fluctuations will have a direct impact on the Kingdom's economy and would subsequently be felt at all micro levels, including Mouwasat and its market value.

The contribution of the oil sector to the Kingdom's GDP continues to be substantial despite the Government's successful and continuous diversification policies. However, such experience does not guarantee that the Company will not be adversely affected by variable economic, market, and political conditions in the future.

3 THE COMPANY

3.1 Overview

The origin of Mouwasat dates back to 1974 when an establishment solely owned by Mr. Mohammad Sultan Al-Subaie was established with a share capital of 100,000 SAR. The main objective was to manage and operate medical facilities initiated by launching Mouwasat Dispensary in Dammam in 1975. The Company established its first owned comprehensive medical facility in 1984 known as Mouwasat Hospital in Dammam, which commenced operation in 1988.

Mouwasat was converted into a limited liability company with commercial registration number 2050032029 issued in Dammam on 12 Ramadan 1417H (corresponding to 22 January 1997G) and a share capital of SAR 3,000,000 with 1,000 shares distributed equally among Mr. Mohammad Sultan Al-Subaie, Mr. Suliman Mohammad Al-Saleem and Mr. Nasser Sultan Al-Subaie. The increase in capital was made through capitalizing retained earnings. The Company is engaged in ownership, management, operation, and maintenance of hospitals, medical centers, medicine warehouses, and pharmacies.

The capital of the Company was increased on 27 Muharram 1419H (corresponding 23 May 1998G) to SAR 4,500,000 with par value of SAR 1,000 each. The increase in capital was made through capitalizing SAR 1,500,000 of retained earnings.

On 8 Thul Qa'dah 1425H (corresponding to 20 December 2004G), the shareholders resolved to increase the share capital of the Company to SAR 147,000,000, divided into 2,940,000 ordinary shares with SAR 50 nominal value, through capitalizing retained earnings.

The Company was converted from a limited liability into a joint stock company in accordance with the Resolution of the Minister of Commerce and Industry Number 1880 dated 4 Thul Hijjah 1426H (corresponding to 4 January 2006G) with a share capital of SAR 147,000,000 divided into 2,940,000 ordinary shares with a nominal value of SAR 50 per share.

Pursuant to the resolution of the Extraordinary General Assembly convened on 25 Rabe'a Athani 1427H (corresponding to 23 May 2006G), the capital of the Company was increased from SAR 147,000,000 to SAR 250,000,000 divided into 25,000,000 shares fully paid with a nominal value of SAR 10 per share. This SAR 103,000,000 increase was financed by capitalizing SAR 92,993,474 from retained earnings and SAR 10,006,526 from statutory reserve.

3.2 Ownership Structure

The shareholders of the Company before and after the Offering are as follows:

Exhibit 3-1: Mouwasat Ownership Structure

	Pre-Offering			Post-Offering		
Shareholder	Shares	%	Capital (SAR)	Shares	%	Capital (SAR)
Mohammad Sultan Al-Subaie	6,250,000	25.00%	62,500,000	4,375,000	17.5%	43,750,000
Suliman Mohammad Al-Saleem	6,250,000	25.00%	62,500,000	4,375,000	17.5%	43,750,000
Nasser Sultan Al-Subaie	6,250,000	25.00%	62,500,000	4,375,000	17.5%	43,750,000
Tala Trading WLL	2,500,000	10.00%	25,000,000	1,750,000	7.00%	17,500,000
Al-Babtain Trading Company	627,543	2.51%	6,275,430	439,280	1.76%	4,392,800
Khalid Mohammad Al-Bawardi	627,543	2.51%	6,275,430	439,280	1.76%	4,392,800
Mohammad Nasser Al-Subaie	627,543	2.51%	6,275,430	439,280	1.76%	4,392,800
Al-Mojil Trading and Contracting Company	376,531	1.51%	3,765,310	263,571	1.05%	2,635,710
General Arabian Medical & Allied Services Limited	368,997	1.48%	3,689,970	258,298	1.03%	2,582,980
Abdulaziz Saad Al-Mangoor	267,857	1.07%	2,678,570	187,500	0.76%	1,875,000
Raboo Al-Anood Trading Establishment	260,434	1.04%	2,604,340	182,304	0.73%	1,823,040
Ibrahim Hamad Al-Babtain	163,155	0.65%	1,631,550	114,208	0.46%	1,142,080
Fahad Mohammad Al-Babtain	156,888	0.63%	1,568,880	109,822	0.44%	1,098,220
Development and Trading Company Limited	134,923	0.54%	1,349,230	94,447	0.38%	944,470
Abdullah Fouad Holding Company	131,786	0.53%	1,317,860	92,250	0.37%	922,500
Mohammad Suliman Al-Saleem	1,700	0.01%	17,000	1,190	0.007%	11,900

	Pre-Offering			Post-Offering		
Shareholder	Shares	%	Capital (SAR)	Shares	%	Capital (SAR)
Khalid Suliman Al-Saleem	1,700	0.01%	17,000	1,190	0.007%	11,900
Khalid Mohammad Al-Subaie	1,700	0.01%	17,000	1,190	0.007%	11,900
Mushari Mohammad Al-Subaie	1,700	0.01%	17,000	1,190	0.007%	11,900
Total Selling Shareholders	25,000,000	100.00%	250,000,000	17,500,000	70.00%	175,000,000
Public	-	-	-	7,500,000	30.00%	75,000,000
Total	25,000,000	100.00%	250,000,000	25,000,000	100.00%	250,000,000

Source: Mouwasat

3.3 Ownership Structure of Selling Shareholding Institutes

3.3.1 Tala Trading WLL

Exhibit 3-2: Ownership Structure of Tala Trading WLL

Shareholder	Percentage
Firas Faisal Eissa Shihab	51.00%
Muhannad Saif Abdulrahman Al-Ashram Al-Falasi	49.00%
Total	100.00%

Source: Mouwasat

3.3.2 Al-Babtain Trading Company

Exhibit 3-3: Ownership Structure of Al-Babtain Trading Company

Shareholder	Percentage
Mohammed Al-Abdullah Al-Babtain	33.33%
Ibrahim Al-Abdullah Al-Babtain	33.33%
Al-Johrah Abdulaziz Al-Babtain	2.07%
Norah Bader Al-Naser Al-Bader	2.07%
Norah Hamad Al-Abdullah Al-Babtain	1.22%
Osama Hamad Al-Abdullah Al-Babtain	2.43%
Hind Hamad Al-Abdullah Al-Babtain	1.22%
Abdulkareem Hamad Al-Abdullah Al-Babtain	2.43%
Haya Hamad Al-Abdullah Al-Babtain	1.22%
Maha Hamad Al-Abdullah Al-Babtain	1.22%
Sultan Hamad Al-Abdullah Al-Babtain	2.43%
Khulood Hamad Al-Abdullah Al-Babtain	1.22%
Bandar Hamad Al-Abdullah Al-Babtain	2.43%
Mansour Hamad Al-Abdullah Al-Babtain	2.43%
Ibrahim Hamad Al-Abdullah Al-Babtain	2.43%
Lulwa Hamad Al-Abdullah Al-Babtain	1.22%
Mohammed Hamad Al-Abdullah Al-Babtain	2.43%
Munira Hamad Al-Abdullah Al-Babtain	1.22%
Abdullah Hamad Al-Abdullah Al-Babtain	2.43%
Msha’el Hamad Al-Abdullah Al-Babtain	1.22%
Total	100.00%

Source: Mouwasat

3.3.3 Al-Mojil Trading and Contracting Company

Exhibit 3-4: Ownership Structure of Al-Mojil Trading and Contracting Company

Shareholder	Percentage
Saleh Abdulaziz Ibrahim Al-Mojil	47.00%
Sa'ad Ibrahim Abdulaziz Al-Mojil	53.00%
Total	100.00%

Source: Mouwasat

3.3.4 General Arabian Medical & Allied Services Limited

Exhibit 3-5: Ownership Structure of General Arabian Medical & Allied Services Limited

Shareholder	Percentage
FAL Arabia Holding Company	88.00%
Badriya Hussain Mansour Al-Assaf	12.00%
Total	100.00%

Source: Mouwasat

3.3.5 FAL Arabia Holding Company

Exhibit 3-6: Ownership Structure of FAL Arabia Holding Company

Shareholder	Percentage
Fahad Mohammed Al-Saleh Al-Athel	90.00%
Badriya Hussein Mansour Al-Assaf	5.00%
Ghadah Fahad Mohammed Al-Athel	5.00%
Total	100.00%

Source: Mouwasat

3.3.6 Raboo Al-Anood Trading Establishment

Raboo Al-Anood is an establishment owned by Mr. Abdulilah Sa'ad Mohammed Al-Drees.

3.3.7 Development and Trading Company Limited

Exhibit 3-7: Ownership Structure of Development and Trading Company Limited

Shareholder	Percentage
Khalid Hamad Ali Al-Mubarak	17.50%
Ali Hamad Ali Al-Mubarak	17.50%
Al-Waleed Hamad Ali Al-Mubarak	17.50%
Ziyad Hamad Ali Al-Mubarak	17.50%
Munira Mohammed Ali Al-Qu'aid	12.50%
Munira Hamad Ali Al-Mubarak	8.75%
Rabi'a Hamad Ali Al-Mubarak	8.75%
Total	100.00%

Source: Mouwasat

3.3.8 Abdullah Fouad Holding Company

Exhibit 3-8: Ownership Structure of Abdullah Fouad Holding Company

Shareholder	Percentage
Abdullah Fouad Abdulaziz Abdulrahman Abu Bshait	1.00%
Fouad Abdullah Fouad Abdulaziz Abu Bshait	13.20%
Faisal Abdullah Fouad Abdulaziz Abu Bshait	13.20%
Siham Abdullah Muneeb Nagashbandi	6.60%
Aneesa Abdullah Fouad Abdulaziz Abu Bshait	6.60%

Shareholder	Percentage
Najat Abdullah Fouad Abdulaziz Abu Bshait	6.60%
Wedad Abdullah Fouad Abdulaziz Abu Bshait	6.60%
Fatin Abdullah Fouad Abdulaziz Abu Bshait	6.60%
Fareeda Abdullah Fouad Abdulaziz Abu Bshait	6.60%
Farah Abdullah Fouad Abdulaziz Abu Bshait	6.60%
Fayda Abdullah Fouad Abdulaziz Abu Bshait	6.60%
Firyal Abdullah Fouad Abdulaziz Abu Bshait	6.60%
Falak Abdullah Fouad Abdulaziz Abu Bshait	6.60%
Raniya Abdullah Fouad Abdulaziz Abu Bshait	6.60%
Total	100.00%

Source: Mouwasat

3.4 Company's Activity

The origin of Mouwasat's operation dates back to 1975, with the launching of Mouwasat Dispensary in Dammam - the first private medical clinic in that region. In 1979, Mouwasat undertook the management and operation of clinics in the residential area of Al-Jubail industrial city.

In 1984, Mouwasat established its first owned comprehensive medical facility which was named Mouwasat Hospital in Dammam. The construction cost of this project exceeded SAR 130 million, and actual operation started in 1988. This is considered to be the first key project of the Company and the cornerstone which led to establishing other Mouwasat medical facilities Kingdom-wide. Establishing Mouwasat Hospital in Jubail was accomplished through two phases, the first phase involved completing the outpatient clinics, while the Company developed the inpatient department of the hospital in the second phase. Mouwasat Hospital in Jubail is considered an ideal example for private sector hospitals due to its unique architectural design, its advanced medical supplies and equipment in use, and its operating efficiency. The year 2004 was a milestone in the history of Mouwasat Hospital in Jubail as it achieved a utilization ratio of 80%.

During 2001, the Company started operating Mouwasat Medical Dispensary in Al-Ahsa and Mouwasat Hospital in Madina through a lease contract with a duration of twenty years. In addition, the Company entered into an agreement with United Development Company Limited in 2002 to manage and operate Najd Consulting Hospital in Riyadh. For more information, please refer to the "Legal Information" section.

In 2006, Mouwasat acquired 51% of the Eastern Medical Services Company, which owns the Gulf Specialized Hospital which is known today as Mouwasat Hospital in Al-Qatif.

Today, the medical network of Mouwasat covers the main cities in the Kingdom including Dammam, Al-Qatif, Jubail, Al-Ahsa, Al-Khobar, Riyadh, and Madina.

The Company applies clear and specific standards, criteria, and procedures pertaining to operations and human resources. In addition, the Company adopts a clear strategy for the continuous development of these standards, policies, and procedures through benefiting from its local and international experience in the medical field. Likewise, Mouwasat undertakes a continuous advancement of its medical equipment and systems to bring them in line with international standards and up-to-date technology. Recently, Mouwasat commenced a process to obtain certification from the American Joint Commission International ("JCI") for its hospitals. JCI is an independent commission that accredits hospitals around the world according to international standards. JCI accredits hospitals for three-year periods after which it re-evaluates them to ensure that they are still operating within JCI standards[12]. The relevant procedures started for Mouwasat hospital in Dammam, and in December 2006 all requirements were completed and the JCI certificate was obtained on 7 December 2006. In addition to Dammam hospital, Al-Qatif hospital was accredited in late 2008, and Jubail hospital was accredited in April 2009. The Company plans to obtain the JCI accreditation for its other hospitals to add to its achievements and maintain its unique position in the market.

The Company does not plan to make any significant change to the nature of its current operations.

12 Source: the Company, www.jointcommissioninternational.com

3.5 Mouwasat Hospitals

Mouwasat hospitals are distinguished models due to their locations, capacities, high technology medical systems, and the non-medical furniture and equipments. In general, Mouwasat hospitals provide complete line of medical services through their outpatient clinics including internal medicine, obstetrics and gynecology, pediatrics, orthopedics, dermatology, venereology, general surgery, ophthalmology, ENT, cardiology, vasculars, psychiatry, neurology, dentistry, plastic surgery, rheumatism, and physiotherapy.

The hospitals receive emergency and accident cases through emergency rooms 24 hours a day. The inpatient departments are equipped with advanced medical technologies to treat inpatient cases. The inpatient services include operation rooms, labor and delivery rooms, and intensive care units for adults and infants, which also work 24 hours a day. The inpatient rooms are divided into semi-private shared rooms with a capacity of two beds, and private rooms with a single bed, in addition to the executive suites, with varied services.

All hospitals have integrated medical laboratories and radiology departments equipped with the latest and most advanced medical systems such as magnetic resonance imaging equipment, vascular color dupplers, three dimensions ultrasound, mammography and jaws scanning equipment, in addition to cardiac catheters, and related supporting devices, and arteries' diseases.

Additionally, Mouwasat offers advanced medical services in the ophthalmic and ENT divisions in Dammam hospital through collaboration with Hospitals & Centers. For more information, please refer to the "Legal Information" section.

Mouwasat has several cooperation agreements with various international medical bodies with the purpose of providing required medical services. These cooperative agreements allow the Company to benefit from international expertise, and help boost its medical services in terms of latest available services and applied treatments in the medical field. These bodies include:

- School of Medicine, Washington University, USA;
- Parkway Healthcare Group, Singapore;
- King Hussein Medical City, Jordan;
- For more information, please refer to the "Legal Information" section.

Such joint agreements make it possible to exchange knowledge and experience, through inviting international consultants to the Kingdom to undertake surgeries and to offer suggestions in developing the medical and operational systems and training the professionals in different related fields.

3.5.1 Mouwasat Hospital in Dammam

The hospital is adjacent to King Fahad International Airport Road in Ohod District in Dammam. It is distinguished by its building, facilities and the 31,500 m2 area on which it is erected. This integrated medical complex consists of the following:

- 49 Outpatient clinics covering all basic medical specializations. Recently, Dammam hospital witnessed a huge expansion, where operations of newly added facilities commenced in October 2008. The area of this expansion is approximately 17,000 m2 which includes 100 outpatient clinics, 45 inpatient beds and approximately 22 suites, in addition to a full range of ancillaries services to support the outpatient activities. The total cost of this expansion is SAR 100 million;
- Six emergency beds and 10 specialized clinics, working for 16 hours daily;
- Around 240 beds distributed among the patients' rooms; either one or two beds per room, in addition to the executive suites;
- A recently-established unit for cardiac surgeries, arteries, and blood vessels treatment;
- A comprehensive and modern radiology department, including X-ray, computed tomography systems, magnetic resonance imaging (MRI), mammography and jaws scanning devices, three dimensions ultrasound, and color ultrasound, in addition to an osteoporosis measuring unit. The department provides independent services to referred cases from other hospitals and medical centers in the area;
- Complete line of medical laboratory equipment including clinical Chemistry, Hematology (blood diseases), histopathology (tissue diseases) and microbiology. This medical laboratory is a comprehensive department that offers services to the hospital's outpatient clinics and inpatient departments. It also provides services related to medical analysis independently to cases transferred from other hospitals and clinics. The labs include a blood bank with sufficient reserve of different blood units for emergency cases.

Mouwasat Hospital in Dammam provides various medical programs that aim at offering quality services to its clients. Experienced and highly skilled consultants visit the hospital regularly from many international and regional medical institutions.

Mouwasat hospital in Dammam provides services to a wide client base, including Saudi Aramco staff and their families since 1996 and the Saudi Arabian Basic Industries Company (SABIC) staff and their families since 1988, in addition to insurance companies licensed by the Cooperative Council for Health Insurance ("CCHI"), the General Organization for Social Insurance, Saudi Arabian Airlines, and Saudi Electricity Company. The Company has signed contracts with these clients which are renewable either periodically or automatically if neither party express otherwise.

3.5.2 Mouwasat Hospital in Jubail

Mouwasat Hospital in Jubail started its operations as a medical dispensary consisting of outpatient clinics and an emergency room. This is considered to be the first phase of establishing the hospital. The Company expanded the operations of the dispensary by adding a new facility for inpatient services. The project was completed and began operations during the year 2004. The long-term vision of the Company in designing the initial phase of the dispensary took into consideration potential future expansions and the future market demand in Jubail area; therefore, the shift from a dispensary to a fully integrated hospital was completed efficiently. The land on which the hospital is erected is rented from the Royal Commission for Jubail and Yanbu for 30 years starting 13 Rabi I 1424H (corresponding to 4 May 2003), the company has the option to purchase the land upon expiry of the agreement.

Today, the hospital includes more than 49 outpatient clinics serving the local demand in Jubail. The Hospital was expanded in February 2009 by adding 30 beds and 12 clinics which increased the capacity to 112 beds and 49 clinics. The total cost of this expansion was SAR 15 million. The medical services in Jubail hospital cover the following basic specialties:

- Obstetrics and gynecology;
- Pediatrics;
- Ophthalmology;
- ENT;
- Dentistry;
- Cardiac diseases;
- Internal medicine and Chest;
- Dermatology;
- General Surgery;
- Psychiatry and neurology;
- Urology;
- Orthopedics;
- Physiotherapy & Rehabilitation;
- Orthodontics;
- Diagnostic and therapeutic endoscopy.

Mouwasat has an exchange program in place where by hospitals and clinics exchange physicians on temporary basis for consultancy purposes. Mouwasat hospital and clinics also receive visitors by physicians from abroad to benefit from their experience in the filed of medicine, as part of the continuous development and enhancement program.

The inpatient section of Mouwasat Hospital in Jubail consists of 84 beds divided into private rooms and executive suites. All rooms are fully furnished and equipped with state-of-art medical technologies, in addition to two departments for radiology which include very advanced fluoroscopy equipment, computed tomography system, and three dimension ultrasound, as well as an integrated laboratory which includes clinical chemistry, hematology, a microbiology department, and a blood bank.

SABIC staff members and their families are considered to be key clients to Mouwasat Hospital in Jubail. The Company has allocated 60% of the hospital's operation capability to meet their requirements. The remaining 40% of the operation capacity is assigned to meet the requirements of the other clients, walk-in patients, other companies' staff members, and clients covered by licensed health insurance companies.

3.5.3 Mouwasat Hospital in Madina

Mouwasat Hospital in Madina is distinguished by its location, which is located on the road to the main airport and its inpatient capacity of 120 beds. It is considered to be the second biggest hospital in Madina and currently includes 34 outpatient clinics, emergency room, in addition to medical services related to ophthalmology and ENT clinics through Maghrabi Hospitals & Centers. The Company expects to add 3 clinics in 2011.

The hospital started its operations during the year 2000, through a rental contract signed with Maghrabi Hospitals & Centers; the owner of the buildings of the hospital (see "Legal Information" section). The hospital's medical services include the following basic medical specialties:

- Obstetrics and gynecology;
- Pediatrics;
- Ophthalmology (through Maghrabi);
- ENT (through Maghrabi);
- Dentistry;
- Cardiac diseases;
- Internal medicine and Chest;
- Dermatology;
- General Surgery;
- Psychiatry and neurology;
- Urology;
- Orthopedics;
- Physiotherapy & Rehabilitation;
- Orthodontics;
- Diagnostic and therapeutic endoscopy.

The hospital offers laboratory and radiology services through departments equipped with advanced technologies, offering fluoroscopic X rays, computed tomography system, panoramic X rays (for jaws screening), and mammogram X rays (for breast screening and radiology equipment for measuring osteoporosis), in addition to other fully integrated medical labs (chemistry, hematology), microbiology, and a blood bank. Furthermore, the hospital offers its services to the inpatient section through private rooms with a single bed, or semi-private rooms with two beds, in addition to executive suites. Also, the hospital has an advanced intensive care unit for the adults, and infants, and observation units.

3.5.4 Najd Consulting Hospital – Managed by Mouwasat

The Company currently manages Najd Consulting Hospital in Riyadh by means of a management contract signed with SUDC on 11 August 2002 (and as amended on 19 Jumada Athani 1428H (corresponding to 1 July 2007G)). The duration of the management contract is 10 years. However, the Company may consider withdrawing from managing the hospital before the expiry of the contract in accordance with the agreement or as agreed upon by both parties. Please refer to the "Legal Information" section.

The 160 beds hospital is located on the eastern ring road of Riyadh (exit 14). Mouwasat is managing 21 outpatient clinics and 3 emergency rooms. The hospital in Riyadh offers a wide range of basic medical services through its outpatient clinics and inpatient sections that include the following:

- Obstetrics and gynecology;
- Pediatrics;
- Ophthalmology (through Maghrabi);
- ENT (through Maghrabi);
- Dentistry and related surgery (through Maghrabi);
- Cardiac diseases;
- Internal medicine, Chest;
- Dermatology;
- General Surgery;
- Psychiatry and neurology;
- Urology;
- Orthopedics;
- Physiotherapy & Rehabilitation;
- Diagnostic and therapeutic endoscopy.

3.5.5 Mouwasat Hospital in Al-Qatif

Mouwasat acquired 51% of the Eastern Medical Services Company, (the "Eastern Medical"), which owns the Gulf Specialized Hospital (renamed Mouwasat Hospital in Al-Qatif), on 28 Jumada Athani 1427H (corresponding to 24 July 2006G). For more information on Eastern Medical Services Company please refer to "Subsidiaries, affiliates, and related parties" section.

The hospital includes 120 beds, and the Company believes that the location of the hospital, being the sole hospital in Al-Qatif, will add to its competitive advantages and will offer the Company an excellent opportunity to increase its market share and widen its customer base.

The hospital's medical services cover the following basic medical specialty:

- Obstetrics and gynecology;
- Pediatrics;
- Ophthalmology;
- ENT;
- Dentistry;
- Cardiac diseases;
- Internal medicine, Chest and Kidneys;
- Dermatology;
- General Surgery;
- Psychiatry and neurology;
- Urology;
- Orthopedics;
- Physiotherapy & Rehabilitation;
- Orthodontics;
- Diagnostic and therapeutic endoscopy.

The inpatient section of Mouwasat Hospital in Al-Qatif consists of 120 beds divided into private rooms, semi-private and executive suites, and the outpatient section consists of 35 clinics. All rooms are fully furnished and equipped with state-of-art medical technologies, in addition to two sections for radiology and medical analysis (the medical lab), which includes the most recent fluoroscopy equipment, computed tomography system, and three dimension ultrasound, as well as a medical lab section which includes clinical chemistry, hematology, microbiology, and blood bank.

3.6 Mouwasat Dispensaries

Mouwasat operates two dispensaries; Mouwasat dispensary in Dammam and Mouwasat dispensary in Al-Ahsa. The basic healthcare services are being offered in these two dispensaries through outpatient clinics and emergency unit working 24 hours a day. Further, the dispensaries also provide radiology and laboratory services to the patients in addition to pharmaceutical services in both dispensaries.

3.6.1 Mouwasat Dispensary in Dammam

The dispensary, which started operation in 1975, offers basic healthcare services through its 23 outpatient clinics, openning from 8:00 am to 12:00 midnight daily, with an emergency unit working 24 hours a day. The dispensary offers healthcare services in basic medical specialties including pediatrics, obstetrics, and gynecology, internal medicine, dermatology, urology, ENT, general surgery, dentistry, and orthodontics, as well as radiology and medical lab departments equipped with the latest in fluoroscopy equipment, and three dimension ultrasound.

Hospitals and dispensaries of Mouwasat exchange field visits from physicians and medical staff for consultancy purposes. The physicians in the clinic refer the cases that need special medical care, surgery, or advanced diagnosis or treatment to Mouwasat Hospital in Dammam, where additional services are available for these cases, such as the laboratory and radiology departments to ensure that patients are provided with the best quality services required.

The building is leased by Mouwasat as per an agreement with Mr. Mohammed Abdulhadi Al-Abdulhadi. The current agreement will expire on the 1st of September 2009. This agreement is renewed automatically unless one party notifies the other 2 months prior to expiration of their desire not to renew the agreement.

The Company expects that 5 clinics will be added in 2011 and 5 more in 2013 to the dispensary.

3.6.2 Mouwasat Dispensary in Al-Ahsa

Mouwasat is operating and managing Mouwasat Dispensary in Al-Ahsa, which is rented by Mouwasat from Mr. Hamad al-Hulaibi for a fee of SAR 500,000 (SAR 250,000 paid semi annually). The dispensary at Al-Ahsa is distinguished by the diversity of its medical specializations that cover most of the patients' needs whithin the Al-Ahsa area. It includes 14 outpatient clinics and an emergency unit providing 24 hours services. The dispensary offers healthcare services in the basic medical specialties including pediatrics, obstetrics and gynecology, internal medicine, dermatology, urology, ENT, general surgery, orthopedics, and dentistry as well as radiology and medical lab departments. The two departments are equipped with the latest technology medical system such as fluoroscopy equipment, and three dimension ultrasound. Currently, the clinic is undergoing a development plan for the dentistry clinic, with the purpose of increasing its capacity. This dentistry clinic offers a wide range of related services including mouth and jaw surgeries. Consultants from Mouwasat Hospital in Dammam visit Mouwasat dispensary at Al-Ahsa on a regular basis in order to offer medical services for critical cases that require the interference of experienced consultants and to refer cases that require advanced diagnosis or treatment to the Dammam hospital.

The Company intends to add new clinics in the future if such additions are deemed to be economically feasible by the Company.

3.7 Subsidiaries

3.7.1 Eastern Medical Services Company

Mouwasat recently acquired 51% of the Eastern Medical Services Company, (the "Eastern Medical"), which owns the Gulf Specialized Hospital (renamed Mouwasat Hospital in Al-Qatif), on 28 Jumada Athani 1427H (corresponding to 24 July 2006G), with an acquisition cost of SAR 28,560,000. In addition to Mouwasat, Mr. Zamil Abdullah Zamil owns 29% of the subsidiary and Mr. Wasl Saad Al-Ahmadi owns 20%. Eastern Medical Services Company is managed by Mr. Nasser Sultan Al-Subaie on behalf of the partners. The hospital in Al-Qatif is managed by Mouwasat Company in return for a fixed percentage of operating earnings. For more information, please refer to the "Legal Information" section.

Eastern Medical is a Saudi limited liability company registered in Al-Khobar under commercial registration number 2051023824, issued on 10 Ramadan 1420H (corresponding to 18 December 1999G). The main business activities of Eastern Medical are to own, establish, and maintain hospitals, clinics, medical centers, drug warehouses, and pharmacies.

The hospital includes 120 beds and the Company believes that the location of the hospital, being the sole hospital in Al-Qatif will add to its competitive advantage and will offer the Company an excellent opportunity to increase its market share and widen its customer base. Eastern Medical Services Company had revenues of SAR 42.9 million, SAR 56.8 million, and SAR 69.1 million in 2006, 2007, and 2008, respectively.

The following table provides summary of the financial information of Eastern Medical Services Company:

Exhibit 3-9: Eastern Medical Services Company Key Financial Highlights

	As of 31 December		
	2008	2007	2006
SAR			
Operational Performance			
Total sales	69,055,804	56,778,686	42,923,323
Cost of sales	(42,344,589)	(35,899,826)	(29,999,268)
Gross margin	26,711,215	20,878,860	12,924,055
Selling & distribution expenses	(4,478,858)	(4,015,114)	(3,275,895)
General & administrative expenses	(11,597,608)	(9,144,148)	(9,379,106)
Amortization of intangible assets	(1,370,962)	(1,370,962)	(1,370,962)
Net income	8,129,131	4,942,836	(2,343,032)
Financial Condition			
Current assets	25,830,956	18,491,427	14,571,059
Property & equipment	67,485,497	70,689,516	74,751,876
Intangible assets	1,657,438	3,028,400	4,399,362
Total assets	94,973,891	92,209,343	93,722,297
Current liabilities	34,369,882	29,764,005	23,555,880
Total liabilities	60,494,741	65,859,324	69,822,297
Shareholders' equity	34,479,150	26,350,019	23,900,000
Key Indicators			
Gross profit margin	38.7%	36.8%	30.1%
Net profit margin	11.8%	7.6%	(5.45%)
Current ratio (times)	0.75	0.62	0.61
Total liabilities to total assets	63.7%	71.4%	74.5%
Total liabilities to equity	175.5%	249.9%	292.1%
Return on equity	23.6%	18.7%	(9.8%)
Return on assets	8.6%	5.4%	(2.5%)
Revenue growth rate	21.6%	32.3%	37.2%
Earnings' growth rate	64.5%	310.9%	64.3%

Source: Audited Financial Statements of Eastern Medical Services

Provided below is a summary of Eastern Medical Services Company's employees:

Exhibit 3-10: Breakdown of Eastern Medical Services Company Employees

	Saudi				Non-Saudi				Total				
	Senior management	Doctors	Nurses & Technicians	Administrative	Senior management	Doctors	Nurses & Technicians	Administrative	Senior management	Doctors	Nurses & Technicians	Administrative	Total
31 Dec 2008	1	0	29	105	1	60	187	94	2	60	216	199	477
31 Dec 2007	1	2	25	99	1	55	160	108	2	57	185	207	451
31 Dec 2006	1	2	37	61	1	51	148	111	2	53	185	172	412
31 Dec 2005	1	1	47	63	1	58	123	117	2	59	170	180	411

Source: Mouwasat

The Saudization rate of Eastern Medical Services Company was 28.3% as of 31 December 2008.

3.7.2 Specialized Medical Clinic Company Limited

Mouwasat owns 95% of the share capital of Specialized Medical Clinic Company ("SMCC"). SMCC is a Saudi limited liability company with commercial registration number 2051032296 dated 11 Safar 1427H (corresponding to 11 March 2006G) with a share capital of SAR 500,000 divided into 500 shares of SAR 1,000 par value each. The objective of the SMCC is establishing dermatology and plastic surgery centers. In addition to Mouwasat, Dr Saleh AbdelKader Khawaja owns 5% of the subsidiary, whose revenues were SAR 115,768 in 2007 and SAR 112,453 in 2008.

The following table provides summary of the financial information of Specialized Medical Clinic Company Limited:

Exhibit 3-11: Specialized Medical Clinic Company Limited Key Financial Highlights

	2008	2007	2006
SAR			
Operational Performance			
Revenues	112,453	115,768	76,719
General & administrative expenses	(2,100)	(2,105)	(5,900)
Net income form main operations	110,353	113,663	70,819
Net income	110,400	90,542	70,819
Financial Condition			
Current assets	788,236	678,361	570,819
Current liabilities	16,475	17,000	-
Shareholders' equity	771,761	661,361	570,819
Key Indicators			
Gross profit margin	98.1%	98.2%	92.3%
Net profit margin	98.2%	78.2%	92.3%
Current ratio (times)	47.84	39.9	-
Total liabilities to total assets	2.0%	2.5%	-
Total liabilities to equity	2.1%	2.6%	-
Return on equity	14.3%	13.7%	12.4%
Return on assets	14.0%	13.3%	12.4%
Revenue growth rate	(2.9%)	50.9%	-
Earnings' growth rate	21.9%	27.8%	-

Source: Audited Financial Statements of Specialized Medical Clinic

The subsidiary, which owns a plastic surgery center in Al-Khobar, is managed by Mr. Mohammad Suliman Al-Saleem (the Managing Director of Mouwasat). An agreement has been signed by Mouwasat and its subsidiary whereby Mouwasat pays the subsidiary a fixed percentage of operating earnings. For more information, please refer to the "Legal Information" section.

Provided below is a summary of Specialized Medical Clinic Company's employees:

Exhibit 3-12: Breakdown of Specialized Medical Clinic Company Employees

	Saudi				Non-Saudi				Total				
	Senior management	Doctors	Nurses & Technicians	Administrative	Senior management	Doctors	Nurses & Technicians	Administrative	Senior management	Doctors	Nurses & Technicians	Administrative	Total
31 Dec 2008	-	-	-	2	-	2	6	3	-	3	6	5	14
31 Dec 2007	-	-	-	2	1	3	6	4	1	3	6	6	16
31 Dec 2006	-	-	-	1	1	2	5	3	1	2	5	4	12
31 Dec 2005	-	-	-	0	-	-	-	-	-	-	-	-	-

Source: Mouwasat

The Saudization rate of Specialized Medical Clinic Company was 14.3% as of 31 December 2008.

3.7.3 Advanced Medical Projects Company

Advanced Medical Projects Company ("AMPC") is a Saudi limited liability company with commercial registration number 2050033550 dated 3 Thul Hijjah 1418H (corresponding to 1 April 1998G). The paid up capital of AMPC is SAR 10,000,000 divided into 10,000 shares with par value of SAR 1,000 each. The capital is equally divided between Mouwasat and Al-Maghrabi Hospitals Company for Eye and Ear, with each owning 50%. AMPC is engaged in ophthalmology and ENT surgery and treatment and its current activities are concentrated on the ownership of the ophthalmology and ENT center located in close proximity from the Mouwasat Hospital in Dammam. Revenues were SAR 28.3 million, SAR 37.5 million, and SAR 26.7 million in 2006, 2007, and 2008 respectively.

AMPC signed an agreement with the Company to lease a piece of land to build a new medical center specializing in ENT. The conditions of the agreement prohibit AMPC from fully or partially sub-contracting the agreement to a third party.

The following table provides summary of the financial information of Advanced Medical Projects Company:

Exhibit 3-13: Advanced Medical Projects Company Key Financial Highlights

	31 December		
	2008	2007	2006
SAR			
Operational Performance			
Total revenues	26,750,594	37,539,442	28,344,230
Cost of revenues	(16,278,433)	(22,419,714)	(18,547,320)
Gross profit	10,472,161	15,119,728	9,796,910
General & administrative expenses	(4,925,418)	(7,728,079)	(6,223,014)
Selling & distribution expenses	(1,765,423)	(2,024,959)	(1,933,431)
Management fees	(1617,315)	(1,764,999)	(1,242,870)
Net income	2,534,422	2,725,286	(281,634)
Financial Condition			
Current assets	10,841,067	10,544,552	7,651,866
Property & equipment	22,119,428	28,481,550	28,642,161
Total assets	33,012,207	39,965,931	38,261,549
Current liabilities	8,343,582	14,804,677	14,792,004
Total liabilities	17,768,785	26,292,031	27,312,935
Shareholders' equity	15,243,422	13,673,900	10,948,614
Key Indicators			
Gross profit margin	39.1%	40.2%	34.6%
Net profit margin	9.5%	7.3%	(0.99%)
Current ratio (times)	1.3	0.7	0.5
Total liabilities to total assets	53.8%	65.8%	71.38%
Total liabilities to equity	116.6%	192.3%	249.46%
Return on equity	16.6%	20.0%	(2.57%)
Return on assets	7.7%	6.8%	(0.74%)
Revenue growth rate	(28.7%)	32.4%	2.69%
Earnings' growth rate	(7.0%)	1067.7%	(108.9%)

Source: Audited Financial Statements of Advanced Medical Projects

Provided below is a summary of Advanced Medical Projects Company's employees:

Exhibit 3-14: Breakdown of Advanced Medical Projects Company Employees

	Saudi				Non-Saudi				Total				
	Senior management	Doctors	Nurses & Technicians	Administrative	Senior management	Doctors	Nurses & Technicians	Administrative	Senior management	Doctors	Nurses & Technicians	Administrative	Total
31 Dec 2008	-	-	2	25	1	25	58	28	1	25	60	53	139
31 Dec 2007	-	-	1	23	1	24	56	25	1	24	57	48	130
31 Dec 2006	-	-	1	19	1	20	45	20	1	20	46	39	106
31 Dec 2005	-	-	1	9	1	16	36	20	1	16	37	29	83

Source: Mouwasat

The Saudization rate of Advanced Medical Projects Company was 19.4% as of 31 December 2008.

Advanced Medical Projects Company is managed by a committee of 4 members, 2 from each owner. The committee manages the company and is composed of:

- Mr. Nasser Sultan Al-Subaie (Vice Chairman of Mouwasat), for Mouwasat;
- Mr. Mohammad Suliman Al-Saleem (Managing Director of Mouwasat), for Mouwasat;
- Mr. Motasem Mohamad Reda, for Al-Maghrabi Hospitals Company;
- Mr. Mansour Hazem Al-Omari, for Al-Maghrabi Hospitals Company.

AMPC owns Al-Maghrabi Centers for Eye and ENT in Dammam, Al-Ahsa, and Al-Khobar. AMPC manages these centers as part of a contract in exchange for a fixed percentage of net income. For more information, please refer to the "Legal Information" section.

3.8 Related parties

On 29 Rabi' Athani 1425H (corresponding to 17 June 2004G), the Company transferred a number of entities to Mouwasat International Company Limited, which is owned by Mr. Mohammad Sultan Al-Subaie, Mr. Nasser Sultan Al-Subaie, and Mr. Suleiman Mohammad Al-Saleem. The value of the transfer was SAR 3,350,000.

Mouwasat International Company is a Saudi limited liability company with commercial registration number 2050046651 dated 6 Sha'aban 1425H (corresponding to 21 September 2004G) with a share capital of SAR 4,800,000 divided into 4,800 shares of SAR 1,000 each.

Mouwasat International Company is a related party and Mouwasat does not own any shares in Mouwasat International. This related party has several branches, which include:

- Mouwasat Travel and Tourism;
- United Diagnostic Industry: which produces chemical re-agent products pursuant to industrial license number 1980-S dated 24 Thul Qa'dah 1426H (corresponding to 26 December 2005G);
- Mouwasat Stainless Steel Factory;
- Mouwasat Trading and Contracting;
- United Medical Services: which is engaged in the retail and wholesale of medical appliances and equipment; and
- Mouwasat Applied Science Institute: which provides diploma programs in nursing, laboratory, and radiology pursuant to Saudi Commissions for Health Specialists license number 1355-D dated 12 Rabei Alawal 1427H (corresponding to 11 April 2006G).

3.9 Mouwasat Clients

The clients to whom Mouwasat provides healthcare services are one important element amongst its strengths. The Company provides a complete range of healthcare services to Saudi Aramco under a 5-year renewable contract. In addition to Saudi Aramco, the Company has contracts with Tawuniya to provide healthcare services to SABIC employees throughout Saudi Arabia and provides healthcare services to Saudi Electricity Company as well. Furthermore, the Company provides healthcare services to the clients of all insurance companies that are approved by the CCHI. According to Company's estimation, 30% of its resources are allocated to serve walk-in patients (cash patients).

Mouwasat has established its presence as a major provider of healthcare services in the Eastern Province. Since 2001, the Company has expanded its facilities to provide healthcare services to the larger population of Saudi Arabia. The Company has been providing services to a number of prominent clients, many of whom are under the insurance network, while others have contributed directly to the success of Mouwasat. The following customers are among Mouwasat's prominent clients:

- Saudi Aramco;
- SABIC - global country-wide contract through Tawuniya (the contract covers all domestic employees);
- The National Company for Co-Operative Insurance ("Tawuniya"); a Saudi flagship insurance company with a wide network covering a very large number of insured persons;
- Saudi Oger – King Fahd Complex for the Printing of the Holy Qur'an;
- Government Organization for Social Insurance ("GOSI");
- Saudi Telecom (through Tawuniya);
- British Aerospace (through Tawuniya);
- All banks in Saudi Arabia;
- Saudi Arabian Airlines;
- Saudi Electricity Company (SEC);
- All insurance companies that are approved by the CCHI; and
- Arabian Oil Company – AlKhafji joint operation.

3.9.1 Saudi Aramco

Mouwasat provides healthcare services to approximately 19,130 registered beneficiaries from Saudi Aramco at Dammam hospital as of 31 Dec 2008 and 6,190 registered beneficiary at Al-Qatif hospital as of the same date after a strategic decision taken by Saudi Aramco to transfer healthcare responsibility of its employees and their families, totalling approximately 300,000 people to the private sector. Mouwasat Hospital in Dammam provided healthcare services to Saudi Aramco's employees and their dependents. As a result, Saudi Aramco has entered into a number of contracts with Mouwasat. The first contract Saudi Aramco awarded to the Company commenced from January 1996 for a period of three years, which was later extended for 2 years and three months. The second contract commenced from April 2001 for a period of 5 years and has been extended until the end of June 2010.

3.9.2 SABIC

The Company also has agreements to provide healthcare services to SABIC. The significance of SABIC is evident from the fact that Mouwasat Hospital in Jubail caters almost exclusively to SABIC affiliates, while the decision to expand the dispensary at Jubail to a hospital was due to increasing demand from SABIC beneficiaries.

3.10 The Company's Mission and Vision

3.10.1 Mission

The Company is dedicated to delivering world-class medical services to both internal and external customers giving an unwavering commitment with a continuous improvement of medical services, staff expertise, team work, innovation, and vision for the future.

3.10.2 Vision

Using the latest technology, evidence based practice, and joint cooperation with international medical systems, the Company will continue to provide distinguished healthcare services.

4 MARKET OVERVIEW

The Company has appointed Gulf Consulting House (“GCH”) to conduct a market study covering the healthcare sector in Saudi Arabia. GCH is a consulting firm specializing in corporate finance, economic research, feasibility studies, and other advisory services. It was founded in April 1996, and today operates in Saudi Arabia, the Kingdom of Bahrain, and Palestine. GCH currently employes 20 staff members, most with extensive experience in reputed firms on the local and international level.

GCH is the source of the information and data provided below. GCH has provided and not withdrawn its written consent for the use of its report in this Prospectus. GCH does not have any shares or interest in the Company or any of its affiliates or of its related parties.

The information provided in this section and in the Market Report was prepared on March 2007, therefore, does not reflect market developments since the date of the report. The report includes statistics covering the period up to 2007 and was not updated to cover recent developments in the market.

4.1 Introduction

In 2006, the population of Saudi Arabia was estimated around 24.5 million, and the population growth rate for the next five years is estimated to be approximately 3.1%. The population growth rate drives demand for healthcare services in Saudi Arabia.[13]

The Ministry of Health (“MoH”) is the regulatory body of the healthcare sector and the major provider of healthcare services in Saudi Arabia. It manages a network of primary healthcare centers in addition to general and specialized hospitals. The healthcare network of the MoH uses a referral system in which patients requiring minor care use primary healthcare centers and those requiring secondary or tertiary care are transferred to either general or specialized hospitals. The standards of the services provided by the MoH healthcare facilities are highly affected by Government funding.

In addition to healthcare services provided by the MoH, quasi-Government providers cater directly to their beneficiaries and, under special circumstances, to other patients. The National Guard, Ministry of Interior, Ministry of Education, Royal Commission for Jubail and Yanbu, Ministry of Defense and Aviation, King Faisal Specialist Hospital and Research Centre, and Riyadh Care Hospital are examples of Government agencies that operate hospitals and medical centers catering to their beneficiaries and selected group of referral patients.

The private healthcare sector has emerged during the last decade as a dominant segment within the healthcare providers in Saudi Arabia. It initially targeted higher income Saudi nationals and expatriate employees, initially competing with Government healthcare facilities on the quality of services. The market share of private healthcare providers has witnessed a continuing increase as a result of the growing overall demand for healthcare services.

During 1999, the Government introduced according to the Royal Decree number M/10 dated 1/5/1420H (corresponding to 13/8/1999G) and Council of Ministers resolution number 71 dated 27/4/1420H (corresponding to 11/8/1999G) the Cooperative Health Insurance[14] Act for expatriate employees and formed the Council of Cooperative Health Insurance (“CCHI”) to regulate and implement this act. In 2005, the Ministry of Health issued the implementing regulations to impose the insurance scheme whereby both the companies and employees share the cost of insurance.

The insurance scheme imposed by Cooperative Health Insurance Act is now applicable and it was enforced in three phases. The first phase required companies with more than 500 expatriate workers to provide medical insurance coverage for their employees. The second phase became effective in 2007 and covered companies with 100 to 500 expatriate workers. The third phase covered companies employing less than 100 expatriates. It is expected that compulsory health insurance will eventually cover all Saudis.

The introduction of compulsory insurance is expected to increase the size of the private sector healthcare market, as all foreign workers, especially those who currently do not have access to healthcare would become eligible for medical coverage. As of August 2006, 262,055 employees were insured after the introduction of Cooperative Health Insurance Act.

13 Source: Gulf Consulting House
14 Source: The Company

4.2 Market Analysis

In 2008, the Government budgetary allocation to the MoH reached SAR 25 billion – an increase of 8.7% from previous year. On average, the Government has been allocating 8.07% of the budget to healthcare expenditures from 1998 to 2008.

Exhibit 4-1: Budget and Allocation to MoH (SAR Billion)

Year	Total budget (SAR Billion)	Allocation to MoH (SAR Billion)	Percentage to Total
1998	196	16	8.16
1999	165	15	9.09
2000	185	16	8.65
2001	215	18	8.37
2002	202	19	9.41
2003	209	17	8.13
2004	230	18	7.83
2005	277	23	8.30
2006	334	31	9.28
2007	380	23	6.00
2008	450	25	5.60

Source: GCH, the Company

The Saudi Government supports investors in the healthcare sector through the provision of interest free financing. The Ministry of Finance ("MoF") provides financing for setting new private hospitals of up to 50% of the project cost, subject to a maximum of SAR 50 million per project.

The role of the private sector in the Saudi healthcare market is progressively growing. In 1996, there were 303 hospitals in the Kingdom, 84 of which were private. By the year 2007, 84 more hospitals were added Kingdom-wide. The private sector accounted for 123 hospitals of the total number of 387 hospitals, which reflects an increase of 39 additional hospitals.

Exhibit 4-2: Number of Hospitals by Provider

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Hospital												
Public sector	219	221	225	227	230	232	234	240	251	256	261	264
Private sector	84	87	89	91	94	99	105	110	113	123	128	123
Total	303	308	314	318	324	331	339	350	364	379	389	387
Percentage of total												
Public sector	72%	72%	72%	71%	71%	70%	69%	69%	69%	68%	67%	68%
Private sector	28%	28%	28%	29%	29%	30%	31%	31%	31%	32%	33%	32%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Annual growth rate												
Public sector	-	0.91%	1.81%	0.89%	1.32%	0.87%	0.86%	2.56%	4.58%	1.99%	1.95%	1.14%
Private sector	-	3.57%	2.30%	2.23%	3.30%	5.32%	6.06%	4.76%	2.73%	8.85%	4.07%	(3.9%)
Total	-	1.65%	1.95%	1.27%	1.89%	2.16%	2.42%	3.24%	4.00%	4.12%	2.64%	(0.5%)

Source: GCH, the Company

In addition, dispensaries, healthcare centers, and private clinics were 3,201 in 1996 of which 45% was provided by the private sector. The number has increased to 4,241 in 2007, 52% of which was provided by the private sector.

Exhibit 4-3: Dispensaries, Healthcare Centers, and Private Clinics by Provider

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Outpatient clinics												
Public sector	1,776	1,782	1,796	1,811	1,801	1,831	1,859	1,915	1,953	1,992	2,017	2,047
Private sector	1,425	1,457	1,477	1,566	1,571	1,611	1,909	1,986	2,044	2,085	2,113	2,194
Total	3,201	3,239	3,273	3,377	3,372	3,442	3,768	3,901	3,997	4,077	4,130	4,241
Percentage of total												
Public sector	55%	55%	55%	54%	53%	53%	49%	49%	49%	49%	49%	48%
Private sector	45%	45%	45%	46%	47%	47%	51%	51%	51%	51%	51%	52%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Annual growth rate												
Public sector	-	0.34%	0.79%	0.84%	-0.55%	1.67%	1.53%	3.01%	1.98%	2.00%	1.26%	1.49%
Private sector	-	2.25%	1.37%	6.03%	0.32%	2.55%	18.50%	4.03%	2.92%	2.01%	1.34%	3.83%
Total	-	1.19%	1.05%	3.18%	-0.15%	2.08%	9.47%	3.53%	2.46%	2.00%	1.30%	2.69%

Source: GCH, the Company

In terms of inpatient beds, there were 44,214 beds in 1996, 19% of which were provided by the private sector. By the year 2007, the number of beds reached 53,519, 21% of which were provided by the private sector.

Exhibit 4-4: Hospital Beds by Provider

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Hospital beds												
Public sector	36,029	36,547	36,960	37,031	37,511	37,677	38,123	39,051	39,992	40,645	41,194	42,248
Private sector	8,185	8,485	8,765	8,885	9,106	9,337	8,954	10,134	11,136	12,547	13,174	11,271
Total	44,214	45,032	45,725	45,916	46,617	47,014	47,077	49,184	51,128	53,192	54,368	53,519
Percentage of total												
Public sector	81%	81%	81%	81%	80%	80%	81%	79%	78%	76%	76%	79%
Private sector	19%	19%	19%	19%	20%	20%	19%	21%	22%	24%	24%	21%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Annual growth rate												
Public sector	-	1.44%	1.13%	0.19%	1.30%	0.44%	1.18%	2.43%	2.41%	1.63%	1.35%	2.55%
Private sector	-	3.67%	3.30%	1.37%	2.49%	2.54%	-4.10%	13.17%	9.90%	12.67%	5.00%	(14.45%)
Total	-	1.85%	1.54%	0.42%	1.53%	0.85%	0.13%	4.48%	3.95%	4.04%	2.21%	(1.56%)

Source: GCH, the Company

Moreover, there were 95 million visits to outpatient clinics in 1996, 15% of which were visits to the private sector. In 2007, the total visits increased to 122 million, 35% of which were visits to the private sector.

Exhibit 4-5: Outpatient Clinics Visits by Provider

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Outpatient clinics Visits (millions)												
Public sector	81	81	81	77	78	78	82	87	92	74	74	79
Private sector	14	15	17	18	18	18	20	22	23	29	31	43
Total	95	96	98	95	96	96	102	109	115	103	105	122
Percentage of total												
Public sector	85%	84%	83%	81%	81%	81%	80%	80%	80%	72%	70%	65%
Private sector	15%	16%	17%	19%	19%	19%	20%	20%	20%	28%	30%	35%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Annual growth rate												
Public sector	-	0.00%	0.00%	-4.94%	1.30%	0.00%	5.13%	6.10%	5.75%	-19.57%	0.00%	6.76%
Private sector	-	7.14%	13.33%	5.88%	0.00%	0.00%	11.11%	10.00%	4.55%	26.09%	6.90%	38.70%
Total	-	1.05%	2.08%	-3.06%	1.05%	0.00%	6.25%	6.86%	5.50%	-10.43%	1.94%	16.19%

Source: GCH, the Company

In terms of inpatients, there were total hospital admissions of 2 million in 1996, 22% of which were made to private healthcare providers. In 2007, the inpatient admissions increased to 2.8 million; 23% were made to private healthcare providers.

Exhibit 4-6: Inpatient Admissions by Provider

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Inpatient admission (thousands)												
Public sector	1,553	1,568	1,585	1,530	1,580	1,656	1,706	1,733	1,744	1,768	1,794	2,138
Private sector	446	463	434	443	450	448	435	487	518	517	663	653
Total	1,999	2,031	2,019	1,973	2,030	2,104	2,141	2,220	2,262	2,285	2,457	2,791
Percentage of total												
Public sector	78%	77%	79%	78%	78%	79%	80%	78%	77%	77%	73%	77%
Private sector	22%	23%	21%	22%	22%	21%	20%	22%	23%	23%	27%	23%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Annual growth rate												
Public sector	-	0.97%	1.08%	-3.47%	3.27%	4.81%	3.02%	1.58%	0.63%	1.38%	1.47%	19.18%
Private sector	-	3.81%	-6.26%	2.07%	1.58%	-0.44%	-2.90%	11.95%	6.37%	-0.19%	28.24%	(1.51%)
Total	-	1.60%	-0.59%	-2.28%	2.89%	3.65%	1.76%	3.69%	1.89%	1.02%	7.53%	13.59%

Source: GCH, the Company

4.3 Competition

Mouwasat has established hospitals and dispensaries in major cities of the Kingdom, with its early presence in the Eastern Province since 1975. The Company's network now covers Dammam, Al-Qatif, Jubail, Al-Ahsa, Al-Khobar, Riyadh, and Madina. The market share of Mouwasat in the areas where the Company operates is as follows:

Exhibit 4-7: Market Share as of 2006 by Area

Dispensaries, Healthcare Centers, and Private Clinics Sector	
Eastern Province Area	11%
Madina Area	25%
Riyadh Area[15]	4%
Inpatient Sector	
Eastern Province Area	15%
Madina Area	14%
Riyadh Area	4%

Source: GCH

Exhibit 4-8: Market Share as of 2006 by City

Dispensaries, Healthcare Centers, and Private Clinics Sector	
Dammam	13%
Jubail	86%
Al-Ahsa	19%
Madina	38%
Riyadh	3%
Inpatient Sector	
Dammam	44%
Jubail	64%
Madina	35%
Riyadh	8%

Source: GCH

15 Through Najd Consulting Hospital

5 COMPETITIVE ADVANTAGES, FUTURE PLANS AND PROSPECTS

5.1 Competitive Advantages

The management of the Company believes that Mouwasat has a number of competitive advantages and value added benefits that distinguish its services from its competitors including the following:

5.1.1 Focused Business Strategy

The Company has a thorough understanding of Saudi Arabia's healthcare market potential and requirements, together with a focused business strategy to serve customer segments. This is being achieved through increased emphasis on operational efficiency and effectiveness.

5.1.2 Good Profitability Level and Stable Financial Position

Given the steady growth and profitability of the Company and its stable financial position, together with its strategic plan based on accurate understanding and analysis of the market, the Company has planned to establish a wide medical network that covers several geographic areas and several cities within the same area to consolidate its presence in the market of medical services.

5.1.3 Favorable Economic and Business Environment

The economic environment within which the Company operates is favorable in terms of its population growth rate of 3.1%[16] and increasing demand for medical services. Government authorities provide financial support to the private sector, such as an interest-free loan that covers 50% of setup costs to a maximum of SAR 50 million and with a 4 year grace period[17], encouraging further increase in contribution to the national economy in general and promoting the standard of medical services. The Company is highly dedicated with its available resources to utilize such favorable economic conditions.

5.1.4 Strong Reputation

The Company has successfully built a strong reputation over the past three decades due to the high quality medical services provided to its individual and corporate customers. This has contributed to its strong growth in revenues and high profitability. This is evident by the fact that the Company is retaining its existing clients and is attracting new clients. The Company has internal performance indicators related to its ability to retain customers for each medical center including its hospitals and dispensaries. The Company also complements its internal performance indicators with external feedback from patients and takes all complaints very seriously.

5.1.5 Wide Client Base

Saudi Aramco has been Mouwasat's client since 1996. The client list of Mouwasat also includes SABIC group of companies, General Organization of Social Insurance, Saudi Electricity Company, a number of major insurance companies operating in Saudi Arabia, Saudi Arabian Airlines, cement companies, Saudi Aramco refinery in Jubail, and others.

5.1.6 Developed IT Systems Supported by Qualified Technical and Management Staff

The Company applies an integrated information system that it constantly develops to support its operations and provide the Management with required information and reports to enhance performance and strategic decision making.

The Company possesses advanced technology systems and has a high caliber technical staff with international standard experience in all areas of the management of hospitals and medical services. The management team of the Company has extensive experience in all areas and businesses of the Company. Mouwasat operates within a series of technical and management regulations and procedures that ensure optimum utilization of available resources and achievement of best results based on highly effective performance standards, indicators, and implementation potential.

5.1.7 Joint Cooperation Agreements

The Company has had joint cooperation agreements with a number of major international medical centers, which have substantial impact on improving the medical services provided by the Company to match those of international hospitals and medical centers. For more information, please refer to the "Legal Information" section.

5.1.8 Continuous Efforts to Become an Internationally Accredited Medical Center

The Company has sought to obtain the necessary international accreditation of its hospital network including JCI for quality assurance. The Company has already obtained the first accreditation for its hospital in Dammam from JCI in 2006. In addition to the Dammam hospital, Al-Qatif hospital obtained the JCI accreditation in late 2008, while the Jubail hospital obtained the accreditation in April 2009. Work is ongoing for the accreditation of the Company's other hospitals.

16 Source: GCH
17 Source: GCH

5.1.9 Comprehensive Services

The Company provides a wide range of medical services that ensure quality of services to its customers, which consequently supports the Company's capability to achieve stable income rates.

5.1.10 External Contacts Network

The Company has in place a wide external contacts network covering most Arab countries, Europe, Africa, and Canada, which has helped the Company in the recruitment of qualified human resources to work in its medical network.

- Ain Shams University, Egypt;
- King Hussein Medical City, Jordan;
- Royal Hospital for Sick Children NHS Trust Glasgow, UK;
- Montreal University, Canada;
- Parkway Health Care Eagle Glen Hospital, Singapore.

5.1.11 Extensively Experienced Management Team

The management team of the Company has:

- high qualification and competence in future planning in respect with the future demand for medical services;
- high capability in management of the medical network to ensure high quality of services provided;
- extensive experience in the area of financial and information systems that widely help the management with planning and control programs; and
- High capability of utilizing the modern facilities and methods in preparing estimates of the market volume and contribution percentage in both the short and long terms of the medical networks.

5.2 Future Plans

In order to achieve its goals, the Company plans to improve the way care is provided as part of the local health community. Some of the areas where changes are expected to occur are developing closer partnerships with other organizations in order to pursue a whole community approach to healthcare; offering the facility for all non-emergency patients to agree to a hospital appointment at their convenience; expanding the number of physicians, nurses, and allied health professionals as well as extending roles to develop multi-disciplinary treatment pathways.

The Company's future plans include the following key targets to be achieved over the next five years:

- Provide a complete range of primary health care services to the community;
- Obtain and maintain JCI accreditation for all hospitals;
- Provision of pharmaceutical services with a regional reputation in quality;
- Expansion of services to become the leading health care provider in the region;
- Prepare the organization for a paperless system;
- Increase the Company's market share of the healthcare services market by 5% relative to the current market share of 11%, 25%, and 4% of the outpatients and 15%, 14%, and 4% of the inpatients in Eastern Province, Madina, and Riyadh respectively, (for more information, please refer to the "Market Overview" section;
- Improve financial monitoring;
- Attract and retain qualified staff.

5.3 Future Prospects

In order to achieve the Company's future plans and meet the increasing demand for healthcare services in the Kingdom, the Company has plans to expand its current facilities and to establish new facilities in high potential areas as well as to offer new healthcare services. The following summarizes the key projects that the company is undertaking:

- Construction of a new hospital in Riyadh with a capacity of 175 beds and 65 outpatient clinics upon completion of the project. Initial commencement of the project is expected to be in 2013. This new hospital will have an area of around 40,000 m2. The Company has already identified and acquired the land on which the hospital will be built, and has already received approval from the Ministry of Health to build the new hospital;
- Establishing a dispensary in Dammam. The dispensary's area will be around 4,000 m2. The Company has already identified and acquired the 3,000 m2 land on which the hospital will be built, and has already received approval from the Ministry of Health to build the dispensary.

6 OPERATIONAL AND SUPPORT FUNCTIONS

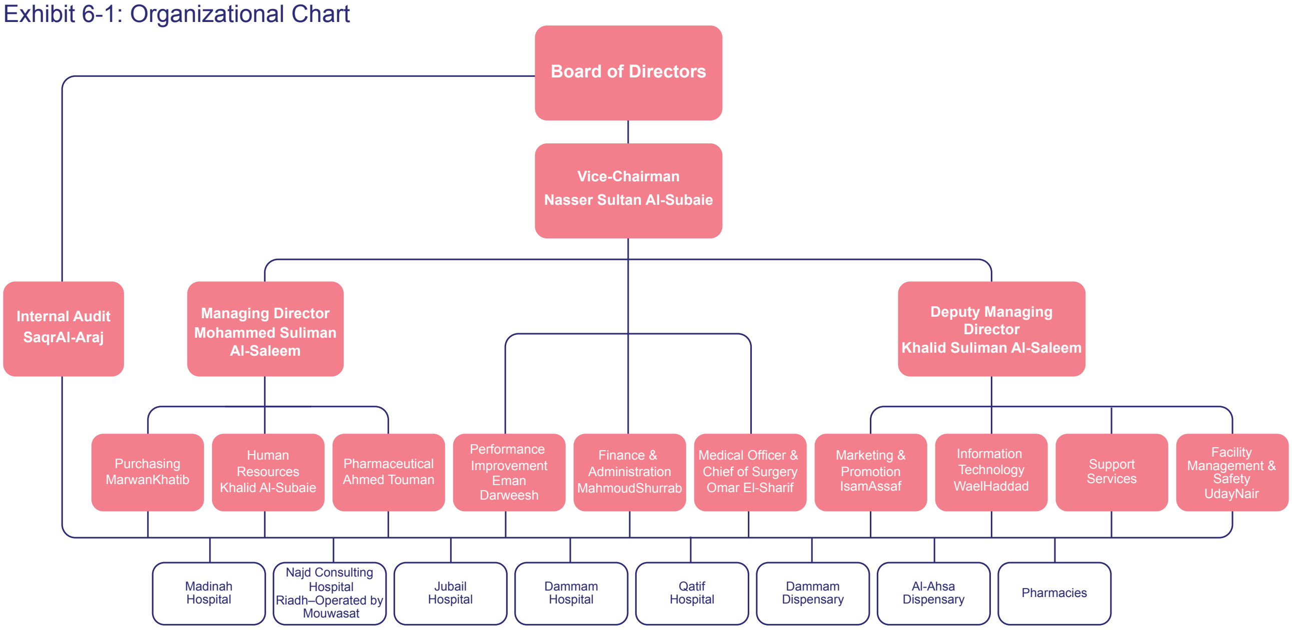
Mouwasat has developed an efficient operational and support structure with ten departments that manage the Company's operations and provide support to the Company's hospitals, dispensaries, and pharmacies. The management of each department consists of a team of experienced and capable professionals, who report either to the Vice-Chairman, Managing Director or Deputy Managing Director.

The ten departments of the Company are:

- Medical Affairs and Performance Management Department;
- Facility Management and Safety Department;
- Support Services Department;
- Pharmaceutical Department;
- Purchasing Department;
- Finance and Administration Department;
- Internal Audit Department ;
- Human Resources Department;
- Information Technology Department;
- Marketing and Promotion Department.

The finance and administration, medical affairs, and performance improvement departments report to the Vice-Chairman. The internal audit department reports directly to the Board of Directors. The purchasing, human resources, and pharmaceutical departments report to the Managing Director whereas the marketing and promotion, information technology, support services, facility management, and safety departments report to the Deputy Managing Director.

Exhibit 6-1: Organizational Chart



Source: Mouwasat

6.1 Medical Affairs and Performance Management Department

6.1.1 Medical Affairs Division

The objectives of the Medical Affairs division are to ensure that patients receive medical care and utilize the available resources with achievable goals. The main responsibilities of the Medical Affairs division are as follows:

- Identify internal and external customers of individual departments;
- Identify, evaluate, and implement the scope of service, practice, and governance of the individual departments;
- Identify key functions and processes of each department;
- Develop and implement department plans to establish standards by which performance can be evaluated to provide a sense of direction for each department by assigning responsibility and accountability for structure, process, and outcomes;
- Develop and implement targets for each of the standards;

- Collect data required by performance improvement division to allow quality control for performance improvement in each department;
- To support the performance improvement division in their data collection and other activities;
- Help formulate, introduce, and review policies and procedures regarding performance improvement;
- Monitor compliance with the performance improvement policies and procedures;
- Ensure that the best practices and regulations internationally recognized are taken into account when formulating and approving policies and procedures regarding performance improvement; and
- Ensure educational programs are valid with regard to current research and comply with international laws and regulations regarding safe practice.

6.1.2 Performance Improvement Division

The main responsibilities of the Performance Improvement division are as follows:

- To establish a comprehensive organization-wide improvement mechanism to maintain and improve the quality and safety of healthcare within the limitations of available resources and achievable goals;
- To provide a structure for coordinating and integrating the quality and safety improvement responsibilities of all professional, managerial, technical, and support staff in order to increase effectiveness, eliminate duplication of efforts and promote efficient utilization of staff and resources;
- To promote the provision of a comparable level of care and safety throughout Mouwasat hospitals and dispensaries;
- To integrate, analyze, and direct actions, based on information derived from sources and functions within Mouwasat hospitals and dispensaries, to improve the structure, system, and processes that affect patient care and safety, and service delivery throughout Mouwasat hospitals and dispensaries;
- To utilize external information sources representing “Best Practices” and “Standard of Care” in the design of system to improve service delivery outcomes. This includes incorporating the standard requirements of the Joint Commission International;
- To direct and promote the implementation of Mouwasat’s performance improvement model, Plan Do Check Act (PDCA);
- To assess and modify the performance improvement program, when necessary, to encourage better identification and resolution of challenges that significantly impact service delivery; and
- To provide complete, pertinent, and timely information to the Performance Improvement Committee to assist in the fulfillment of their responsibilities for quality/safety improvement commitment, prioritization, management, and oversight.

The Performance Improvement division works with the purpose to track, analyze, educate, and develop activities and data for the performance improvement and patients’ safety concerns of the Mouwasat hospitals and dispensaries.

6.2 Facility Management and Safety Department

The main responsibilities of the Facility Management and Safety department are as follows:

- To identify, assess, reduce, and control environmental hazards and risks including planning, educating, and monitoring;
- To prevent and control loss to the healthcare organization, its patients, visitors, volunteers, physicians, other healthcare professional, and employees;
- To maintain risk management statistics and files in compliance with accreditation requirements of the Joint Commission and other recognized agencies;
- To develop/coordinate and administer facility wide system for risk identification, investigation, and reduction;
- To perform risk surveys, inspect patient care areas, review facility and assess loss potential;
- To develop a special system through which reports related to unexpected events or complaints about the Company’s facilities are raised;
- To implement system that analyzes and provides information about patients’ safety and medical malpractice; and
- To participate in root cause analysis and investigation and to report adverse drug events to the appropriate parties.

6.3 Support Services Department

The Support Services department consists of three units; dietary, laundry and housekeeping units. The main responsibilities of each are as follows:

6.3.1 Dietary Unit

The main responsibilities of the Dietary unit are as follows:

- To provide the best nutrition care to patients;
- To educate and promote nutrition awareness;
- To continuously improve the patient care process in a cost effective manner;
- To educate, assess, and reassess patients' needs;
- To participate in the multidisciplinary activities (clinical rounds, discharge planning, and case review); and
- To plan menu and meal evaluation.

6.3.2 Laundry Unit

The main responsibilities of the Laundry unit are as follows:

- To provide cleaning of hospital linens, staff uniforms, lab coats, and tailoring services to meet the needs of the patients and staff;
- To remove dirt or soiling matter from fabrics without damage;
- To segregate the contaminated from non-contaminated linen;
- To maintain the protection of laundry equipment;
- To clean, handle, store, and transport linen according to proper protocols to minimize contamination from surface contact or airborne deposition;
- To ensure proper mixing and identification of cleaning solutions;
- To render tailoring services for the linen, staff uniforms, curtains, and furniture;
- To ensure storage of cleaning solution and chemicals; and
- To ensure disinfection of linens.

6.3.3 Housekeeping Unit

The main responsibilities of the Housekeeping unit are as follows:

- To create safe and healthy environment surfaces which comprises walls, counters, and furniture table tops;
- To use appropriate cleaning and disinfecting strategies for environmental surfaces in patient care areas;
- To follow manufacturers' cleaning instructions and recommendations procedures;
- To keep environmental surfaces (e.g. floors, walls, tables tops) visibly clean on a regular basis or as spills occur;
- To use a one step process and water/detergent or an Environmental Protection Agency registered hospital grade disinfectant/detergent;
- To clean and disinfect high-touch surfaces (e.g. doorknobs, bedrails, light switches, surfaces in and around toilets in patient room) on a more frequent schedule;
- To eliminate airborne transmission in operating and delivery rooms; and
- To clean ambulance cars in and out as per standard guidelines.

6.4 Pharmaceutical Department

The main responsibilities of the Pharmaceutical department are as follows:

- To ensure that the inpatient pharmacy facilities are provided with the required services in the setting of the hospital's commitment to keep pharmacy standards up to the current quality requirements;
- To utilize the department staffs' professional judgment and extend their responsibilities to include participation in programs with the safe handling of medication throughout the hospital, while working with other member of the healthcare team;
- To participate in medication use, review, and patient care audits;
- To provide safe and effective use of medicines in the hospitals;
- To ensure the department's staff legitimate role in each step of medication therapy in the hospital, which includes the promotion of rational therapeutics and improvement of patient care;
- To implement a clinical intervention program and redefine the role of pharmacists in minimizing preventable adverse drug events and applying cost-effectiveness drug therapy; and
- To facilitate discharge planning by arranging meeting with patients' family to discuss patient's medical condition and home situation. This will help in reducing the risk of deterioration of patient's condition and the chance of readmission with similar diagnoses.

6.5 Purchasing Department

The main responsibilities of the Purchasing department are as follows:

- To streamline the ordering process of supplies which will be used in the department (e.g., Nursing, Medical, Support Services departments);
- To process requests for new non-stock items by new, permanent or locum staff;
- To ensure efficient utilization of new materials requested by medical staff;
- To provide all units with the necessary materials to assure continuity of quality care;
- To provide staff members with the supplies essential to perform their duties;
- To establish procedure for obtaining required materials from the warehouse outside of normal working hours, on holidays, and Fridays;
- To assist in the procurement of all necessary materials to meet the operational needs of the hospital;
- To purchase materials from any technically qualified vendor or manufacturer;
- To receive ordered materials from the manufacturers and record them on the computerized inventory record system and store accordingly at optimal storage condition with regards to temperature and humidity;
- To provide a process for inventory evaluation and control; and
- To provide the units with an automated system for monitoring the expiry dates of the unit medical supplies and the pre-packages supplies.

6.6 Finance and Administration Department

The main responsibilities of the Finance and Administration department are as follows:

- The department is responsible for all matters related to the financial liabilities of the Company;
- To establish a comprehensive and well-defined accounting practices to ensure proper recording of all transactions of business;
- To provide all the concerned stakeholders a full and fair picture of the transactions the Company entered into;
- To administer the timely “state of affairs” for the concerned parties for all financial proceedings in the Company’s business;
- To align the financial discipline with the current and possible future market practices of Company;
- To ensure the accounting transactions are performed in line with the Saudi Accounting standards;
- To submit reports to the Company’s management; and
- To submit reports annually to identify indicators for management.

6.7 Internal Audit Department

The Internal Audit department follows an independent internal audit practice. The department has spread its activity all over the Company’s departments and units. The department functions autonomously and reports directly to the Board of Directors.

The department plays a crucial role in many aspects of the business and aims to achieve the following:

- Ensure that the Company’s policies and procedures have been put in operation with major focus on transactions having financial and administrative implications;
- Ensure that internal policies and procedures relevant to financial tasks have been put into operation, primarily payroll, inventory management, revenue capturing, pricing applications, receivables and payables control, and general ledger accounting process;
- Ensure that financial books are closed on monthly basis at stipulated dates;
- Liaison with external auditors at corporate level for completion of audit and ensure recommendations are taken into consideration all over the Company;
- Prepare budgets at unit level, have alignment at corporate level, and ensure the proper practice of the budget;
- Report on a monthly basis to the Board of Directors on significant areas of variances and importance from the administrative and financial implication point of view as to ensure that financial results are in alliance with the projections; and
- Participate in analysis of utilization of resources.

6.8 Human Resources Department

The main responsibilities of the Human Resources department are as follows:

- To employ qualified, well-trained, and experienced medical, nursing, paramedical, and administrative staff;
- To develop job descriptions for all categories which are reviewed periodically;
- To develop and maintain a decentralized staff scheduling system;
- To establish a communication system based upon the organizational chart reporting relationship;
- To ensure hospital information is disseminated to all new arrivals through an orientation program;
- To conduct periodic performance evaluation through heads of department with main focus on strengths and weaknesses of employees;
- To maintain a record and conduct 90-days probationary evaluation (performance appraisal);
- To perform credentialing by way of contacting the individuals, authorities, and institutions in order to be able to ensure the authenticity of the submitted certificates and testimonials;
- To ensure that all the medical nursing staff are properly licensed to practice their duties;
- To ensure compliance with Saudization requirements as stipulated by respective governmental bodies;
- To maintain confidentiality of the employees personnel data using OASIS Personnel Module and Mouwasat policy and procedure; and
- Prepare and maintain salary tables.

6.9 Information Technology Department

6.9.1 Responsibilities and Objectives

The Information Technology ("IT") Department of Mouwasat is considered an integral part of the Company's operational efficiency. The main responsibilities of the IT Department is to develop and update the Company's management information plan, manage and upgrade the information systems, manage information in order to improve hospital performance in patient care, governance, and support management process by providing and designing information to be accurate, reliable, timely, and above all easily accessible to produce high quality information.

The main objectives of the IT Department are to reduce medical errors and improve patient safety, reduce duplication and patient waiting time, adopt a paperless environment, accelerate the adoption of information technology, improve the human and technological infrastructure and assess the data captured and collected as well as to guarantee confidentiality and security of patient health information.

6.9.2 Information System Modules / Programs

The following represents the Company's information system modules.

Administrative & Personnel Modules / Programs: The administrative and personnel modules consist of system setup & security, personnel records, payroll system, staff scheduling, and checklists modules.

Financial Modules / Programs: The financial modules consist of patient order processing (billing), patient contracts, stores / inventory management, purchasing, patient account, accounts payables, cash book, general ledger, budget, and fixed assets modules.

Patient Modules / Programs: The patient modules consist of patient master index, medical records, accident and emergency, clinics/outpatient department scheduling, in-patient management, and planned admission modules. Doctor desktop and dietary modules implementation is currently in process.

Departmental Modules / Programs: Apart from the above modules, the departmental modules ensure independent modules for departments like radiology, pharmacy, operating room, delivery room, endoscopy, laboratory, and biomedical maintenance modules.

6.9.3 Disaster Recovery Plan

Over time, IT services have become critical to performing the mission of Mouwasat. As a result of this ever-increasing reliance on technology, IT services require a comprehensive disaster recovery plan to assure these services can be re-established quickly and completely in event of a disaster. The primary objective of the Company's disaster recovery plan is to help ensure Mouwasat business continuity by providing the ability to successfully recover computer services in the event of a disaster.

The disaster recovery action plan is composed of a number of sections that document resources and procedures to be used in the event of a disaster affecting computing and networking services. Each supported computing platform has a section containing specific recovery procedures. Systems are regularly backed up on a seven day schedule Saturday through Friday. Backups are a daily procedure and the backup data is stored in a disaster proof location to recover in case a disaster happens.

Mouwasat is currently using one of Oracle's most stable and advanced backup procedure called Recovery Manager (RMAN) as a primary backup and secondary backup system (export utility).

6.10 Marketing and Promotion Department

The Company's Marketing and Promotion department's main responsibility is to identify and target a specific segment of the local market. Efforts are initially concentrated to provide the best possible services in order to retain customers. Once an identified segment is captured, efforts are then focused on increasing the existing customer base as well as identifying new segments to achieve growth and to diversify customer base. The Company has successfully identified new locations, new specialties, and new target markets due to successful market analysis.

Marketing and promotion efforts of the Company include a pricing strategy. Since 1997, the Company has initiated a package deal for the most common surgical services and deliveries. These prices are approved by the management and are considered as general package deals. Currently Mouwasat Hospital in Dammam has general package deal prices for 50 of the most common procedures. New package deals are created based on demand and their prices reflect the cost of offering the relevant services.

7 CORPORATE STRUCTURE

7.1 Directors

The Company's Board of Directors (the "Board") is currently comprised of 8 members. The Company intends to apply to the Ministry of Commerce and Industry to convene an Extraordinary General Assembly approving to increase the composition of the Board to 9 members. The following is a brief description of each of the Board members:

Exhibit 7-1: Mouwasat Board of Directors

Name	Title	Shares	Ownership[18]	Status
Mohammed Sultan Al-Subaie	Chairman	6,250,000	25.00%	Not independent and non-executive
Nasser Sultan Al-Subaie	Vice Chairman	6,250,000	25.00%	Not independent and executive
David Anthony Price[19]	Member	2,500,000	10.00%	Not independent and non-executive
Abdulaziz Saad Al-Mangoor	Member	267,857	1.07%	Independent and non-executive
Ibrahim Hamad Al-Babtain	Member	163,155	0.65% [20]	Independent and non-executive
Mohammed Suliman Al-Saleem	Member	1,700	0.10%	Not independent and executive
Khalid Suliman Al-Saleem	Member	1,700	0.10%	Not independent and executive
Khalid Mohammed Al-Subaie	Member	1,700	0.10%	Not independent and executive
Vacant	Member	TBD	TBD	Independent and non-executive

Source: Mouwasat

Mr. Mahmoud Suliman Shurrab (Age 53; Jordanian) is the secretary of the Board and is not a shareholder in the Company.

7.1.1 Resumes of Directors

The resumes of the Board of Directors members are illustrated below:

Mr. Mohammed Sultan Al-Subaie:

- Age: 62;
- Nationality: Saudi;
- Position: Chairman;
- Education: He holds a certificate from the General Management Institute in Dammam (1977);
- Experience: Mr. Al-Subaie has been Chairman of the Board of the Company since its inception.

Mr. Nasser Sultan Al-Subaie:

- Age: 54;
- Nationality: Saudi;
- Position: Vice-Chairman;
- Education: He holds a certificate in managing health organizations from California State University in USA and has attended numerous seminars and courses pertaining to managing health organizations during the period 1979-1986;
- Experience: Was the health service manager for Haii clinics in Jubail between 1979 and 1988 for the Royal Commission project in Jubail and later joined Mouwasat as the general manager. He supervises the planning and implementation of the Company's projects. He is a member of the health committee of the Council of Chamber of Commerce in the Kingdom. He is also an active member of CCHI.

Mr. David Anthony Price:

- Age: 45;
- Nationality: British;
- Position: Director;
- Education: He holds a Bachelor of Commerce degree from University of Western Australia (1985);
- Experience: He is an associate in the Institute of Chartered Accountants of Australia. Mr. Price has been a Managing Director of Private Equity for HSBC's private equity business for the Middle East since 2001. Previously, he held many positions such as a partner in Redwood Company for three years starting in 1998 and was the head of debt finance in Bahrain International Bank (1992-1998). He has been involved in the structuring and managing of an investment in private equity transactions in both Europe and the Middle East for over 14 years. He represents Tala Trading WLL, Bahrain.

18 Directors shares and ownership prior the Initial Public Offering
19 David Price represents Tala Trading WLL, a shareholder with 2.5 million shares ownership prior to IPO
20 The indirect ownership of Ibrahim Hamad Al-Babtain is around 0.06% since he owns 2.43% of Al-Babtain Power & Telecommunication Company which owns 2.51% of Mouwasat. Therefore, his direct and indirect ownership amounted to 0.71% of Mouwasat's share prior to the offering. Other than Ibrahim, no member of the board has any indirect ownership in Mouwasat.

Mr. Abdulaziz Saad Al-Mangoor:

- Age: 58;
- Nationality: Saudi;
- Position: Director;
- Education: He holds a BBA from the University of Washington – Seattle, USA (1976);
- Experience: Mr. Al-Mangoor is the owner of Abdulaziz Al-Mangoor Trading Establishment which was established in 1978, and is the general manager of the Saad Saleh Al-Mangoor Trading Establishment. Mr. Al-Mangoor has been a member of the Board of Arabian Company for Pipes since 1996, and a member of the Trade Committee of the Chamber of Commerce and Industry of the Eastern Province since 1997. Mr. Al-Mangoor is also a former member of the Touristic Projects Company in 1990 and of Tarfeeh Company in 1993.

Mr. Ibrahim Hamad Al-Babtain:

- Age: 42;
- Nationality: Saudi;
- Position: Director;
- Education: He holds a Diploma in Management from the Commercial Institute in Riyadh (1987);
- Experience: Mr. Al-Babtain has 19 years of experience in Al-Babtain Power & Telecommunication Company in different positions as purchasing manager, human resource manager, deputy general manager of engineering industries, general manager of Al-Babtain Carton Company, and Al-Babtain Engineering Industries. In 2003, He became a member of the Board of Al-Babtain Power & Telecommunication Company. Mr. Al-Babtain also served as member of metal Industries Committee at the Riyadh Chamber of Commerce between 1996-2001.

Mr. Mohammed Suliman Al-Saleem:

- Age: 43;
- Nationality: Saudi;
- Position: Managing Director;
- Education: He holds a Bachelor degree in Accounting from King Saud University (1989);
- Experience: He joined the Company in 1989 where he held various positions; Administrative Manager during the period 1989-1994, Executive Director during the period 1995-2002 and the Managing Director since 2003 to date. He is a board member of Mouwasat International Company , a board member of Advanced Medical Projects Company, a member of the Board of Trustees of the Arabian Administrative Hospital Committee in UAE, and member of Arabian Human Resources Management Society.

Mr. Khalid Suliman Al-Saleem:

- Age: 42;
- Nationality: Saudi;
- Position: Deputy Managing Director;
- Education: He holds a management diploma from Rice University, Houston, USA (1992);
- Experience: He joined the Company in 1993 as Deputy Administrative Manager. He has been the Deputy Managing Director since 2003 to date. He is currently a member of the Hospitals Committee in the Riyadh Chamber of Commerce.

Mr. Khalid Mohammed Al-Subaie:

- Age: 29;
- Nationality: Saudi;
- Position: Director;
- Education: He holds a bachelor degree in marketing from Delmon University Bahrain (2006) and is now in the process of obtaining a Master degree in International Business from New York Institute of Technology on a part time basis;
- Experience: He joined the Company in 2002 as Human Resource Manager in Dammam hospital.

7.2 Senior Management

Mouwasat's management is comprised of qualified and experienced members with necessary knowledge and expertise to run the Company's business. The Company is successful in retaining its senior management team and in developing qualified employees and promoting them to senior positions in the Company. The management of each department reports either to the Vice-Chairman, Managing Director or Deputy Managing Director. Provided below is a description:

Exhibit 7-2: Mouwasat Senior Management

Name	Title	Nationality	Age	Shares	Ownership[21]
Mohammed Suliman Al Saleem	Managing Director	Saudi	43	1,700	0.01%
Khalid Suliman Al-Saleem	Deputy Managing Director	Saudi	42	1,700	0.01%
Mahmoud Suliman Shurrab	Chief Finance & Administration Officer	Jordanian	53	-	-
Saqr Mohammed Al-Araj	Chief Internal Audit Officer	Jordanian	36	-	-
Marwan Toufiq Khatib	Chief Central Procurement Officer	British	63	-	-
Omar Fadlalla El-Sharif	Chief Medical Officer and Chief of Surgery	Sudanese	52	-	-
Eman Ahmed Darweesh	Performance Improvement Manager	Palestinian	36	-	-
Therese Douchette Morien	Chief Nursing Officer	Canadian	67	-	-
Uday Chandran Nair	Chief Facility Engineer	Indian	53	-	-
Khalid Mohammed Al-Subaie	Manager of Human Resources	Saudi	29	1,700	0.01%
Isam Younis Assaf	Marketing Manager	Jordanian	48	-	-
Wael Hanna Haddad	IT Manager	Jordanian	38	-	-
Mushairy Mohammed Al-Subaie	Administrative Manager	Saudi	23	1,700	0.01%
Amin Mahmoud Nimer	Chief Executive Officer - Dammam Hospital	Jordanian	52	-	-
Nasr Shafiq Boulos	Chief Operating Officer - Riyadh Hospital	Sudanese	61	-	-
Mohammed Yosri Al-Farshooti	Chief Operating Officer - Madina Hospital	Egyptian	60	-	-
Hisham Abdul Hady Abdulfattah	Chief Operating Officer - Al-Qatif Hospital	Egyptian	49		
Adnan Soliman Khalil	Chief Operating Officer - Jubail Hospital	Syrian	46	-	-
Osama Saber Mustafa	Chief Medical Officer – Dammam Dispensary	Egyptian	53	-	-
Nawwar Anwar Sa'ad Aldein	Chief Medical Officer - Al-Ahsa Dispensary	Syrian	39	-	-
Ahmed Abdulfattah Touman	Chief Pharmacist	Palestinian	55	-	-

Source: Mouwasat

7.2.1 Executive Management Committee

The executive management of Mouwasat is spearheaded by an Executive Management Committee, the duties and responsibilities of which include the following:

- Approve operating policies;
- Approve the units strategic and operational plans;
- Approve the units operating budget and resource allocation;
- Assign Hospital Chief Operating Officer and approve the assignments of other key personnel;
- Review the performance improvement activities and patient safety efforts;
- Identify, evaluate, and implement the scope of services, practice, and governance of Mouwasat hospitals;
- Supervise the medical activities of the Mouwasat medical services.

The Board appoints the chairman and members of the Executive Management Committee and specifies the number of committee members and the required quorum of meetings. In accordance with the directions and guidelines prescribed by the Board from time to time, this committee may exercise all of the powers authorized by the Board. The Executive Management Committee may not revoke or alter any of the resolutions adopted, or rules laid down, by the Board of Directors.

21 Senior Management's shares and ownership prior to the Initial Public Offering, none of them have any direct investment in the Company.

The Executive Management Committee is comprised of the following:

Exhibit 7-3: Executive Management Committee

Role	Name
Chairman	Nasser Sultan Al-Subaie
Co-Chairman	Mohammed Suliman Al-Saleem
Member	Khalid Suliman Al-Saleem
Member	Mahmoud Suliman Shurrab
Member	Amin Mahmoud Nimer
Member	Marwan Toufiq Khatib
Member	Mushairy Mohammed Al-Subaie

Source: Mouwasat

7.2.2 Resumes of Senior Management

The resumes of the senior management team of the Company are as summarized below:

Mr. Mohammed Suliman Al-Saleem: Summarized previously, see page 42.

Mr. Khalid Suliman Al-Saleem: Summarized previously, see page 42.

Mr. Mahmoud Suliman Shurrab:
- Age: 53;
- Nationality: Jordanian;
- Position: Chief Finance & Administration Officer;
- Education: He holds a Bachelor degree in Commerce from Cairo University (1978);
- Experience: He joined Mouwasat in 1980 where he was the chairman of the planning and budgeting committee and the chairman of the cost control committee for Dammam hospital. During his employment with Mouwasat, he attended more than 20 training courses covering various health related topics; such as health care management, financial management, health care cost control, bench marking analysis, and strategic planning. Currently, his responsibilities include the fiscal management and planning, development projects, and direction and evaluation of strategic planning of the Company. Additionally, Mr. Shurrab is tasked with reviewing and analyzing best means for cost allocation. He initiates specially tailored studies and advises on Company's expansion projects that require significant capital expenditures, key Company acquisitions, and any new service or training course to be introduced. Mr. Shurrab also develops and coordinates annual operating plans, manpower budget, and allocation and he directly reports to the Vice-Chairman of the Company.

Mr. Saqr Mohammed Al-Araj:
- Age: 36;
- Nationality: Jordanian;
- Position: Chief Internal Audit Officer;
- Education: He holds a Bachelor degree in accounting from University of Jordan (1996);
- Experience: Prior to joining the Company, Mr. Saqr was the Chief Internal Auditor in Ghassan Al-Nemer Holding Group in Dammam for the period 2007 – 2009. He also held the position of chief of internal audit for Al-Rashed Trading and Contracting Company in Riyadh for the period 2000 – 2007.

Mr. Marwan Toufiq Khatib:
- Age: 63;
- Nationality: British;
- Position: Chief Central Procurement Officer;
- Education: He holds a Bachelor of Science degree with Honors in Pharmacology from the University of Sunderland, UK (1974) and post graduate diploma in Purchase and Supply Management from St. Helens Management Center, UK (1977);
- Experience: Prior to joining Mouwasat hospital in Dammam in 1988, he worked as Business Manager and Hospital Planning/Commissioning Officer with the Ministry of Health, UK and Director of Material Management with Royal Commission of Jubail & Yanbu during the period 1980-1982.

Dr. Omar Fadlalla El-Sharif:
- Age: 52;
- Nationality: Sudanese;
- Position: Chief Medical Officer and Chief of Surgery – Dammam;
- Education: He holds a Master of Medicine and Surgery (M.B.B.S) degree from Khartoum University (1980) and is a Fellow of the Royal College of Surgeons (1989);
- Experience: Prior to joining Mouwasat in Dammam in 1996, Dr. El-Sharif was a faculty member of Khartoum University during the period 1975-1981 and was the Chief of Surgery at Royal Commission of Al-Jubail Industrial City Hospital during the period 1994-1995.

Ms. Eman Ahmed Darweesh:
- Age: 36;
- Nationality: Palestinian;
- Position: Performance Improvement Manager;
- Education: She holds a Bachelor degree in Medicine from King Saud University and a PHD in Medical Care from Washington University, USA (2009);
- Experience: Ms. Eman has been working for Mouwasat for 14 years, where she progressed to be Performance Improvement Manager.

Ms. Therese Douchette Morien:
- Age: 67;
- Nationality: Canadian;
- Position: Chief Nursing Officer;
- Education: She holds a Bachelor degree in Nursing from the University of Quebec-Canada (1987);
- Experience: Prior to joining Mouwasat hospital in Dammam in 1988, she worked as Assistant Head Nurse in Quebec, Saint Sacrement Hospital for a period of ten years.

Engr. Uday Chandran Nair:
- Age: 56;
- Nationality: Indian;
- Position: Chief Facility Engineer;
- Education: He holds a Bachelor of Science degree in Engineering from Calicut University, India (1976);
- Experience: Prior to joining Mouwasat hospital in Dammam in 1985, he worked with Vijaya Electrics as Project Engineer during the period 1977-1984.

Mr. Khalid Mohammed Al-Subaie: Summarized previously, see page 42.

Mr. Isam Younis Assaf:
- Age: 50;
- Nationality: Jordanian;
- Position: Marketing Manager;
- Education: He holds a Bachelor degree in Psychology from the University of Jordan (1982);
- Experience: Prior to joining Mouwasat hospital in Dammam in 1989, he worked with Al-Hussan Group during the period 1984-1989.

Engr. Wael Hanna Haddad:
- Age: 38;
- Nationality: Jordanian;
- Position: IT Manager;
- Education: He holds a Bachelor of Science degree in Computer Science from Yarmouk University (1992) and a Master degree in Information Systems from the Arab Academy of Banking and Finance Services, Jordan (2001);
- Experience: Prior to joining the Company in 2004, he worked in various positions with the Ministry of Interior in Jordan and with Jordan Telecom Company as Programmer, Integrator Engineer, System Analyst, and Project Manager during the period 1994-2004.

Mr. Mushairy Mohammed Al-Subaie:
- Age: 23;
- Nationality: Saudi;
- Position: Administrative Manager;
- Education: He is pursuing a Business Administration degree from the University College of Bahrain;
- Experience: He joined the Company in 2006 as an Administrative Manager in Mouwasat Hospital in Dammam.

Dr. Amin Mahmoud Nimer:
- Age: 52;
- Nationality: Jordanian;
- Position: Chief Executive Officer - Dammam Hospital;
- Education: Dr Nimer holds a Bachelor of Medicine and Surgery (M.B.B.Ch) from Tanta University in Egypt (1980);
- Experience: Prior to joining Mouwasat hospital in Dammam in 1985, he served as Senior Physician with Makased Hospital in Jerusalem, Palestine from 1982-1984 and as Chief Physician for Palestine Friend Society, Ramallah during the period 1981-1982.

Dr. Osama Saber Mustafa:
- Age: 53;
- Nationality: Egyptian;
- Position: Chief Operating Officer - Dammam Dispensary;
- Education: He holds a Ph.D in Business Administration from the American University of London (2000), a M.B.B.Ch from Assist University, Egypt (1981) and a Master degree in Sociology in Social Science from the University of Birmingham, UK (1990);
- Experience: Prior to joining the Company in 1992, Dr. Mustafa worked with Asiut University Hospital, Cairo as Orthopedic Specialist from 1990-1992.

Dr. Hisham Abdul Hady Abdulfattah:
- Age: 49;
- Nationality: Egyptian;
- Position: Chief Operating Officer - Al-Qatif Hospital;
- Education: He holds a Bachelor of Medicine and Surgery (M.B.B.Ch) degree from Ein Shams University, Egypt (1983) and a Master Degree in Orthopedic Surgery from Ein Shams University, Egypt (1990);
- Experience: Prior to joining the Company in 1997, he worked at Al-Salaam Hospital, Cairo as Orthopedic Specialist from 1990-1997.

Dr. Adnan Soliman Khalil:
- Age: 46;
- Nationality: Syrian;
- Position: Chief Operating Officer - Jubail Hospital;
- Education: He holds a Bachelor of Medicine and Surgery (M.B.B.S.) degree (1986) and a post-graduate degree in Pediatrics (1990) from Damascus University;
- Experience: He joined Mouwasat dispensary in Jubail in 1993 as Medical Director.

Dr. Mohammed Yosri Al-Farshooti:
- Age: 60;
- Nationality: Egyptian;
- Position: Chief Operating Officer - Madina Hospital;
- Education: He holds a Bachelor of Medicine and Surgery degree from Cairo University (1973);
- Experience: Prior to joining Mouwasat dispensary in 2007 Dr. Al-Farshooti held the position of Consultant and Chief of Gynecology in One-Day-Surgery Hospital in Cairo.

Dr. Nasr Shafiq Boulos:
- Age: 61;
- Nationality: Sudanese;
- Position: Chief Operating Officer - Riyadh Hospital (Najd Consulting Hospital);
- Education: He holds a Bachelor of Medicine and Surgery (M.B.B.Ch) degree from Cairo University (1972) and is a Primary Fellow of the Royal College of Surgeons (F.R.C.S.) from Ireland (1987);
- Experience: Prior to joining Mouwasat dispensary in 1980 in Haii clinics in Jubail, he worked at various government hospitals in Sudan and Saudi Arabia.

Dr. Nawwar Anwar Sa'ad Aldein:
- Age: 39;
- Nationality: Syrian;
- Position: Chief Medical Officer - Al-Ahsa Dispensary;
- Education: He holds a Bachelor of Medicine and Surgery degree and a Master degree from Al-Asad University, Syria (1998, 2000 respectively);
- Experience: Prior to joining Mouwasat dispensary in 2001, Dr. Nawwar was a General Surgeon in Al-Qerdaha hospital and served as a General Surgeon Specialist in Mouwasat hospital in Madina and in Mouwasat's Al-Ahsa dispensary.

Dr. Ahmed Abdulfattah Touman:

- Age: 55;
- Nationality: Jordanian;
- Position: Chief Pharmacist;
- Education: He holds a Bachelor of Science degree in Pharmacy from Cairo University (1977);
- Experience: Prior to joining the Company in 1997, he worked as Director of Pharmacy at King Abdulaziz University Hospital in Jeddah during the period 1984-1997.

7.3 Corporate Governance

The Company's policy is to adopt high standards of corporate governance through implementing a clear description of the Board's and the executive management's responsibilities. Defining the Company's mission, goals, strategic objectives, and providing guidelines while assuring the efficiency and effectiveness of the overall planning system are the key roles of the Company's Board of Directors.

The Company's internal control systems have been adopted in all its departments. Currently, Mouwasat has two corporate governance committees: Internal Audit Committee and Nomination and Remuneration Committee, which are in place to review the Company's operations within their particular areas of expertise and present their reports on their findings and suggestions to the Board.

7.3.1 Internal Audit Committee

The Internal Audit Committee oversees financial, risk management, and internal controls aspects of the Company's operations. Its responsibilities include the review and discussion of the Company's interim and annual financial statements. The Internal Audit Committee oversees the Company's external auditors, reviews the effectiveness of external and internal audit, and has the authority to engage such external experts as it feels necessary in order to fulfill its obligations of stewardship on the financial affairs of the Company.

The Audit Committee has the responsibility of reviewing the effectiveness of the Company's system of internal controls, accounting information systems, and finance department competencies and capabilities in light of compliance with generally accepted accounting standards.

The duties and responsibilities of the Internal Audit Committee also include the following:

- Assign the external auditors and recommend their compensation to the Board;
- Review the comments of the external auditors on the annual financial statements and follow-up on the decisions have been taken relative to the comments;
- Review the financial statements prior to presenting them to the Board;
- Supervise the Company's internal auditing department to verify its efficacy in discharging the tasks and duties assigned to it by the Board of Directors;
- Review the internal auditing system and draft a written report and its recommendations thereon;
- Review and comment on the audit plan with the external auditor; and
- Review and comment on the applicable accounting policies and provide the Board with recommendations thereon.

The existing Internal Audit Committee is comprised of the following directors:

Exhibit 7-4: Internal Audit Committee

Role	Name
Chairman	Mr. Mohammad Sultan Al-Subaie
Member	Mr. David Anthony Price
Member	Mr. Ibrahim Hamad Al-Babtain

Source: Mouwasat

7.3.2 Nomination and Remuneration Committee

The Board of Directors has formed from among its members a Nomination and Remuneration Committee, the duties of which include the following:

- Recommend nominations to the Board, taking care not to nominate any person who has been found guilty of a crime;
- Annually review the requirements of the appropriate skills needed for the Board membership and generate a description of the capabilities and qualifications required for the membership of the Board, including the time that a Director is required to dedicate to the Board's functions;

- Review the structure of the Board of Directors and submit recommendations on potential changes;
- Identify the vulnerabilities and strengths of the Board of Directors and propose remedies that are consistent with the Company's interests;
- Verify annually the independence of the independent Directors and the absence of any conflict of interests if the Director serves as an incumbent Director to the board of another Company; and
- Draw up clear policies for the remuneration of the board Directors and senior executives, using performance criteria in the determination of such remunerations.

The existing Nomination and Remuneration Committee is comprised of the following Directors:

Exhibit 7-5: Nomination and Remuneration Committee

Role	Name
Chairman	Mr. Nasser Sultan Al-Subaie
Member	Mr. Mohammed Suliman Al-Saleem
Member	Mr. Ibrahim Hamad Al-Babtain

Source: Mouwasat

7.4 Services Contracts

The members of the Mouwasat Board are appointed by the General Assembly. The Board member's responsibilities are governed by the Company's bylaws and the Board charter. The following is a summary of the service contracts, duties, and responsibilities of the Board members and the Managing Director/ Deputy Managing Director.

7.4.1 Chairman of the Board

Duties and Responsibilities

- Ensure the clarity of the Board's functions, framework of duties, and the basis for the division of responsibilities;
- Ensure the clarity and precision of the Board's business plan and priority of topics brought before the Board;
- Ensure that the Board's responsibilities adhere to and fulfill the vision and strategy of the Company;
- Lead the Board in selecting Managing Director/Deputy Managing Director who will be responsible for the administration of the Company;
- Support the Committees through administrative guidance and performance evaluation;
- Vote over the appointment of senior management and executive officers; and
- Assess the performance of the Board members.

Allowances

The Chairman of the Board will be eligible for a meeting allowance of SAR 3,000 per Board meeting.

Duration

The Chairman's duration of service is determined in accordance with the Company's bylaws, which is 3 years. As an exception, the current Board has a duration of five years and will expire on 4 January 2011.

7.4.2 Directors

Duties and Responsibilities

- Approve the mission and vision statements;
- Participate in the overall direction and planning of the Company's future plans;
- Ensure effective implementation of policies and objectives of the Company;
- Participate in determining the Company's priorities and monitor the effective and efficient utilization of the Company's assets;
- Vote over the appointment of senior management and executive officers;
- Assist in evaluation and assessment of the executive officers and Board members; and
- Assess the Board's own performance.

Allowances

Non-Executive Directors will be eligible for a meeting allowance of SAR 3,000 per Board meeting whereas Executive Directors will be eligible for a meeting allowance of SAR 1,500 per Board meeting.

Duration

The Directors duration of service is determined in accordance with the Company’s bylaws, which is 3 years. As an exception, the current Board has a duration of five years and will expire on 4 January 2011.

7.4.3 Managing Director/ Deputy Managing Director

Duties and Responsibilities

- Managing both the administrative and technical aspect of the Company;
- Optimizing resource utilization;
- Achieving objectives and meeting targets;
- Coordinating and planning with the different divisions to meet budget targets;
- Recommending and implementing policies and strategies to achieve the objectives of the Company;
- Monitoring on the Company’s activities and providing administrative and technical support to the senior management;
- Communicating decisions of the senior management and the Board and monitoring their implementation;
- Supporting the strategic planning division;
- Supporting quality control activities and fostering a quality oriented culture; and
- Executing Board resolutions.

Allowances

The Managing Director and Deputy Managing Director will be eligible for a meeting allowance of SAR 1,500 each.

Duration

The Managing Director and Deputy Managing Director duration of service is determined by a renewable annual employment contract for one full Gregorian year (starting on January 1st and ending on December 31st), automatically renewable by the Board.

7.4.4 Declaration in Respect of Directors and Key Officers

The Directors, Managing Director, Deputy Managing Director and the Chief Finance and Administrative Officer declare that they:

- Have not at any time been declared bankrupt or been subject to bankruptcy proceedings; and
- Do not themselves, nor do any relatives or affiliates, have any material interest in any written or verbal contract or arrangement in effect or contemplated at the time of the Prospectus, which is significant in relation to the business of the Company.

The Management of Mouwasat confirms that Mouwasat is committed to apply articles 69 and 70 of the Companies Regulations issued by the ministry of commerce and industry which provide that:

- All related party contracts are to be voted for in the ordinary general assembly; and
- The Founding Shareholders and the Board of Directors declare not to participate in any competitive business with that of the company, or engage in any of the commercial activities carried on by the Company or deal with related parties on commercial basis.

7.4.5 Remuneration of Directors and Senior Management

Total paid compensation to the Board of Directors for the years ended 31 December 2006, 2007 and 2008 amounted to SAR 2.3 million, SAR 2.3 million, and SAR 2.3 million, respectively.

Total remuneration of the Company’s executive management for the years ended 31 December 2006, 2007 and 2008 amounted to SAR 3.9 million, SAR 4.5 million, and SAR 5.7 million, respectively.

Moreover, the Directors and the Managing Director do not have any powers enabling them to vote on remuneration to themselves. The Directors and senior management of the Company do not have any powers to borrow from the Company.

7.5 Employees

The Company has documented and detailed recruitment policies to ensure the recruitment and retention of qualified personnel. These policies are consistent with the Company’s goal of delivering the best quality services to its customers. Mouwasat employs a total of 2,389 staff as of 31 December 2008 at various facilities. Staff profile at Mouwasat units is as follows:

Exhibit 7-6: Number of Employees

	Saudis				Non-Saudis				Total				
	Senior Management	Doctors	Nurses & Technicians	Administrative	Senior Management	Doctors	Nurses & Technicians	Administrative	Senior Management	Doctors	Nurses & Technicians	Administrative	Total
31 Dec 2008													
Dammam Hospital	2	0	19	127	3	112	392	276	5	112	411	403	931
Madina Hospital	1	1	7	48	1	58	147	56	2	59	154	104	319
Jubail Hospital	1	0	5	54	1	64	213	134	2	64	218	188	472
Al-Qatif Hospital	1	0	29	105	1	60	187	94	2	60	216	199	477
Dammam Dispensary	1	0	0	19	1	25	43	16	2	25	43	35	105
Al-Ahsa Dispensary	1	0	0	19	1	19	33	12	2	19	33	31	85
Total as of 31 Dec 2008	7	1	60	372	8	338	1,015	588	15	339	1,075	960	2,389
31 Dec 2007													
Dammam Hospital	2	0	14	113	3	99	403	281	5	99	417	394	915
Madina Hospital	1	1	8	49	1	58	158	64	2	59	166	113	340
Jubail Hospital	1	1	3	50	1	65	231	112	2	66	234	162	464
Al-Qatif Hospital	1	2	25	99	1	55	160	108	2	57	185	207	451
Dammam Dispensary	1	0	0	15	1	21	40	13	2	21	40	28	91
Al-Ahsa Dispensary	1	0	0	17	1	18	33	12	2	18	33	29	82
Total as of 31 Dec 2007	7	4	50	343	8	316	1,025	590	15	320	1,075	933	2,343
31 Dec 2006													
Dammam Hospital	2	0	16	119	3	95	382	251	5	95	398	370	868
Madina Hospital	1	1	0	58	1	46	126	108	2	47	126	166	341
Jubail Hospital	1	1	2	61	1	69	202	149	2	70	204	210	486
Al-Qatif Hospital	1	2	37	61	1	51	148	111	2	53	185	172	412
Dammam Dispensary	1	1	0	16	1	19	39	13	2	20	39	29	90
Al-Ahsa Dispensary	1	0	0	18	1	17	24	15	2	17	24	33	76
Total as of 31 Dec 2006	7	5	55	333	8	297	921	647	15	302	976	980	2,273
31 Dec 2005													
Dammam Hospital	2	0	11	154	3	109	343	182	5	109	354	336	804
Madina Hospital	1	2	3	55	1	53	131	91	2	55	134	146	369
Jubail Hospital	1	1	2	32	1	46	185	101	2	47	187	133	337
Al-Qatif Hospital	1	1	47	63	1	58	123	117	2	59	170	180	87
Dammam Dispensary	1	1	0	16	1	18	31	19	2	19	31	35	75
Al-Ahsa Dispensary	1	0	0	19	1	15	26	13	2	15	26	32	411
Total as of 31 Dec 2005	7	5	63	339	8	299	839	523	15	304	902	862	2,083

Source: Mouwasat

Saudi Nationals represent around 18.4% of the staff of Mouwasat as of 31 December 2008. The Company actively pursues recruiting Saudi nationals under its Saudization policy and, to this effect, has established a Saudization managerial committee. This committee has initiated steps for the recruitment and training of a Saudi workforce that includes the establishment of a national training program whereby new recruits receive on-the-job training and occasional classroom instructions.

8 DIVIDEND RECORD AND POLICY

It is the intention of Mouwasat to make dividend payments with a view to maximize shareholders' value in line with the Company's earnings, its financial condition, the condition of the markets, the general economic climate, and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, and the effect of such dividends on the Company's Zakat position, as well as other legal and regulatory considerations. Dividends will be distributed in Saudi Riyals.

Although it is Mouwasat's intention to pay annual dividends to its shareholders, the Company does not make any assurance that any dividend will actually be paid, nor any assurance as to the amount which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the Company's bylaws.

The Offer Shares will be entitled to receive dividends declared by the Company after the Offering Period and for subsequent fiscal years.

The following is a summary of dividends paid to shareholders in recent years:

Exhibit 8-1: Dividends Payment History (SAR '000)

Year	Declared dividends per year	Actual paid dividends during the year
2006	35,000	15,000 for 2006
2007	35,000	20,000 for 2006 and 12,500 for 2007
2008	35,000	22,500 for 2007 and 20,000 for 2008*

Source: Mouwasat

* The Company paid 15,000,000, which is the remainder of the declared dividends of 2008 during 2009.

9 CAPITALIZATION

The following table summarizes the Company's capitalization according to the Audited Financial Statements as of 31 December 2008, 2007, and 2006. The following table must be read in conjunction with the Audited Financial Statements as well as the accompanying notes (please see "Accountant's Report").

Exhibit 9-1: Mouwasat Capitalization (SAR)

	2008	2007	2006
Liabilities			
Current	96,214,174	89,047,047	92,329,791
Non-current	100,098,267	103,296,171	97,163,669
Total	196,312,441	192,343,218	189,493,460
Shareholders' equity			
Capital	250,000,000	250,000,000	250,000,000
Statutory reserve	24,906,272	15,199,050	6,323,197
Retained earnings	134,160,804	89,295,810	41,913,127
Total shareholders' equity	409,067,076	354,494,860	298,236,324
Total capitalization	605,379,517	546,838,078	487,729,784

Source: Audited Financial Statements

The Directors confirm that neither the Company's capital nor the capital of any affiliates is under option. The Directors also confirm that the Company does not have any debt instruments as of the date of the Prospectus except as noted in the "Borrowings" section of the "Management Discussion and Analysis".

10 USE OF PROCEEDS

The total proceeds from the Offering are SAR 330,000,000, of which SAR 10,800,000 will be applied towards issue expenses, which includes fees of each of the financial advisor, legal advisor to the Transaction, and reporting accountants, in addition to expenses of the underwriter, Lead Manager, selling agents, marketing, printing, distribution, and other related expenses. The net proceeds of SAR 319,200,000 will be distributed to the Selling Shareholders on a pro-rata basis based upon each Selling Shareholders' percentage of ownership in the Shares being sold in the Offering. The Company will not receive any part of the proceeds from the Offering.

No commissions, discounts, brokerages or other non-cash compensation were granted by the Company in the two years immediately preceding the date of this Prospectus. The Selling Shareholders will bear all Offering expenses.

11 SUMMARY OF COMPANY'S BYLAWS

Name of the Company: The name of the Company is "Mouwasat Medical Services Company", a Saudi joint stock company.

Objectives of the Company: The objectives of the Company include ownership, establishment, operation, and maintenance of hospitals, dispensaries, medical centers, clinics, medicine warehouses, pharmacies, and medical, residential, and commercial compounds; and wholesale and retail trading in medical and surgery appliances, machinery, equipment and medicines, including import and export of all of the above items; and sale, purchase and lease of land and real estate and the establishment of buildings on such land and real estate and the sale and lease of such buildings for the Company; in addition to commercial agencies and distributorship arrangements. The Company shall obtain the necessary licenses from the relevant authorities prior to performing any of the activities listed above which require a license.

Participation in Other Companies: The Company may acquire an interest in, merge with, or participate in any manner with other corporations or companies engaged in a business which is similar to the business of the Company or that may assist the Company to achieve its objectives, and it may invest in any other companies and all types of investment funds provided that such interest does not exceed twenty percent (20%) of the Company's free reserves and ten percent (10%) of the capital of the participating company, the total participation does not exceed the value of these reserves, and the General Assembly is informed at their next meeting.

Head Office of the Company: The Company's head office shall be in the city of Dammam, Saudi Arabia. The Board of Directors may transfer the head office to any other city in the Kingdom of Saudi Arabia and may establish branches, offices, or agencies for the Company within or outside the Kingdom of Saudi Arabia.

Duration of the Company: The duration of the Company shall be ninety-nine (99) years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the conversion of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

Capital of the Company: The share capital of the Company shall be two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into twenty five million (25,000,000) registered shares of equal value of ten Saudi Riyals (SAR 10) each. All shares of the Company shall be of nominal value and shall not be issued at less than the par value. Shares may be issued above par value, and the amount in excess of the par value shall be added to the statutory reserve even where the statutory reserve has reached its maximum limit. A share shall not be subject to partition against the Company. If a share is jointly owned by several persons, such persons must nominate one (1) of them to exercise the rights attached to such a share jointly on their behalf but they shall be jointly liable for the obligations arising from the ownership of such a jointly owned share.

All shares shall be negotiable after issuance of its certificates and the approval of the Capital Market Authority, and these shares shall be marked as to their type and the conversion date of the Company.

Shareholders of the Company: The owners of the Company's subscribed to all the shares of the Company amounting to twenty five million (25,000,000) shares with a fully paid value of two hundred and fifty million Saudi Riyals (SAR 250,000,000).

Shares Register: The nominal shares shall be transferred by being recorded in the shareholders register which shall contain the names of the shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the shares, and the value paid-up on such shares. An annotation of such recordings shall be made on the share certificates. The transfer of title to a share shall not be effective vis-à-vis the Company or any third party except from the date of such recording in the said register or the completion of the transfer procedures through the shares Information computerized system. The subscription or ownership of the shares by a shareholder shall mean the acceptance by the shareholder of the Company's bylaws and his submission to the resolutions duly passed by the General Assembly of the shareholders in accordance with the Company's bylaws, whether the shareholder was present or absent, and whether the shareholder agreed to such resolutions or objected to them.

Increase of Capital: Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have preemptive rights to subscribe for the new cash shares. The Shareholders shall be notified of the preemptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions of subscription, or by written notice to the Shareholder by registered mail. Each Shareholder shall express the desire to exercise such preemptive rights, if they so wish, within fifteen (15) days of the publication of such notice or receipt of such notice by registered mail. However, the preemptive rights of the Shareholders to subscribe for these new cash shares may be waived by resolution of the Ordinary General Assembly issued in accordance with Article (36) of these bylaws.

The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription. Article (10) of these byaws shall apply to payment of the value of shares issued pursuant to this Article.

Decrease of Capital: The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting and requires the approval of the Minister of Commerce and Industry. Such a resolution shall be issued only after reading the auditor's report on the reasons calling for such a reduction, the obligations to be fulfilled by the Company, and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies' Regulations. Article (10) of these By-Laws shall apply to payment of the value of shares issued pursuant to this Article. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. If any creditor objects to the reduction and submits to the Company, within the said period, the documents of his claim, the Company must pay off his debt if it is a due debt, or furnish adequate security for its payment if the debt is not due.

Constitution of the Board of Directors: The Company shall be managed by a Board of Directors composed of eight (8) members appointed by the Ordinary General Assembly for a term not exceeding three years. As an exception to the foregoing, the Shareholders have appointed the Company's first Board of Directors for a term of five (5) years commencing as of the date of the Ministerial Resolution declaring the Company's conversion.

Qualification Shares: Each member of the Board of Directors shall be a holder of a number of the Company's shares having a nominal value of no less than ten thousand Saudi Riyals (SAR 10,000). Such shares shall be deposited in a bank designated by the Minister of Commerce and Industry within thirty (30) days from the date of the appointment of the Director. Such shares shall be kept aside to guarantee the liability of the Board members and shall remain non-negotiable until the expiry of the period specified for hearing the liability action provided for under Article (76) of the Companies' Regulations or until a judgment is passed on said action. Should a Director fail to submit such qualification shares within the period specified therefore, his membership in the Board shall be deemed null and void.

Vacancies: Membership of the Board of Directors shall be terminated upon the expiration of the appointment period, or resignation or death of the Director, or if he is removed from his office by removal or disqualification of the member thereto in accordance with any applicable laws or regulations or as agreed by the Ordinary General Assembly. If the post of a Director becomes vacant, the Board may appoint a temporary member replacing him, provided that such appointment shall be laid before the first coming session of an Ordinary General Assembly. The new Director shall complete the rest of his predecessor's term.

If the number of Directors falls below the required quorum for a Board meeting, an Ordinary General Assembly must be convened as soon as possible to appoint the required number of Directors.

Powers of the Board of Directors: Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers to manage the business of the Company and supervise its affairs within and outside the Kingdom of Saudi Arabia. The Board of Directors is empowered, for example and without limitation, to represent the Company in its relationship with others and before all Government departments, the Shariah Courts, the Board of Grievances, Labor Offices, Primary and Supreme Committees of Settlement of Labor Disputes, the Committee for the Enforcement of Negotiable Instruments, all other courts of law or judicial bodies, Boards of Arbitration, Police Departments, the Directorate of Civil Rights, Chambers of Commerce and Industry, all companies and establishments, commercial banks, exchanges, financial institutions, Government funds, and other lenders; to plead, raise, defend, ask for, accept, and settle claims, enforce and defend against judgments, participate in tenders, to sign on behalf of the Company all documents including articles of association of companies in which the Company shall participate, and to amend the same, to sign winding-up resolutions, as well as any other contracts, deeds, and declarations before public notaries or other official bodies, to sign loan agreements, guarantees, mortgages, leases, and deeds for the sale and purchase of land, buildings, and all other contracts and agreements, close bank accounts, to receive and issue checks and to sign receipts, discharges, acknowledgments, bills of exchange, promissory notes, checks, and all negotiable instruments; to buy, sell, and mortgage real estate.

The Board of Directors is specifically empowered to contract loans with Government financial funds and institutions and commercial loans with commercial banks and financial institutions for any term including terms exceeding three (3) years.

The Board of Directors may provide financial support to any of the companies in which the Company participates or any of the Company's affiliates or sister companies and may guarantee the credit facilities obtained by any of the companies in which the Company participates or any of the Company's affiliates or sister companies.

The Board of Directors may release the Company's debtors from their obligations as it deems necessary.

The Board of Directors may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake a specific function or functions, and revoke such delegations in whole or in part.

Remuneration of Board of Directors: Remuneration of the members of the Board of Directors (if any) shall be determined by the Ordinary General Meeting in accordance with the official decisions and instructions issued in this regard, within the limits of the provisions of the Companies Regulations and the laws or regulations complementary thereto. Directors may in addition be paid an attendance and transportation allowance as determined by the Board of Directors and the regulations and decisions issued in this respect. The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the fiscal year; salaries, share in profits, attendance allowance, expenses, and other benefits. It shall as well contain a statement of payments made in consideration for technical, administrative or consultancy assignments carried out by the Board's members.

Chairman, Managing Director and Secretary: The Board of Directors shall appoint a Chairman and Vice Chairman from among its members. The Board of Directors may also appoint a Managing Director from among its members. The Board may choose one person to be the Chairman and the Managing Director at the same time. The Chairman and Vice Chairman shall have the powers to convene the Board to meet and preside over its meetings.

The Chairman, the Vice Chairman, and the Managing Director (in the event that one is appointed) shall be authorized to individually or jointly represent the Company in its relationship with others and before judicial bodies, Government departments, Notaries Public, courts of law, Commissions for settlements of disputes, Boards of Arbitration, Directorate of Civil Rights, Police Departments, Chambers of Commerce and Industry, and all companies and establishments; to issue powers of attorney and to appoint and remove agents and attorneys; to raise, defend, plead, settle, acknowledge and arbitrate; to accept and reject judgments on behalf of the Company; to sign and execute all agreements, certificates, and instruments including articles of association of companies in which the Company shall participate, and to amend the same, and to sign winding-up resolutions, as well as any other contracts, deeds, and declarations, before public notaries or other official bodies, loan agreements with Government financial funds and institutions and commercial banks and financial institutions, guarantees, mortgages, leases, and terminating them; to collect entitlements and settle obligations on behalf of the Company; to buy, sell, make, and accept transfers, receive, deliver, rent, lease, collect, and make payments, and to participate in tenders; to open bank and credit accounts and to withdraw and deposit from the same; to issue instruments, checks, and all negotiable instruments; to hire, contract with and appoint employees and workmen and to specify their salaries and remunerations and remove them, to request visas for employees and workmen from abroad, grant residency permits and work visas, and transfer and terminate their sponsorship; to authorize or delegate some or all of these powers to any other person or persons to do or cause to be done any act mentioned hereinabove, and to revoke such authorization or delegation in whole or in part. The Managing Director shall have such other powers as are specified by the Board of Directors and shall carry out such directives as are given to him by the Board of Directors.

The Board of Directors shall, under a resolution to be adopted thereby, specify the compensation to be given to each of the Chairman, the Vice Chairman, and the Managing Director.

The Board of Directors shall appoint a secretary from among its members or others and shall specify his duties, remuneration, and terms of service. The Secretary's duties shall include having the proceedings and resolutions of the Board of Directors written in minutes and recorded in a special register, intended for the said purpose, as well as maintaining and keeping such register.

The term of the office of the Chairman, the Vice Chairman, the Managing Director, and the Secretary – if the Secretary is a Board member – shall not exceed their respective term of service as Directors. The term of the Chairman, the Managing Director, and the Secretary of the Board may be renewed.

Board Meetings: The Board of Directors shall be convened upon a call by the Chairman or Vice Chairman. Such a call shall be made in writing and delivered by hand or fax or sent by registered letters not less than two weeks prior to the date set for the meeting, unless otherwise agreed by the Board members. The Chairman of the Board shall call for a meeting if so requested by any two Board members.

Quorum and Representation: A Board meeting shall be valid only if attended by at least five (5) members attending in person. In the event that a Director gives a proxy to another Board member to attend the Board meetings on his behalf, then such proxy shall be given accordance with the following:

- A member of the Board of Directors may not act on behalf of more than one Board member as to attending the same meeting;
- A proxy shall be made in writing; and
- A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting.

The Board resolutions shall be adopted with the approval of the majority vote of the members present in person or represented by proxy and otherwise eligible to vote on the matter in question. In case of a tie, the Chairman of the Board or the Director presiding over the Board in the absence of the Chairman shall have a casting vote.

The Board may adopt its resolution by circulation unless one Board member requests a meeting for deliberations on such a resolution. Such Resolutions shall be adopted with the approval of the majority vote of the Board members and shall be laid before the Board in its first following meeting.

Minutes of Meetings: Deliberations and resolutions of the Board shall be recorded in the form of minutes to be signed by the Chairman and the Secretary. The same minutes shall also be recorded in a register to be signed by the Chairman and the Secretary.

Executive Committee: The Board of Directors may appoint from among its members an Executive Committee. The Board of Directors shall appoint a chairman from among the members of the Committee and shall specify the number of members of the Committee and the required quorum for its meetings. In accordance with the directions and guidelines prescribed by the Board from time to time, the Committee may exercise all of the powers authorized by the Board. The Executive Committee may not revoke or alter any of the resolutions adopted, or rules laid down, by the Board of Directors.

General Assembly: A General Assembly duly convened shall be deemed representing all the Shareholders, and shall be held in the city where the Company's head office is located. Each Shareholder owning twenty (20) shares (or more) shall have the right to attend the General Assemblies, and each Shareholder may authorize another Shareholder, other than the members of the Board of Directors or employees of the Company, to attend the General Assembly on his/her behalf.

Ordinary General Assembly: Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall convene at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

Extraordinary General Assembly: The Extraordinary General Assembly shall have the power to amend the Company's bylaws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

Manner of Convening General Assemblies: The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the auditors or by a number of shareholders representing at least five percent (5%) of the Company's capital. The invitation for the assembly shall be published in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least twenty-five (25) days prior to the date set for the assembly. The summons shall include the agenda of the meeting. However, so long as the Company's shares remain nominal, notice may be given at the time fixed above by registered letters. A Copy of the notice and the agenda shall be sent, within the period set for publication, to the Companies Department at the Ministry of Commerce and Industry. A list shall be prepared of shareholders attending on his/her behalf or by proxy.

Quorum of Ordinary General Assembly: A meeting of the Ordinary General Assembly shall be valid only if attended by shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (31) of the Company's bylaws. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

Quorum of Extraordinary General Assembly: A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in the preceding Article. The second meeting shall be valid only if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

Voting Rights: Each Shareholder shall have one vote for each share he/it represents at the Conversion General Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting.

Voting Majorities: Resolutions of the Conversion General Assembly and Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefore under these By-Laws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

Rights of Shareholders at the Meetings of the General Assembly: Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditors in this respect. The members of the Board or the auditors shall answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage. If the shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

Proceedings of the General Assembly: The General Assembly shall be presided over by the Chairman of the Board or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting showing the names of the shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions, and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the assembly, the secretary, and the canvasser.

Appointment of Auditor: The Company shall have one auditor or more to be selected from among the auditors licensed to work in the Kingdom of Saudi Arabia. The auditor shall be appointed annually and its compensation shall be fixed by the General Assembly. The General Assembly may further reappoint the same auditor.

Access to Records: The auditor shall have access at all times to the Company's books, records, and any other documents, and may request information and clarification as it deems necessary. It may further check the Company's assets and liabilities.

Auditor's Report: The auditor shall submit a report annually to the General Assembly showing how far the Company has enabled it to obtain the information and clarifications it has requested and what it has discovered of violations of the Companies' Regulations and the Company's bylaws and its opinion as to whether the Company's accounts conform to the facts.

Financial Year: The Company's fiscal year shall commence as on the 1st of January and expire on the 31st of December of each Gregorian year.

Annual Accounts: The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits. The Board of Directors shall perform the foregoing at least sixty (60) days prior to the convening of the annual Ordinary General Assembly. The Board of Directors shall put such documents at the auditor's disposal at least fifty-five (55) days prior to the time set for convening the General Assembly. Such documents shall be signed by the Chairman of the Board of Directors and a set thereof shall be available at the Company's head office for the Shareholders' review at least twenty-five (25) days prior to the time set for convening the General Assembly. The Chairman of the Board of Directors shall prompt the Company's balance sheet, profit and loss account, a comprehensive summary of the Board of Directors' report, and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at the Ministry of Commerce and Industry at least twenty-five (25) days prior to the date set for convening the General Assembly.

Distribution of Annual Profits: After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals one-half (1/2) of the Company's capital;
- It shall be paid to the holders of preferred shares the specified percentage pertaining to such shares;
- The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly;

- Out of the balance of the profits, it shall be paid to the Shareholders an initial payment of not less than five percent (5%) percent of the paid-up capital;
- The balance shall be distributed among the Shareholders as an additional share of the profits or transferred to retained profits account; and
- The Company may distribute semi-annual and quarterly profits after it has completed the necessary procedures put in place by the competent authorities.

Distribution of Dividends: The profits to be distributed among the shareholders shall be paid at such place and time as determined by the Board of Directors, in accordance with the instructions issued by the Ministry of Commerce and Industry.

Company Losses: If the Company's losses total three-quarters (3/4) of its capital, then the members of the Board of Directors shall call the Extraordinary General Assembly for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefore under Article (5) of the Company's bylaws. In all cases the Assembly's resolution shall be published in the Official Gazette.

Disputes: Each shareholder shall have the right to file a liability action, vested in the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such shareholder, provided that the Company's right to file such action shall still be valid. The shareholder shall notify the Company of his/her intention to file such action.

Dissolution and Winding up of the Company: Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

The Companies' Regulations: The Companies' Regulations shall apply to all other matters not specifically provided for in the bylaws of the Company.

12 LEGAL INFORMATION

12.1 Branch Certificates and Licensing

The following exhibit illustrates the Company's Commercial Registration and Medical Licenses:

Exhibit 12-1: Branches and Licenses Registered to Mouwasat

Name	CR / Licenses Number	Date of Issue	Date of Expiry
Mouwasat Hospital – Jubail	2055004626	9/3/1421H	13/01/1432H
Mouwasat Hospital – Al-Qatif	2053017288	20/12/1427H	19/12/1432H
Mouwasat Dispensary - Al-Ahsa	2252030410	23/10/1424H	13/1/1432H
Mouwasat Pharmacy (7) – Khobar	2051032510	27/3/1427H	26/3/1432H
Mouwasat Pharmacy (1) –Dammam	2050046890	18/9/1425H	13/1/1432H
Mouwasat Pharmacy (2) –Dammam	2050046891	18/9/1425H	13/1/1432H
Mouwasat Pharmacy(3) –Dammam	2050046892	18/9/1425H	13/1/1432H
Mouwasat Pharmacy (4) – Jubail	2055006727	19/9/1425H	13/1/1432H
Mouwasat Hospital –Madina	4650029967	6/5/1421H	13/1/1432H
Mouwasat Hospital Pharmacy – Madina	4650030759	11/11/1421H	13/1/1432H
Mouwasat Hospital – Riyadh	1010192942	11/11/1424H	13/1/1432H
Mouwasat Hospital – Dammam	038-103-10-12-00014	12/8/1408H	12/8/1433H
Mouwasat Hospital – Al-Qatif	038-101-10-12-00067	19/7/1427H	27/10/1433H
Mouwasat Hospital – Jubail	038-111-10-12-100001	6/5/1424H	3/7/1434H
Mouwasat Dispensary – Al-Ahsa	035-001-11-12-10002	29/5/1409H	22/12/1432H
Mouwasat Dispensary – Dammam	038-103-11-12-00009	29/2/1407H	10/6/1433H
Mouwasat Pharmacy no. (1) – Dammam	038-103-30-61- 00002	3/5/1407H	11/12/1430H
Mouwasat Pharmacy no.(2) – Dammam	038-103-30-61-00290	18/9/1408H	3/12/1429H
Mouwasat Pharmacy no.(3) – Dammam	038-111-10-12-10001	4/9/1425H	8/8/1431H
Mouwasat Pharmacy no. (4) – Jubail	038-111-30-61-00498	3/6/1412H	3/6/1432H
Mouwasat Pharmacy no.(5) – Al-Ahsa	038-108-30-61-10016	27/3/1422H	25/6/1434H
Mouwasat Pharmacy no.(7) – Khobar	038-105-30-61-10024	9/1/1427H	23/4/1432H
SMCC – Khobar	038-105-23-33-2-10001	25/10/1426H	15/11/1432H
Mouwasat Hospital – Madina	048-101-10-12-10005	8/2/1404H	12/5/1432H
Mouwasat Pharmacy – Madina	048-101-30-61-10053	28/6/1421H	26/11/1434H
Mouwasat Hospital – Riyadh	014-101-10-12-00023	26/2/1426H	25/2/1431H

Source: Mouwasat

12.2 Summary of Material Agreements

12.2.1 Agreement with Eastern Medical Services Company

On 28 Jumada Athani 1427H (corresponding to 24 July 2006G), the Company acquired 51% of the shares of Eastern Medical for the amount of SAR 28,560,000.

The shareholders of Eastern Medical entered into a management agreement with Mouwasat pursuant to which (i) Mouwasat would operate the hospital and manage its resources, procurements, and operational functions; and (ii) Eastern Medical would pay Mouwasat a fixed percentage of the annual net operational revenues of the hospital whose name has been changed from "Gulf Specialist Hospital" to "Al-Mouwasat Hospital – Al-Qatif ".

12.2.2 Agreement with Saudi United Development Company (SUDC)

On 2 Jamada Athani 1423H (corresponding to 11 August 2002G), the Company entered into an agreement with the Saudi United Development Company for the management and operation of the Riyadh hospital located on Exit 14, which now operates under the name of "Najd Consulting Hospital – managed and operated by Mouwasat". This agreement was amended on 19 Jumada Athani 1428H (corresponding to 1 July 2007G). Pursuant to this agreement, SUDC would pay Mouwasat a fixed percentage of the monthly revenues and of the hospital annual net profits until the end of the agreement which lasts for 10 years.

The parties agreed to subcontract the management and operation of the eye, ear, nose, and throat sections within the hospital to Maghrabi Hospitals and Centers under a separate agreement.

12.2.3 Agreement with Maghrabi Hospitals and Centers Company

The Company and Maghrabi Hospitals and Centers Company entered into an agreement dated 4 Jumada Alawal 1423H (corresponding to 15 July 2002G) for the management and operation of Riyadh Hospital ENT department by Maghrabi Hospitals and Centers Company, which in return would receive a fixed percentage of the annual net profits of the ENT center.

The contract's duration is for five years automatically renewable for similar period(s), unless one of the parties notifies the other party in writing of its intention not to renew the contract six (6) months prior to its original or renewed date of expiration. It should be noted that the Company did not renew the abovementioned Agreement, due to its commitments under an Agreement with the Saudi United Development Company (SUDC) for the management and operation of the Najd Consulting hospital (kindly refer to the summary of this agreement under 12.2.2 above). The Center services are still being delivered to the hospital's customers and are expected to continue, since the Company is currently negotiating with Al-Maghrabi Hospitals and Centers certain provisions of the contract which is expected to be renewed shortly.

12.2.4 Al-Ahsa Dispensary Agreements

On 25 Shawal 1420H (corresponding to 1 February 2000G), the Company entered into an agreement with Eng. Hamad Al-Hlaibi, the owner of a dispensary located in the district of Mubarraz in the city of Al-Ahsa, for the mutual funding, development, and maintenance of the dispensary for a period of 15 years. Mouwasat also entered into a Management and Operation Agreement with the same owner on 7 Thul Qa'dah 1421H (corresponding to 1 February 2001G) for the management and operation of the dispensary for a similar duration. Under the terms of the agreement, the Company will lease a pharmacy belonging to the owner of the dispensary during the contract duration. At the beginning of 2007G, the Company entered into a lease contract with the owner of the dispensary for an annual amount of SAR 500,000 for 20 years.

12.2.5 Agreement between Advanced Medical Projects Company and Maghrabi Hospitals Company for Eye and Ear

On 1 Jumada Athani 1418H (corresponding to 1 November 1997G), AMPC entered into an agreement with Maghrabi Hospitals Company for Eye and Ear for the management and operation of an ENT Center by Maghrabi Hospitals Company for Eye and Ear. The ENT Center is owned by AMPC and located in close proximity from Al-Mouwasat Hospital – Dammam. The center is called "Maghrabi Center for Eye & Ear". AMPC is equally owned by Mouwasat and Maghrabi Hospitals and Centers Company.

The contract is for 25 years and renews automatically for similar term(s) unless either party informs the other in writing of its intention not to renew at least six (6) months in advance. Maghrabi Hospitals Company for Eye and Ear would receive a fixed percentage of the annual net profits of the center.

12.2.6 Medical Services Agreements

Mouwasat entered into several medical services agreements with a number of organizations to accept to receive and treat beneficiaries and/or persons insured by these organizations, including the following:

Exhibit 12-2: Parties to Medical Services Agreements with Mouwasat

Insurance Companies	Other Companies
Al-Alamiya Insurance Company (Royal & Sun Alliance Insurance)	Arabian Oil Company – Al-Khafaji
Alico	Aramco Gulf Operations Company Limited (AGOC)
Arab Commercial Enterprises	BHP International Metal Coating Company
Arabian Malaysian Company	Brown & Root Saudi Limited Company
ASAS Health Care Company	General Organization for Social Insurance (GOSI)
AXA Insurance E.C.	Gulf Stabilizers Industries (GSI)
Cumberland Insurance and Reinsurance Company Ltd	Saudi Arabian Airlines
Gulf Union Insurance and Risk Management Company	Saudi Arabian Mining Company (Maaden)
International Insurance Company Limited E.C.	Saudi Arabian Oil Company (Saudi Aramco)
Mediterranean and Gulf Insurance and Reinsurance (Medgulf)	Saudi Cement Company
National Company for Cooperative Insurance (Tawuniya)	Saudi Chevron Philips (SCP)
	Saudi Electricity Company
	United Aircraft Services Company Ltd (UNASCO)
	SABIC through Tawuniya

Source: Mouwasat

12.2.7 Cooperation Agreements

The Company entered into cooperation agreements for the formation of international links between Mouwasat and each of international parties for the provision of medical services, rendering of medical experience, technology, and know-how covering patient referral programs, physician exchange programs, management and operation consulting, and continuing medical education and training programs. Following are details of such agreements:

- On 20 Jumada Alawal 1420H (corresponding to 1 September 1999G), Mouwasat entered into a cooperation agreement with Washington University School of Medicine and BJC Health System (WUSM) for a period of 3 years automatically renewable;
- On 9 Rabi' Alawal 1422H (corresponding to 1 June 2001G), Mouwasat entered into a cooperation agreement with Parkway Group Healthcare PTE Ltd, Singapore (PGH) for a period of 1 year automatically renewable; and
- On 10 Sha'aban 1426H (corresponding to 14 September 2005G), Mouwasat entered into a cooperation agreement with King Hussein Medical City, Jordan for a period of 2 years automatically renewable.

12.2.8 Lease Agreements

Mouwasat entered into the following lease agreements:

- The Company and Maghrabi Hospitals and Centers Company entered into a lease agreement for the Teeba Private Hospital (now named Al-Mouwasat Hospital in Madina) on 25 Thul Hijjah 1420H (corresponding to 1 April 2000G). Maghrabi Hospitals and Centers Company is the owner of the hospital assets and buildings. Pursuant to this agreement, Maghrabi Hospitals and Centers Company would operate the ENT clinic in the hospital, including one laser and operation room and an eyeglasses shop. In turn, Mouwasat would operate the entire hospital except those parts reserved for Maghrabi Hospitals and Centers Company. Under the terms of the agreement, Maghrabi Hospitals and Centers Company would receive rental payments plus a percentage of the net revenues of the hospital and Mouwasat would not contract any medical activity in relation to ophthalmology in Madina during the term of this agreement, which is a 20 year agreement starting on 1 April 2000;
- Land lease agreement with the Royal Commission of Yanbu and Jubail for land lots number 60 (2,250m2) and number 61 (1,836m2) of quarter 10 located in Jubail industrial city. The term of the leases are 30 and 33 Hijri years respectively and Mouwasat would have the right to purchase the land upon the termination of the lease agreement;
- The Company entered into a lease agreement with Advanced Medical Projects Company on 30 Jumada Athani 1418H (corresponding to 1 November 1997G) pursuant to which AMPC has leased a land for the purpose of building a medical center specialized in eye, nose, ear, and throat medicine and surgery. The annual rental is SAR 50,000 payable in advance. The lease term is 27 years from the date of execution renewable at the option of the landlord. AMPC does not have the right to sub-lease the land in whole or in part to third parties; and
- The Company entered into a lease agreement to rent the building in which the Dammam dispensary is located. According to the contract, the annual lease is SAR 80,000. The contract duration is 10 years starting on 1 September 1989 and was renewed; the current agreement will expire on 1 September 2009.

12.2.9 Agreement with the Project Build Company

The Company entered into a contract with the Project Build Company on 7 Rajab 1430H (corresponding to 20 June 2009G) for the construction of the Mouwasat Hospital in Riyadh, with a capacity of 200 beds and for a contract value equivalent to SAR 159,000,000. Pursuant to the contract, Project Build Company will supply and provide equipment, materials, labor, and all necessary services to complete the construction. Under the contract, Project Build Company should implement the project within 26 months, starting from 20 Rajab 1430H (corresponding to 15 July 2009G).

12.2.10 Maintenance Agreements

The Company has a number of agreements with equipment providers to provide maintenance and technical support to medical and other equipment and instruments including:

- GE El Seif Medical Services Company;
- Philips Medical Systems Saudi Arabia (Philips);
- Samir Photographic Supplies;
- Siemens Limited;
- Metito;
- Fakhry Communication Company;
- Mohammad Mansour Al-Romaih Establishment for Trading; and
- Mitsubishi Electric Saudi Ltd. (Mitsubishi).

12.3 Insurance Policies

Mouwasat has several insurance policies covering its medical operations in Saudi Arabia that mainly include medical malpractice insurance covers for the benefit of the Company's physicians, fire loss, all property risks, motor, public, and product liability insurance.

12.4 Financing Facilities

The Company is a party to several financing agreements with various institutions including the Saudi British Bank, Arab National Bank, Saudi Hollandi Bank, the National Commercial Bank, and Banque Saudi Fransi.

The banking documents evidence various Murabaha and Tawaruq facilities and advances in the current account for working capital needs. These facilities are generally secured by corporate guarantees and the assignment of certain contract proceeds.

In addition, the Company has term loan agreements with the Ministry of Finance, which are interest free and includes two separate loans obtained by Mouwasat and its subsidiary Eastern Medical. Those loans are secured by a mortgage over the land, equipment, and furniture of Mouwasat Hospitals in Dammam and Al-Qatif . The following is a description of the financing facilities obtained by the Company as of 31 December 2008G:

Exhibit 12-3: Mouwasat Financing Facilities as of 31 December 2008G

Bank name	Amount SAR	Balance as of 31 December 2008G	Method of Repayment	Loan Period		Interest Rate
Ministry of Finance – Dammam	39,707,359	-	Annually	1993	2008	N/A
Ministry of Finance – Al-Qatif	30,878,922	25,089,124	Annually	2006	2021	N/A
Ministry of Finance – Dammam	10,292,641	9,454,848	Annually	2011	2026	N/A
Arab National Bank	54,645,873	47,380,655	Monthly	2008	2013	7.47%
Saudi British Bank	26,200,000	16,098,322	Monthly	2007	2011	7.30%
Saudi Hollandi Bank	25,000,000	9,722,222	Monthly	2007	2010	6.75%
National Commercial Bank	20,000,000	-	Monthly	2005	2008	6.90%
Banque Saudi Fransi	27,000,000	5,603,240	Monthly	2008	2011	4.90%
Total	233,724,795	113,348,411				

Source: Mouwasat

12.5 Trademarks

Mouwasat logo and commercial name are exclusive trademarks registered in Saudi Arabia as per the following details:

Exhibit 12-4: Trademarks Owned by Mouwasat

Country	Owner	Trademark	Reg. No.	Dated	Expiry	Class
Saudi Arabia	Mouwasat	Mouwasat Hospital in Arabic and Latin (pink color)	897/85	6/2/1428H	28/5/1437H	44
Saudi Arabia	Mouwasat	Mouwasat Hospital in Arabic and Latin (blue color)	897/84	6/2/1428H	28/5/1437H	44
Saudi Arabia	Mouwasat	Mouwasat Clinic in Arabic and Latin (pink color)	897/81	6/2/1428H	28/5/1437H	44
Saudi Arabia	Mouwasat	Mouwasat Clinic in Arabic and Latin (blue color)	897/83	6/2/1428H	28/5/1437H	44
Saudi Arabia	Mouwasat	Mouwasat - Hospitals and Centers in Arabic and Latin (pink color)	897/82	6/2/1428H	28/5/1437H	44
Saudi Arabia	Mouwasat	Mouwasat - Hospitals and Centers in Arabic and Latin (blue color)	897/86	6/2/1428H	28/5/1437H	44
Saudi Arabia	Mouwasat	Mouwasat - pharmacy in Arabic and Latin (dark blue and light brown color)	955/87	3/11/1428H	20/3/1438H	5
Saudi Arabia	Mouwasat	Mouwasat - pharmacy in Arabic and Latin (light brown color)	955/85	3/11/1428H	20/3/1438H	5

Source: Mouwasat

12.6 Litigation

The Directors and Senior Management confirm that the Company is not involved, as of the date of this Prospectus, in any litigation, arbitration, or administrative proceedings that would, individually or in aggregate, have a material adverse effect on its financial condition and results of operations.

13 UNDERWRITING

13.1 Underwriter

The Company and the Underwriter HSBC Saudi Arabia Limited have entered into an underwriting agreement for 7,500,000 shares representing the whole number of shares being offered prior to the commencement of the Subscription Period. The agreed principal terms of the underwriting agreement are set out below.

13.2 Sale and Underwriting of the Offer Shares

Under the terms of the underwriting agreement:

a) The Company undertakes to the underwriter that, on the first business day after the CMA approves the allocation of the Offer Shares following the end of the Subscription Period, it will:

- sell and allocate the Offer Shares to any applicant or institutional investor whose application for Offer Shares has been accepted by a Receiving Bank; and/or
- sell and allocate to the underwriter any Offer Shares that are not purchased by successful applicants or institutional investors pursuant to the Offering; and

b) The underwriter undertakes to the Company that, on the allocation date, it will purchase the Offer Shares that are not subscribed for by successful applicants.

The Company has committed to satisfy all terms of the underwriting agreement.

13.2.1 Commission and Expenses

The Company will pay to the underwriter an underwriting fee based on the total value of the Offering.

14 SUBSCRIPTION TERMS AND CONDITIONS

All Subscribers must carefully read the subscription terms and conditions prior to completing the subscription application form, since signing the subscription application form constitutes acceptance and agreement to the subscription terms and conditions.

14.1 Subscription to Offer Shares

The Offering will consist of 7,500,000 ordinary shares with a nominal value of SAR 10 per share representing 30% of the share capital of the Company at an offer price of SAR 44 per share. The Offering is restricted to:

Tranche (A): Institutional Investors

This tranche includes a number of institutions that were approached by the Lead Manager after consulting the Company and the Selling Shareholders and based on certain criteria set forth by the Capital Market Authority ("CMA"). Institutional investors are initially allocated 7,500,000 shares representing 100% of the Offer Shares for the public. The Lead Manager has the right to reduce the allocated shares to 3,750,000 shares representing 50% of the Offer Shares for the public in the event there is sufficient demand by Individuals (as defined in Tranche (B) and upon the CMA's consent.

Tranche (B): Individual Investors

This tranche includes Saudi nationals. A Saudi woman who is divorced or widowed and has children from a non-Saudi husband may subscribe for Offer Shares in the name(s) of her minor children. Should an individual subscribe on behalf of his divorcee, his application shall be void. Individuals are allocated a maximum of 3,750,000 shares representing 50% of the Offer Shares for the public. In the case where the subscription by individuals does not amount to the maximum allocated shares, the Lead Manager has the right to reduce the number of Offer Shares allocated to individuals to the subscribed amount upon CMA's consent.

A signed subscription application form submitted to any of the Selling Agents represents a legally binding agreement between the Selling Shareholders and the Subscriber.

The Selling Shareholders own 100% of the issued share capital of the Company. Potential Saudi investors may obtain both the main and mini prospectuses in addition to the subscription application form from the following banks:

The Saudi British Bank	(P.O. Box 9084, Riyadh 11413)
National Commercial Bank	(P.O. Box 3555, Jeddah 21481)
Bank Albilad	(P.O. Box 140, Riyadh 11411)
Bank Aljazira	(P.O. Box 6277, Jeddah 21442)
Riyad Bank	(P.O. Box 22622, Riyadh 11614)
Banque Saudi Fransi	(P.O. Box 56006, Riyadh 11554)
Saudi Hollandi Bank	(P.O. Box 1467, Riyadh 11431)
The Saudi Investment Bank	(P.O. Box 3533, Riyadh 11431)
Arab National Bank	(P.O. Box 9802, Riyadh 11423)
Samba Financial Group	(P.O. Box 833, Riyadh 11421)
Al Rajhi Bank	(P.O. Box 28, Riyadh 11411)

The Selling Agents will commence receiving subscription application forms at their branches throughout Saudi Arabia from 24 Sha'ban 1430H (corresponding to 15 August 2009G) to 30 Sha'ban 1430H (corresponding to 21 August 2009G). Once the subscription application form is signed and submitted, the Selling Agents will stamp it and provide the Subscriber a copy of the completed subscription application form. In the event the information provided in the subscription application form is incomplete or inaccurate, or not stamped by the Selling Agents, the subscription application form will be considered void.

Each Subscriber is required to specify the number of Offer Shares applied for in the subscription application form at the Offer Price of SAR 44 per Share. Subscriptions for less than 10 Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of 10. Each Subscriber may not apply for more than 100,000 Offer Shares.

Each Subscriber is required to submit the subscription application form during the Offering Period accompanied by the original and a copy of the national identification card, family identification card in addition to sufficient funds for the purchase of the requested shares. In the event an application is made on behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the subscription application form accompanied by the original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a notary public for those who are in Saudi Arabia and must be legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia. The Selling Agents will verify all copies against the originals and will return the originals to the Subscriber.

One subscription application form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case: (i) all Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber's name; (ii) the prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers, and (iii) the prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Subscribers (in the event the Shares are not sold or transferred). If a wife wants to subscribe for the shares in her name/account, she must complete a separate subscription application form as a prime subscriber. In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Separate subscription application forms must be used if: (i) the Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/head of family; or (ii) dependent Subscribers apply for a different quantity of Offer Shares than the prime Subscriber. (iii) the wife subscribes in her name adding allocated shares to her account (she must complete a separate subscription application form as a prime subscriber). In the latter case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the subscription application form submitted by the Subscriber for an amount equal to the number of Shares applied for multiplied by the Offer Price of SAR 44 per Share. Each Subscriber shall have purchased the number of Offer Shares allotted to him/her upon: (a) delivery by the Subscriber of the subscription application form to the Selling Agents; (b) payment in full by the Subscriber to the Selling Agents of the total value of Offer Shares subscribed for; and (c) delivery to the Subscriber by the Selling Agents the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full to a branch of the Selling Agents by authorizing a debit of the Subscriber's account held with the Selling Agent where the subscription application form is being submitted.

If a submitted subscription application form is not in compliance with the terms and conditions of the Offering, Mouwasat shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Shares allocated to him or her, as long as the number does not exceed the number of shares he has subscribed to.

14.2 Allocation and Refunds

The Selling Agents shall open and operate escrow accounts named "Mouwasat IPO". Each of the Selling Agents shall deposit all amounts received by the Subscribers into the escrow accounts mentioned above.

Notification of the final allotment and refund of subscription monies, if any, will be made by 5 Ramadan 1430H (corresponding to 26 August 2009G). If the Offering is oversubscribed investors will be allocated a minimum of 10 Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. In the event that the number of Subscribers exceeds 375,000, the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 3,750,000, the allocation will be determined at the discretion of the CMA. The final number of Offer Shares allocated to each Subscriber, together with any refunds due to the Subscribers in full without any charge or withholding by the Selling Agents, is expected no later than 5 Ramadan 1430H (corresponding to 26 August 2009G).

The Selling Agents will send confirmation/notification letters, to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Selling Agents will also refund to the Subscribers any monies in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmation/notification letters. Subscribers should communicate with the branch of the Selling Agents where they submitted their subscription application form for any further information.

14.3 Acknowledgements

By completing and delivering the subscription application form, the Subscriber:

- accepts subscribing for the Company's Shares with the number of shares specified in the subscription application form;
- warrants that he/she had read the Prospectus and understood all its contents;
- accepts the bylaws of the Company and all subscription instructions and terms mentioned in the Prospectus;
- keeps his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by ignoring major information that should have been part of the Prospectus and could effect his/her decision to purchase the Shares;
- declares that neither himself nor any of his family members included in the subscription application form has previously subscribed to Mouwasat's Shares and the Company has the right to reject all duplicate applications;
- accepts the number of shares allocated to him (to a maximum of the amount he has subscribed for) and all other subscription instructions and terms mentioned in the Prospectus and the subscription application form; and
- warrants not canceling or amending the subscription application form after submitting it to the Selling Agents.

14.4 Miscellaneous

The subscription application form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators, and heirs; provided that, except as specifically contemplated herein, neither the subscription application form nor any of the rights, interests, or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The Prospectus has been released in both Arabic and English languages. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus will prevail.

14.5 The Saudi Arabian Stock Exchange (Tadawul)

In 1990, full electronic trading in Saudi Arabia equities was introduced. Tadawul was founded in 2001 as the successor to the Electronic Securities Information System.

The market capitalisation as at 26/7/1430H (corresponding to 19/7/2009G was SAR 1,093 billion with 130 listed companies.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 am to 3:30 pm. After close of exchange trading, orders can be entered, amended or deleted from 10:00 am to 11:00 am. From 10:00 am new entries and inquiries can be made. The trading hours change during the holy month of Ramadan.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. Market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

14.6 Trading on Tadawul

It is expected that dealing in the Shares will commence on Tadawul after finalizing the Share allocation process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

The Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Official List, and its Shares listed on the Saudi Stock Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

15 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at Mouwasat head office in Dammam, between the hours of 9:00 am to 5:00 pm Saturday to Wednesday one week prior to and during the Offering Period:

- Company's bylaws together with amendments;
- Written consent from Legal Advisors, Torki A. Al Shubaiki in association with Baker & McKenzie Limited, to the reference in the Prospectus as the legal advisors to the Transaction;
- Audited Financial Statements for the years 2008, 2007, 2006 and 2005;
- E&Y written consent to the publication in the Prospectus of their Accountant's Report;
- Valuation report prepared by the Financial Advisor (translated into Arabic language);
- The market study conducted by "Gulf Consulting House";
- CMA approval to the Offering;
- The agreement between Mouwasat and SUDC and as amended on 16 Jumada Athani 1428H (corresponding to 1 July 2007G) and the Company's letter to SUDC dated 30 December 2007; and
- Major contracts and agreements.

16 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Mouwasat's financial condition and results of operations are based on and should be read in conjunction with the audited financial statements of Mouwasat Medical Services Company as at and for the years ended 31 December 2007, 2006 and 2005 (the "Audited Financial Statements"), which have been audited by Ernst & Young ("E&Y").

E&Y do not themselves, nor do any of their relatives or affiliates have any shareholding or interest of any kind in the Company. They have furnished and not withdrawn their written consent to the reference in the Prospectus to their role as auditors of the Company for the fiscal years ended 31 December 2007, 2006, and 2005.

The Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements that involve risks and uncertainties. Actual results for the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the "Risk Factors" section.

16.1 Director's Declaration for Financial Information

The Directors declare that the financial information presented in the Prospectus are extracted without material change from the Audited Financial Statements and that such statements have been prepared in accordance with SOCPA accounting standards.

The Directors further declare that there has been no material adverse change in the financial or trading position of the Company from 31 December 2006 up to and including the date of the Prospectus.

16.2 Results of Operations

The following tables summarize the audited income statements for the periods ended 31 December 2007, 2006 and 2005.

Exhibit 16-1: Income Statement (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Operating revenues	309,436	264,935	208,418
Trading sales	88,917	76,568	57,250
Management fee	2,318	1,423	1,717
Total Revenues	400,671	342,927	267,385
Cost of operations	(158,023)	(148,850)	(114,015)
Cost of sales	(69,254)	(58,620)	(44,874)
Total Costs of Revenues	(227,277)	(207,471)	(158,889)
Gross profit	173,394	135,457	108,496
Selling and distribution	(19,497)	(18,863)	(12,577)
General and administration	(54,751)	(52,595)	(38,376)
Amortization of pre-operating costs	(2,962)	(1,635)	(665)
Total Expenses	(77,210)	(73,093)	(51,618)
Income from main operations	96,184	62,364	56,878
Other income	5,029	5,343	3,547
Financial charges	(5,892)	(4,457)	(3,806)
Income before Zakat and minority interests	95,321	63,250	56,619
Minority interests	(2,503)	2,381	-
Income before Zakat	92,818	65,631	56,619
Zakat	(4,059)	(2,399)	(2,972)
Net income for the year	88,759	63,232	53,647

Source: Audited Financial Statements

Exhibit 16-2: Income Statement (Percentage of Revenues)

	Year ended 31 December		
	2007	2006	2005
Operating revenues	77.23%	77.26%	77.95%
Trading sales	22.19%	22.33%	21.41%
Management fee	0.58%	0.41%	0.64%
Total Revenues	100.00%	100.00%	100.00%
Cost of operations	39.44%	43.41%	42.64%
Cost of sales	17.28%	17.09%	16.78%
Total Costs of Revenues	56.72	60.50%	59.42%
Gross profit	43.28%	39.50%	40.58%
Selling and distribution	4.87%	5.50%	4.70%
General and administration	13.66%	15.34%	14.35%
Amortization of pre-operating costs	0.74%	0.48%	0.25%
Total Expenses	19.27%	21.31%	19.30%
Income from main operations	24.01%	18.19%	21.27%
Other income	1.25%	1.56%	1.33%
Financial charges	1.47%	1.30%	1.42%
Income before Zakat and minority interests	23.79%	18.44%	21.18%
Minority interests	0.62%	0.69%	-
Income before Zakat	23.16%	19.14%	21.18%
Zakat	1.01%	0.70%	1.11%
Net income for the year	22.15%	18.44%	20.06%

Source: Audited Financial Statements

Operating revenues represent income from inpatient and outpatient medical services provided by the Company. Operating revenues have provided the majority of revenues, constituting more than 77% of total revenues between 2005 and 2007. Revenues from operations grew by 48.5% from SAR 208.4 million in 2005 to SAR 309.4 million in 2007.

Trading sales represent income generated from pharmaceutical sales. As a percentage of total revenues, these represented 22.0% of total revenues on average between 2005 and 2007.

During the period 2005 to 2007, Mouwasat earned SAR 5.5 million in total management fees from its contract with SUDC to manage and operate the existing Mouwasat hospital in Riyadh.

During the last three years, the Company's annual revenues increased at a CAGR of 22.41%, from SAR 267.4 million in 2005 to SAR 400.7 million in 2007. This growth rate is the result of the following:

- Adding a total of 20 outpatient clinics and emergency rooms to Mouwasat's healthcare network during the period;
- Opening of Mouwasat hospital in Jubail, thus adding 84 hospital beds to the network;
- Achieving a CAGR of 25.3% in the visits made to the Company's outpatient facilities during the period; and
- Achieving a CAGR of 16% in the number of inpatients admitted to the Company's facilities during the period.

The Company's cost of revenues has increased by 43.04% between 2005 and 2007, a rate which is slightly larger than the increase in revenues, which was 49.84%. The Company overcame a slight decrease in gross profit margin from 39.5% in 2006 to 43.28% in 2007, which is an increase of 9.6% as against 2006. Net income margin reached 22.15% in 2007 against 18.44% in 2006. Cost of revenues is composed of cost of operations and cost of sales, with cost of operations constituting 69.5% of the total expenses in 2007 against 71.7% in 2005.

Selling and distribution expenses and general and administrative expenses are the major expenses, with selling and distribution constituting 25.27% and general and administrative 70.89% of the total expenses in 2007. Amortization constituted 3.84%.

Selling and distribution expense increased by 55.02%, and general and administrative expenses increased by 42.67% in 2007 as compared to 2005.

The Company’s net income has increased at a CAGR of 28.63% during the last three years, mostly due to the increases in revenue and the maintenance of healthy margins.

16.2.1 Revenues

Operating revenues and trading sales are subdivided into three segments – inpatient, outpatient, and pharmaceutical. The following table summarizes Company’s segmental analysis of revenues:

Exhibit 16-3: Breakdown of Revenue (SAR ‘000)

	Year ended 31 December		
	2007	2006	2005
Inpatient			
Revenues	154,621	139,952	114,534
Cost of revenues	(78,962)	(83,955)	(66,171)
Gross profit	75,659	55,996	48,363
Outpatient			
Revenues	154,815	135,188	104,201
Cost of revenues	(79,061)	(80,885)	(62,209)
Gross profit	75,754	54,303	41,992
Pharmaceutical			
Revenues	88,917	66,364	46,933
Cost of revenues	(69,254)	(42,630)	(30,509)
Gross profit	19,663	23,734	16,424
Management fees	2,318	1,423	1,717
Total			
Revenues	400,671	342,927	267,385
Cost of revenues	(227,277)	(207,471)	(158,889)
Gross profit (SAR)	173,394	135,457	108,496
Gross profit margin (%)	43.28%	39.50%	40.58%

Source: Audited Financial Statements

Revenues from inpatient services increased by 10.51% from SAR 114.5 million in 2005 to SAR 139.9 million 2006, and to SAR 154.6 million in 2007, whereas revenues from outpatient services increased by 29.7% from SAR 104.2 million in 2005 to SAR 135.2 million in 2006 and increased by 14.51% in 2007 where it reached SAR 154.8 million. These two segments jointly contributed to 77.23% of total revenues in 2007, whereas revenues from inpatient contributed 38.6%, outpatient revenues represented 38.6%.

The higher growth rate of outpatient revenues was due both to an increase in the average amount charged to customers, which amounted to SAR 135, as well as an increase in the number of visits, which increased from around 768.1 thousand in 2005 to around 966.5 thousand in 2006 and to 1,206 thousand in 2007. On the other hand, the number of inpatients admitted decreased from around 41.4 thousand in 2006 to around 39.1 thousand in 2007, the average amount charged to inpatients increased by 26.27%, from SAR 3,133 in 2006 to SAR 3,956 in 2007.

Pharmaceutical sales showed a higher growth rate with 39.98% from SAR 46.9 million in 2005 and SAR 66.3 million in 2006 to SAR 88.9 million in 2007. This segment contributed to 19.3% of total revenues in 2006 and 22.2% in 2007.

The contribution of the management fees was averaged to around 0.54% of total revenues between 2005 and 2007.

16.2.2 Cost of Revenues and Gross Margins

Cost of revenues of inpatient services stood at SAR 84.0 million in 2006 and SAR 79.0 million in 2007, while outpatient services stood at SAR 80.9 million in 2006 and SAR 79.1 million in 2007. These were the largest components of cost of revenues in 2007 representing 34.74% and 37.79%, respectively.

The cost of revenues for inpatient and outpatient are mostly composed of employee costs, material consumption, and depreciation, which jointly constitute more than 84% of the cost of operations. Cost of revenues for the inpatient amounted to 19.33% and amounted to 27.10% for outpatient between 2005 and 2007.

16.2.3 Selling and Distribution Expenses

The selling and distribution expenses of the Company increased by 30.0% in 2005 and by 49.9% in 2006 and by 3.36% in 2007. The following exhibit presents selling and distribution expenses by major items:

Exhibit 16-4: Selling and Distribution Expenses

	Year ended 31 December		
	2007	2006	2005
SAR '000			
Employees costs	6,887	6,521	5,071
Advertising and promotions	3,174	3,751	2,496
Doubtful debts	9,401	7,216	4,222
Others	34,6	1,375	788
Total	19,497	18,863	12,577
Percentage of total			
Employees costs	35.32%	34.57%	40.32%
Advertising and promotions	16.28%	19.89%	19.84%
Doubtful debts	48.22%	38.25%	33.57%
Others	0.18%	7.29%	6.27%
Total	100.00%	100.00%	100.00%

Source: Audited Financial Statements

Doubtful debts and employees costs are the two major items under selling and distribution expenses, representing 48.2% and 35.32% respectively in 2007.

Doubtful debts expense increased from SAR 7.2 million in 2006 to SAR 9.4 million in 2007 due to the increase of the Company's activity which was accompanied by a larger number of possible uncollectible receivables, in line with SOCPA accounting standards and Mouwasat's accounting policy.

16.2.4 General and Administrative Expenses

The general and administrative expenses of the Company were SAR 38.4 million in 2005, SAR 52.6 million in 2006, and SAR 54.8 million in 2007. These figures represent a 37.3% increase in 2006 and a 4.2% increase in 2007.

Exhibit 16-5: General and Administrative Expenses

	Year ended 31 December		
	2007	2006	2005
SAR '000			
Employee costs	22,309	21,893	14,908
Water and electricity	5,103	5,278	3,672
Depreciation	4,592	4,624	3,573
Support services	5,030	4,508	3,082
Repair and maintenance	3,160	3,511	2,456
Rental	3,885	3,366	2,363
Directors' salaries	2,265	2,265	2,265
Vehicle expenses	997	888	1,124
Communication expenses	666	932	1,023
Insurance	863	800	569
Travel	636	479	696
Postage and stationery	1,193	656	264
Others	4,052	3,393	2,379
Total	54,751	52,595	38,376

	Year ended 31 December		
	2007	2006	2005
Percentage of total			
Employee costs	40.74%	41.63%	38.85%
Water and electricity	9.32%	10.04%	9.57%
Depreciation	8.39%	8.79%	9.31%
Support services	9.19%	8.57%	8.03%
Repair and maintenance	5.77%	6.68%	6.40%
Rental	7.10%	6.40%	6.16%
Directors' salaries	4.14%	4.31%	5.90%
Vehicle expenses	1.82%	1.69%	2.93%
Communication expenses	1.22%	1.77%	2.67%
Insurance	1.58%	1.52%	1.48%
Travel	1.16%	0.91%	1.81%
Postage and stationery	2.18%	1.25%	0.69%
Others	7.40%	6.45%	6.20%
Total	100.00%	100.00%	100.00%

Source: Audited Financial Statements

Employee costs are the largest general expense, constituting between 38.8% and 40.7% of total general and administrative expenses between in 2005 and 2007. Employee costs increased by 46.97% in 2006 to SAR 21.9 million from SAR 14.9 million in 2005, and increased by 1.8% in 2007 to SAR 22.3 million.

As is the case for the employee costs under selling and distribution expenses, employee costs of general and administrative expenses have increased due to the overall increase in the Company's level of business, as well as the addition of Mouwasat hospital in Al-Qatif.

16.2.5 Other Income

Other income increased by 50.6% in 2006 from SAR 3.5 million to SAR 5.3 million, mostly due to the profit from the sale of property and equipment, which related to the sale of an unused plot of land in Jubail for SAR 2.5 million in 2006. In 2007, other income decreased to SAR 5.03 million reflecting a decrease of 5.9% against 2006. Other income represented 1.3% of total revenues and 5.7% of net income in 2007. The following exhibit provides the details of other income:

Exhibit 16-6: Other Income

	Year ended 31 December		
	2007	2006	2005
SAR '000			
Profit on sale of property and equipment	401	2,520	-
Services provided to affiliates	215	432	459
Investment income	1,082	144	1,677
Other	3,331	2,247	1,411
Total	5,029	5,343	3,547
Percentage of total			
Profit on sale of property and equipment	7.97%	47.16%	-
Services provided to affiliates	4.28%	8.09%	12.94%
Investment income	21.52%	2.69%	47.27%
Other	66.23%	42.06%	39.79%
Total	100.00%	100.00%	100.00%

Source: Audited Financial Statements

16.2.6 Net Income

Mouwasat's net income was SAR 53.6 million in 2005, SAR 63.2 million in 2006, and SAR 88.8 million in 2007. Between 2005 and 2007, net income grew at a CAGR of 28.64%.

Exhibit 16-7: Net Income

	Year ended 31 December		
	2007	2006	2005
SAR '000			
Revenues	400,671	342,927	267,385
Gross Profit	173,394	135,457	108,496
Operating Income	96,184	62,364	56,878
Income before Zakat & Minority Interest	95,321	63,250	56,619
Net Income	88,759	63,232	53,647
Percentage of revenues (margin)			
Revenues	100.00%	100.00%	100.00%
Gross Profit	43.28%	39.50%	40.58%
Operating Income	24.01%	18.19%	21.27%
Income before Zakat & Minority Interest	23.79%	18.44%	21.18%
Net Income	22.15%	18.44%	20.06%
Percentage change			
Revenues	16.83%	28.25%	15.41%
Gross Profit	28.00%	24.85%	17.51%
Operating Income	54.23%	9.64%	19.76%
Income before Zakat & Minority Interest	50.70%	11.71%	17.42%
Net Income	40.37%	17.87%	15.46%

Source: Audited Financial Statements

The Company's gross profit margin was an average of 41.1% during these years.

Net income grew in 2007 to SAR 88.8 million up from SAR 63.2 million. The Company's net profit margin increased from 20.1% in 2005 and 18.4% in 2006 to 22.2% in 2007. The decrease by 1.6% in 2006 was due the acquisition of Mouwasat hospital in Al-Qatif with the associated increase in general and administrative expenses.

16.3 Financial Condition, Liquidity and Other Items

The following tables summarize the audited balance sheets for the periods ended 31 December 2007, 2006 and 2005:

Exhibit 16-8: Balance Sheets (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Current assts	194,430	169,859	143,019
Property and equipment	333,714	297,097	201,334
Investment in associates	6,960	5,878	5,735
Intangible assets	22,294	24,250	578
Total assets	557,398	497,084	350,665
Current liabilities	89,047	92,330	75,393
Long-term loans	88,370	83,123	14,963
Provision for end of services benefits	14,926	14,041	10,305
Total liabilities	192,343	189,493	100,661
Capital	250,000	250,000	147,000
Statutory reserve	15,199	6,323	10,011
Retained earnings	89,296	41,913	92,993
Total Equity	354,495	307,591	250,004
Minority Interest	10,560	9,355	-
Total liabilities, shareholders equity, and minority interest	557,398	497,084	350,665

Source: Audited Financial Statements

Exhibit 16-9: Balance Sheets (Percentage of Total Assets)

	Year ended 31 December		
	2007	2006	2005
Current assets	34.88%	34.17%	40.79%
Property and equipment	59.87%	59.77%	57.41%
Investment in associates	1.25%	1.18%	1.64%
Intangible assets	4.00%	4.88%	0.16%
Total assets	100.00%	100.00%	100.00%
Current liabilities	15.97%	18.57%	21.50%
Long-term loans	15.85%	16.72%	4.27%
Provision for end of services benefits	2.68%	2.82%	2.94%
Total liabilities	34.50%	38.12%	28.71%
Capital	44.85%	50.29%	41.92%
Statutory reserve	2.73%	1.27%	2.85%
Retained earnings	16.02%	8.43%	26.52%
Total Equity	63.60%	61.88%	71.29%
Minority Interest	1.89%	1.88%	-
Total liabilities, shareholders equity, and minority interest	100.00%	100.00%	100.00%

Source Audited Financial Statements

Total assets increased by 41.7% in 2006 from SAR 350.7 million to SAR 497.1 million, and increased by 12.1% in 2007 to SAR 557.4 million. The increase in total assets in 2006 is attributable to the increase in property and equipment and intangible assets. Property and equipment represented 59.8% and 59.9% of total assets in 2006 and 2007 respectively, and the increase in this caption accounted for 63.4% of the total increase in the Company's assets and the acquisition of Mouwasat hospital in Al-Qatif , which occurred in 2006.

16.3.1 Cash Flows

The following tables summarize the audited cash flow statements for the periods ended 31 December 2007, 2006 and 2005.

Exhibit 16-10: Cash flow (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Cash generated from (used in) operating activities	89,837	96,540	50,713
Cash used in investing activities	(62,249)	(74,789)	(21,306)
Cash generated from (used in) financing activities	(29,213)	(6,599)	(28,233)
Increase (decrease) in cash	(2,625)	15,152	1,174
Cash at beginning of period	17,823	2,671	1,496
Cash at end of period	15,198	17,823	2,671

Source: Audited Financial Statements

The Company's cash balance increased in 2006 from SAR 2.7 million to SAR 17.8 million, and decreased in 2007 to SAR 15.2 million. The significant increase in 2006 is mainly due to the increase in cash generated from operating activities and the decrease in the cash level used in financing activities.

Cash from operations grew 90.3% in 2006 and decreased by 6.9% in 2007. These large increases are due to a number of factors, including:

- Increase in revenues, which have grown 16.8% in 2007 against 2006 and 49.8% as against 2005; and
- Larger proportion of credit expenses as compared to cash expenses in 2006. The Company increased its payable balance by SAR 18.7 million in that year.

Total cash used in investing activities in 2006 was SAR 74.8 million compared to SAR 21.3 million used in 2005. The increase in cash used in investing activities is partly attributable to the Company's additional investment in property, plant, and equipment, which amounted to SAR 43.7 million in 2006. The Company has also spent SAR 28.5 million in investments in 2006.

Total cash used in financing activities in 2007 increased to SAR 29.2 million from SAR 6.6 million in 2006. The increase in cash used in financing activities is due to the size of the dividends distributed by the Company in 2007 compared to 2006, where it amounted to SAR 32 million and SAR 15 million respectively.

The Company has consistently been able to generate adequate amounts of cash from its operations and is able to use this cash for working capital, expansion, investments, and dividend payments.

16.3.2 Working Capital

Working capital amounted to SAR 105.4 million, SAR 77.5 million, and SAR 67.6 million as of 31 December 2007, 2006 and 2005, respectively, as follows:

Exhibit 16-11: Working Capital (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Current Assets			
Inventories	37,478	35,536	26,768
Accounts receivable & prepayments	141,755	116,500	113,580
Bank balances and cash	15,197	17,823	2,671
Total current assets	194,430	169,859	143,019
Current Liabilities			
Accounts payable and accruals	51,203	53,671	34,957
Bank overdrafts	-	7,930	12,951
Short term loans	5,029	6,033	5,517
Current portion of term loans	29,480	22,506	19,648
Zakat provision	3,335	2,189	2,320
Total current liabilities	89,047	92,330	75,393
Working capital	105,383	77,529	67,627

Source: Audited Financial Statements

The Company's current assets are mostly composed of accounts receivable and prepayments which constituted 72.9% of total current assets in 2007. In turn, accounts receivable and prepayments were mostly comprised of trade receivables (80.4% of total).

Inventories, which relate to the materials and drugs used by the hospitals, constituted a further 19.3% of current assets in 2007, while the remaining 7.8% was composed of bank balances and cash.

Current liabilities are mostly composed of accounts payable and accruals which constituted 57.5% of total current liabilities in 2007. Trade payables constituted 69.2% of accounts payables and accruals.

The current portion of term loans constituted a further 33.1% of current liabilities, while the remaining 9.2% was divided among bank overdrafts, short term loans, and Zakat provisions.

The Company's working capital increased by 14.6% in 2006, from SAR 67.6 million to SAR 77.5 million, and 35.9% in 2007 to SAR 105.4 million. This increase in working capital reflects a continuous growth in the Company's healthy financial position and ability to meet short term liabilities.

The Board and Management confirm that the Company has working capital sufficient for a period of 12 months following the date of this Prospectus.

16.3.3 Property, Plant and Equipment

This account comprises land, buildings, tools, equipment, furniture, fixtures, vehicles, and construction in progress. Land is not depreciated, whereas buildings have a useful life of 33 years, and tools, equipment, furniture, fixtures, and vehicles have useful lives ranging from 4 to 10 years. The following exhibit summarizes Company's fixed assets broken down per class of assets:

Exhibit 16-12: Property, Plant and Equipment (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Gross book value			
Beginning	518,098	386,127	364,821
Acquisitions	-	94,183	-
Additions	62,964	43,744	21,306
Disposals	(1,344)	(5,955)	-
Transfers	-	-	-
Ending	579,718	518,098	386,127
Depreciation			
Beginning	221,001	184,793	167,295
Acquisitions	-	14,700	-
Charge for the year	26,027	25,328	17,497
Disposals	(1,024)	(3,820)	-
Ending	246,004	221,001	184,793
Net book value	333,714	297,097	201,334

Source: Audited Financial Statements

Buildings represented 56.7% of net fixed assets in 2005, 50.7% in 2006, and 46.0% in 2007. Tools, equipment, furniture, fixture, and vehicles constituted 32.4% of total net fixed assets in 2006 and 28.3% in 2007.

Net fixed assets increased by 12.3% in 2007, from SAR 297.1 million to SAR 333.7 million.

16.3.4 Investment in Subsidiary

The Company owns 50% of Advance Medical Projects Company, however AMPC is not being controlled by the Company.

Exhibit 16-13: Investment in Subsidiary (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Beginning of the period	5,878	5,734	4,058
Share from net per year	1,082	143	1,676
End of period	6,960	5,878	5,734

Source: Audited Financial Statements

16.3.5 Intangible Assets

Intangible assets include goodwill, license, and pre-operating costs. In line with SOCPA standards, Mouwasat does not amortize goodwill. However, it is reviewed for any impairment on a yearly basis. License and pre-operating costs are amortized over periods of 3 to 7 years.

Exhibit 16-14: Intangibles Assets (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Beginning			
Cost	35,862	6,777	6,777
Accumulated amortization	(11,612)	(6,199)	(5,534)
Net carrying amount	24,250	578	1,243
Ending			
Cost	36,867	35,862	6,777
Accumulated amortization	(14,574)	(11,612)	(6,199)
Net carrying amount	22,293	24,250	578

Source: Audited Financial Statements

The net book value of intangible assets decreased in 2007 from SAR 24.2 million to SAR 22.3 million.

16.3.6 Related Party Transactions

The Company has a number of related parties, including United Diagnostic Industries, United Medical Services, and Mouwasat Travel.

The following exhibit summarizes Mouwasat related party transactions for the years ended 31 December 2007, 2006, and 2005:

Exhibit 16-15: Related Party Transactions (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Dues from related parties	8,919	8,267	29,747
Dues to related parties	1,957	1,476	-
Net dues from/(to) related parties	6,962	6,791	29,747

Source: Audited Financial Statements

Exhibit 16-16: Nature of related Party Transactions (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Sales	200	300	500
Purchases	7,500	6,900	6,500
Directors' salaries	2,300	2,300	2,300

Source: Audited Financial Statements

In 2007, the Company received SAR 0.2 million for providing administrative services to one of its subsidiaries. Moreover, the Company paid SAR 2.3 million as salaries to the Board of Directors. Related transactions include purchases of SAR 1.2 million from United Diagnostic Industries, SAR 2.6 million from United Medical Services, and SAR 3.7 million from Mouwasat Travel.

Other than what is stated above, the Board of Directors of the Company certifies that there are no commercial dealings with any member of the Board of Directors, with senior management, with any shareholder who owns more than 5% of the shares of the Company, or with any of their relatives who may directly or indirectly benefit from such dealings, and that none are allowed to vote on such dealings.

16.3.7 Borrowings

Mouwasat obtained credit facilities from commercial banks in the form of bank overdrafts, short-term loans, letters of credit, and letters of guarantee which had a book value of SAR 122.9 million in 2007 and SAR 119.6 million in 2006. The Company's borrowings are secured by the following:

- Mortgage over the land, equipment, and furniture of Mouwasat Hospital-Dammam and Mouwasat Hospital-Al-Qatif , to the Ministry of Finance;
- Corporate guarantee and assignment of certain contract proceeds to SABB;
- Corporate guarantee to the National Commercial Bank;
- Corporate guarantee and assignment of certain contract proceeds to the Saudi Hollandi Bank; and
- Corporate guarantee to the Arab National Bank.

According to the Company's management, all the above facilities are Shariah-compliant.

Exhibit 16-17: Book Value of Bank Borrowings (SAR '000)

	Year ended 31 December		
	2007	2006	2005
Banks overdraft / Islamic	-	7,930	12,951
Short-term loans / Islamic	5,029	6,033	5,517
Current portion of long-term loans	29,480	22,506	19,648
Long-term loans / Islamic	88,370	83,123	14,963
Total	122,879	119,592	53,079

Source: Audited Financial Statements

16.3.8 Capital Commitments

The Directors of the Company authorized future capital expenditure amounting to SAR 86.8 million in 2007, compared to SAR 72.0 million in 2006, SAR 69.0 million 2005, and SAR 30.0 million in 2004. This capital expenditure represents investment in a new medical tower, accommodation for staff, and a clinical building, of which approximately SAR 46.0 million has already been paid as of 31 December 2007.

16.3.9 Contingent Liabilities

The Company's bankers have given guarantees to various parties on behalf of the Company amounting to SAR 30.0 million in 2007, SAR 30.0 million in 2006, and SAR 1.9 million in 2005.

16.3.10 Minority Interest

Minority interests represent 49.0% interest in the Eastern Medical Services Company Limited and 5.0% interest in Specialized Medical Clinic Company Limited. In accordance with an acquisition agreement signed in 2006, results of Eastern Medical Services Company Limited prior to 1 October 2006 (which is the effective date of acquisition) were fully charged to minority shareholders.

16.4 Statement of Management's Responsibility for Financial Information

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Prospectus has been drafted by the Management of the Company and approved by the Board of Directors. Except as set forth elsewhere in this Prospectus, the Management believes that there has been no material adverse change in the financial position or prospects of the Company since 31 December 2007 until the date of the Prospectus, and accepts full responsibility for the authenticity and accuracy of the information and analysis of financial results and confirms, after making all reasonable inquiries, that full and fair disclosure has been made and there is no other information or documents the omission of which make any information or statements therein misleading.

17 ACCOUNTANTS' REPORT

The audited financial statements as at and for each of the three years ended 31 December 2007, 2006, and 2005 and the notes thereto have been prepared by Ernst & Young, independent auditors of Mouwasat for the above stated periods.

Ernst & Young do not themselves, nor do any of their relatives or affiliates, have any shareholding or interest of any kind in the Company. In addition, Ernst & Young have given and not withdrawn their written consent to the publication in the Prospectus of their accountants' report.

Accountants' Report

To: The Shareholders

MOUWASAT MEDICAL SERVICES COMPANY

We have audited the accompanying consolidated balance sheet of Mouwasat Medical Services Company (A Closed Saudi Joint Stock Company) as at 31 December 2007 and the related consolidated statements of income, cash flow and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the company as at 31 December 2007, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Without qualifying our opinion, we draw attention to the fact that the accompanying financial statements for the years ended 31 December 2007, 2006 and 2005 have been audited by us and separate unqualified audit reports were issued by us on each of these statutory financial statements.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

7 Safar 1428H
25 February 2007

AlKhobar

Mouwasat Medical Services Company

(Saudi Joint Stock Company)

and Subsidiaries

Comparative Consolidated Balance Sheet as at December 31, 2007, 2006 and 2005

	Notes	2007 SAR	2006 SAR	2005 SAR
Assets				
Current assets				
Inventories	6	37,477,657	35,536,125	26,768,055
Accounts receivable and prepayments	7	141,755,254	116,500,440	113,580,431
Bank balances and cash		15,197,433	17,822,601	2,670,660
Total current assets		194,430,344	169,859,166	143,019,146
Property, plant and equipment	3	333,713,511	297,096,978	201,333,927
Investment in an associate	4	6,960,405	5,878,135	5,734,512
Intangible assets	5	22,293,453	24,250,157	577,835
Total Assets		557,397,713	497,084,436	350,665,420
Liabilities & Stockholders' Equity				
Current liabilities:				
Accounts payable and accruals	9	51,203,356	53,671,252	34,956,693
Bank overdrafts		-	7,930,275	12,950,839
Short term loans	10	5,029,418	6,032,790	5,516,667
Current portion of term loans	15	29,479,589	22,506,270	19,648,367
Zakat provision	11	3,334,684	2,189,204	2,320,000
Total current liabilities		89,047,047	92,329,791	75,392,566
Non-current Liabilities:				
Term loans	15	88,369,779	83,122,778	14,963,436
Employees' terminal benefits		14,926,392	14,040,891	10,305,058
Minority interest	25	10,559,635	9,354,652	-
Stockholders' Equity:				
Capital	12	250,000,000	250,000,000	147,000,000
Statutory reserve	14	15,199,050	6,323,197	10,010,883
Retained earnings		89,295,810	41,913,127	92,993,477
Total stockholders' equity		354,494,860	298,236,324	250,004,360
Total liabilities and stockholders' equity		557,397,713	497,084,436	350,665,420

The attached notes 1 to 25 form part of these consolidated financial statements.

Mouwasat Medical Services Company

(Saudi Joint Stock Company)

and Subsidiaries

Comparative Consolidated Statement of Income
for the years ended December 31, 2007, 2006 and 2005

	Notes	2007	2006	2005
		SAR	SAR	SAR
Operating revenues		309,435,494	264,935,379	208,418,024
Trading sales		88,916,756	76,568,406	57,249,889
Management fee	17	2,317,917	1,423,428	1,717,145
Total revenues		400,670,167	342,927,213	267,385,058
Cost of operations		(158,022,607)	(148,850,262)	(114,014,635)
Cost of sales		(69,253,916)	(58,620,314)	(44,874,290)
Total cost of revenues		(227,276,523)	(207,470,576)	(158,888,925)
Gross Profit		173,393,644	135,456,637	108,496,133
Selling and distribution expenses	18	(19,496,506)	(18,862,998)	(12,577,280)
General and administration expenses	19	(54,750,778)	(52,594,620)	(38,375,617)
Amortisation of pre-operating costs	5	(2,962,117)	(1,634,962)	(664,787)
Total expenses		(77,209,401)	(73,092,580)	(51,617,684)
Operating income		96,184,243	62,364,057	56,878,449
Other income	20	5,029,006	5,343,427	3,546,536
Financial charges		(5,892,440)	(4,457,406)	(3,805,970)
Income before Zakat and minority interests		95,320,809	63,250,078	56,619,015
Minority interest	25	(2,502,853)	2,381,348	-
Income before Zakat		92,817,956	65,631,426	56,619,015
Zakat	11	(4,059,420)	(2,399,462)	(2,972,222)
Net income		88,758,536	63,231,964	53,646,793
Earnings per share	12	3.55	2.53	2.15

The attached notes 1 to 25 form part of these consolidated financial statements.

Mouwasat Medical Services Company

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Comparative Consolidated Statement of Cash Flows

for the years ended December 31, 2007, 2006 and 2005

	2007 SAR	2006 SAR	2005 SAR
Cash Flows from Operating Activities:			
Income for the year before zakat and minority interests	95,320,809	63,250,078	56,619,015
Adjustments for:			
Depreciation	26,027,279	25,328,231	17,497,460
Amortisation of pre-operating costs	2,962,117	1,634,962	664,787
Employees' terminal benefits, net	885,501	3,735,833	580,793
Investment income	(1,082,270)	(143,623)	(1,676,500)
Financial charges	5,892,440	4,457,406	3,805,970
(Profit) loss on sale of property and equipment	(400,642)	(2,520,000)	-
Write off of property, plant and equipment	-	905,623	-
Changes in operating assets and liabilities			
Inventories	(1,941,532)	(8,768,070)	(5,034,167)
Receivables	(26,552,684)	(2,920,009)	(15,104,236)
Payables	(2,467,896)	18,714,559	(611,655)
Cash from operations	98,643,122	103,674,990	56,741,467
Financial charges paid	(5,892,440)	(4,457,406)	(3,805,970)
Zakat paid	(2,913,940)	(2,677,928)	(2,222,222)
Net cash from operating activities	89,836,742	96,539,656	50,713,275
Cash Flows from Investing Activities:			
Purchase of property and equipment	(62,964,274)	(43,743,822)	(21,305,586)
Proceeds from sale of property and equipment	721,104	3,750,000	-
Investment in a subsidiary (including goodwill)	-	(28,560,000)	-
Effect of consolidating acquired subsidiary *	-	(3,069,065)	-
License related costs	(1,005,413)	(3,165,960)	-
Net cash used in investing activities	(63,248,583)	(74,788,847)	(21,305,586)
Cash Flows from Financing Activities:			
Bank overdraft	(7,930,275)	(5,020,564)	(6,068,226)
Term loan proceeds	33,313,328	35,459,165	-
Term loan repayments	(21,093,008)	(22,578,592)	(20,481,704)
Contribution by minority shareholder to the capital of a subsidiary	-	25,000	-
Short term loans	(1,003,372)	516,123	(1,683,333)
Dividends paid	(32,500,000)	(15,000,000)	-
Net cash (used in) from financing activities	(29,213,327)	(6,598,868)	(28,233,263)
Increase (decrease) in bank balances and cash	(2,625,168)	15,151,941	1,174,426
Bank balances and cash at the beginning of the year	17,822,601	2,670,660	1,496,234
Bank balances and cash at the end of the year	15,197,433	17,822,601	2,670,660

Non cash item:

The dividends of minority shareholders of a subsidiary amounting to SR 1,297,870 have been off set against the balance due from partners and accordingly excluded from above cash flow statement as this transaction does not have any cash impact.

The attached notes 1 to 25 form part of these consolidated financial statements.

Mouwasat Medical Services Company

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Comparative Consolidated Statement of Changes in Stockholders' Equity

for the years ended December 31, 2007, 2006 and 2005

	Share capital SAR	Statutory reserve SAR	Retained earnings SAR	Total SAR
Balance at 31 December 2004	147,000,000	4,646,204	44,711,363	196,357,567
Net income for the year	-	-	53,646,793	53,646,793
Transfer to statutory reserve (note 14)	-	5,364,679	(5,364,679)	-
Balance at 31 December 2005	147,000,000	10,010,883	92,993,477	250,004,360
Net income for the year	-	-	63,231,964	63,231,964
Transfer to statutory reserve (note14)	-	6,323,197	(6,323,197)	-
Dividends (note 13)	-	-	(15,000,000)	(15,000,000)
Issue of capital	103,000,000	(10,010,883)	(92,989,117)	-
Balance at 31 December 2006	250,000,000	6,323,197	41,913,127	298,236,324
Net income for the year	-	-	88,758,536	88,758,536
Transfer to statutory reserve (note 14)	-	6,323,197	(6,323,197)	-
Dividends (note 13)	-	-	(32,500,000)	(32,500,000)
Balance at December 31, 2007	250,000,000	15,199,050	89,295,810	354,494,860

The attached notes 1 to 25 form part of these consolidated financial statements.

Mouwasat Medical Services Company

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Notes to Comparative Consolidated Financial Statements

For the years December 31, 2007, 2006 and 2005

1- activities:

The parent company is registered in Saudi Arabia under Commercial Registration number 2050032029 dated 12 Ramadan 1417H corresponding to 22 January 1997. The parent company was converted into a closed Saudi Joint Stock Company in accordance with Ministerial Resolution No 1880 dated 4 Dhu al Hijja 1426 (corresponding to 4 January 2006).

The parent 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 parent company is owned 90% (2006 and 2005: 90%) by Saudi nationals and institutions, and 10% (2006 and 2005: 10%) by a Bahraini company.

The consolidated financial statements include the financial statements of the parent company and its following subsidiaries whose financing and operating policies are controlled by the parent company:

Name of Subsidiary	Percentage of ownership
Eastern Medical Services Company Limited	51%
Specialized Medical Clinic Company Limited	95%

2- Significant accounting policies:

The consolidated financial statements of Mouwasat Medical Services Company (the "Group") have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions that are recognised in the respective financial statement are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the parent obtains control, and continue to be consolidated until the date that such control ceases.

Accounting convention

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

Depreciation

All property and equipment are initially recorded at cost. Cost, other than cost of freehold land and construction in progress is depreciated on a straight-line basis over the estimated useful lives of the assets.

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

Financial charges incurred on loans utilised for construction of new projects are capitalised with the related assets. Capitalisation of financial charges ceases when the related project is completed.

Amortisation

Costs that will benefit future years are treated as intangible assets and amortised over the estimated period of benefit. These mainly represent a license and pre-operating costs of certain hospitals and dispensaries.

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Goodwill

Goodwill arising on acquisition of a subsidiary is accounted for as an intangible asset. Such goodwill is not amortised, but reviewed for any impairment in value on an annual basis.

Inventories

Inventories are stated at the lower of cost and market value after making due allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

Investment in an associate

Investment in a company wherein the Group does not have control over the financial and operating policies is accounted for under the equity method in accordance with the relevant standards.

Accounts receivable

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

Accounts payable and accruals

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

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated income statement. Additional amounts, if any, that may become due on finalisation of the assessment are accounted for in the year in which the assessment is finalised.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date.

Revenue recognition

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

Foreign currencies

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

Fair values

The fair values of commission bearing items are estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Derivative financial instruments

The company uses commission rate swaps to hedge risks associated with commission rate fluctuations on loans. These are included in the balance sheet at fair value and resultant gain or loss is recognized in the consolidated income statement. The fair values of commission rate swap contracts are included under "accounts receivable and prepayments" in case of favourable fair value and in "accounts payable and accruals" in case of unfavourable fair value.

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For the years December 31, 2007, 2006 and 2005

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

Expenses

Selling and distribution expenses are those that specifically relate to marketing personnel, advertisements, promotions as well as bad debts expense. All other expenses, other than direct costs, amortisation of deferred charges and financial charges, are classified as general and administration expenses.

Segmental reporting

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

3- Property and equipment:

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Freehold buildings	33 years
Tools and equipment	4 to 10 years
Furniture & fixtures	4 to 10 years
Motor vehicles	4 years

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Notes to Comparative Consolidated Financial Statements For the years December 31, 2007, 2006 and 2005

	Freehold Land	Buildings	Tools, equipment, furniture, fixtures, and vehicles	Construction in progress	Total 2007	Total 2006	Total 2005
	SR	SR	SR	SR	SR	SR	SR
Cost:							
At the beginning of the year	29,650,494	231,587,284	236,368,315	20,491,789	518,097,882	386,126,707	364,821,121
Acquisition of subsidiary	-	-	-	-	-	94,182,708	-
Additions	10,303,010	1,959,438	15,632,287	35,069,539	62,964,274	43,743,822	21,305,586
Transfer	-	9,317,063	590,694	(9,907,757)	-	-	-
Disposals	(238,000)	-	(1,106,121)	-	(1,344,121)	(5,955,355)	-
At the end of the year	39,715,504	242,863,785	251,485,175	45,653,571	579,718,035	518,097,882	386,126,707
Depreciation:							
At the beginning of the year	-	80,949,320	140,051,584	-	221,000,904	184,792,780	167,295,320
Acquisition of subsidiary	-	-	-	-	-	14,699,625	-
Charge for the year	-	8,251,476	17,775,803	-	26,027,279	25,328,231	17,497,460
Disposals	-	-	(1,023,659)	-	(1,023,659)	(3,819,732)	-
At the end of the year	-	89,200,796	156,803,728	-	246,004,524	221,000,904	184,792,780
Net book amounts:							
At 31 December 2007	39,715,504	153,662,989	94,681,447	45,653,571	333,713,511		
At 31 December 2006	29,650,494	150,637,964	96,316,731	20,491,789		297,096,978	
At 31 December 2005	18,781,264	114,353,397	61,097,224	7,102,042			201,333,927

Construction in progress represents construction of new Mouwasat Medical Tower project in Dammam Hospital. Financial charges amounting to SR 1.5 million (2006: SR 0.5 million 2005: Nil) have been capitalised during the year on this project and included in construction work in progress.

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4- Investment in an associate:

The Group has 50% ownership interest in Advance Medical Project Company (AMPC), a limited liability company registered in the Kingdom of Saudi Arabia.

	2007 SAR	2006 SAR	2005 SAR
Balance at the beginning of the year	5,878,135	5,734,512	4,058,012
Share in the net results for the year	1,082,270	143,623	1,676,500
Balance at the end of the year	6,960,405	5,878,135	5,734,512

The Group does not have control over AMPC and hence it is accounted for as an associate.

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5- Intangible assets

	Goodwill	License	Pre operating costs	Total 2007	Total 2006	Total 2005
	SR	SR	SR	SR	SR	SR
Cost						
At the beginning of the year	16,371,000	3,165,960	16,324,773	35,861,733	6,776,919	6,776,919
Acquisition of a subsidiary	-	-	-	-	9,547,854	-
Additions	-	1,005,413	-	1,005,413	19,536,960	-
At 31 December	16,371,000	4,171,373	16,324,773	36,867,146	35,861,733	6,776,919
Amortisation						
At the beginning of the year	-	-	11,611,576	11,611,576	6,199,084	5,534,297
Acquisition of a subsidiary	-	-	-	-	3,777,530	-
Charge for the year	-	1,327,155	1,634,962	2,962,117	1,634,962	664,787
At end of the year	-	1,327,155	13,246,538	14,573,693	11,611,576	6,199,084
Net book amount						
At 31 December 2007	16,371,000	2,844,218	3,078,235	22,293,453		
At 31 December 2006	16,371,000	3,165,960	4,713,197		24,250,157	
At 31 December 2005	-	-	577,835			577,835

Goodwill is not amortised. License cost is amortised over 3 years and pre-operating costs are amortised over periods of 3 to 7 years.

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For the years December 31, 2007, 2006 and 2005

6- Inventories

	2007 SAR	2006 SAR	2005 SAR
Surgical instruments and consumables	18,618,349	16,294,312	13,411,194
Pharmaceuticals, cosmetics and others	18,232,159	18,562,987	12,652,474
Spare parts	627,149	678,826	704,387
Total	37,477,657	35,536,125	26,768,055

7- Accounts receivable and prepayments

	2007 SAR	2006 SAR	2005 SAR
Trade accounts receivable	114,050,139	95,469,283	74,119,106
Amounts due from affiliates *	8,918,731	8,266,612	29,746,874
Advances to suppliers	7,430,213	5,036,270	2,406,353
Prepaid expenses	5,185,789	3,564,881	2,161,817
Accrued income	1,772,246	1,580,956	1,271,076
Staff loans and advances	1,003,392	1,135,451	1,125,206
Other receivables	3,394,744	1,446,987	2,749,999
Total	141,755,254	116,500,440	113,580,431

8- Related party transactions

During the year, the Group provided administration services to an affiliate. The total amount charged to the affiliate in this respect amounts to SR 0.2 million (2006: SR 0.3 million and 2005: SR 0.5 million). Also during the year, the Group paid SR 2.265 million as directors' salaries (2006: SR 2.265 million and 2005: SR 2.265 million).

The Group's purchases include SR 1.2 million (2006: SR 0.9 million and 2005: 1.2 million) from United Diagnostic Industries, SR 2.6 million (2006: SR 1.5 million and 2005: SR 1.9 million) from United Medical Services, and SR 3.7 million (2006: SR 3.4 million and 2005: SR 3.2 million) from Mouwasat Travel.

The parent company has provided guarantees on behalf of an affiliate. Such guarantees are disclosed in note 22.

Pricing policies and terms of payment for these transactions are approved by the Group's management.

Amounts due from and due to affiliates are shown in notes 7 and 9 respectively.

9- Accounts payable and accruals

	2007 SAR	2006 SAR	2005 SAR
Trade accounts payable	35,452,289	37,064,271	24,791,068
Accruals	10,912,203	10,666,634	8,221,315
Due to affiliates (note 8)	1,957,398	1,475,701	-
Other payables	2,881,466	4,464,646	1,944,310
Total	51,203,356	53,671,252	34,956,693

10- Short term loans

Short term loans are secured by corporate guarantees of the parent company. These carry commission at normal commercial rates. All these facilities were Shariah compliant.

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11- Zakat

Zakat charge for the year represents provision made by the parent company as well as one of the subsidiaries for the year.

Status of assessment

Zakat assessments for the parent company and subsidiaries have been agreed with the Department of Zakat and Income Tax up to 2006.

12- Share capital

Share capital is divided into 25,000,000 shares of SR 10 each (2006: 25,000,000 shares of SR 10 each and 2005: SR 2,940,000 shares of SR 50 each).

During 2006, the share capital of the parent company was increased by capitalisation of statutory reserve and retained earnings. Simultaneously, the denomination of each share was reduced from SR 50 to SR 10.

In view of the above changes, the earnings per share for 2005 have been calculated based on the adjusted number of shares outstanding at 31 December 2007.

13- Dividends

The directors of the parent company have proposed and paid interim dividends of SR 12.5 million (SR 0.5 per share (2006: SR 15 million (0.6 per share) and 2005: Nil) during the year and have further proposed a final dividend of SR 22.5 (SR 0.9 per share) (2006: SR 20 million (SR0.6 per share) and 2005: Nil) for approval at the AGM.

14- Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year has been transferred to the statutory reserve. The parent company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

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Notes to Comparative Consolidated Financial Statements For the years December 31, 2007, 2006 and 2005

15- Term loans

	Ministry of finance	Saudi British Bank	National Commercial Bank	Arab National Bank	Saudi Hollandi Bank	Total 2007	Total 2006	Total 2005
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
At the beginning of the year	33,912,410	26,000,000	11,257,473	9,459,165	25,000,000	105,629,048	34,611,803	55,093,507
Acquisition of a subsidiary	-	-	-	-	-	-	58,136,672	-
Repaid during the year	(4,411,643)	(4,333,335)	(5,403,586)	-	(6,944,444)	(21,093,008)	(22,578,592)	(20,481,704)
Obtained during the year	4,500,000	-	-	28,813,328	-	33,313,328	35,459,165	-
At the end of the year	34,000,767	21,666,665	5,853,887	38,272,493	18,055,556	117,849,368	105,629,048	34,611,803
Current portion	4,411,643	5,777,778	5,853,887	5,102,948	8,333,333	29,479,589	22,506,270	19,648,367
Non-current portion	29,589,124	15,888,887	-	33,169,545	9,722,223	88,369,779	83,122,778	14,963,436

The term loans from Ministry of Finance are commission free and include two separate loans obtained by parent company and its subsidiary Eastern Medical Company Limited. Those loans are secured by a mortgage over the land, equipment and furniture of Mouwasat Hospital-Dammam and Mouwasat Hospital-Qateef. The loans are repayable in sixteen equal annual installments each of SR 2,481,710 for parent company and SR 1,929,933 by a subsidiary company. The last installment is payable on 17/5/1429H (corresponding to 23 May 2008) and on 03/10/1442H (corresponding to 15 May 2021) by parent company and subsidiary respectively.

During the year, the parent company has entered into a new loan agreement with the Ministry of Finance for a total value of SR 10.2 million. Parent company has obtained and utilised SR 4.5 million during the year. The loan is repayable in 16 monthly installments starting after completing four years from the date of agreement.

Loan from Saudi British Bank (Murabaha Liquidity Finance) is repayable in fifty four monthly installments of SR 481,481 each, the last being payable on 31 July 2011. The loan is secured by corporate guarantee of the parent company and assignment of certain contract proceeds.

Loan from National Commercial Bank is secured by corporate guarantee of the parent company and is to be repaid in 27 installments of SR 450,209 each, the last being payable on 31 December 2008.

Loan obtained for Eastern Medical Services from Saudi Hollandi Bank is secured by corporate guarantee of the parent company and the assignment of certain contract proceeds. The loan is repayable in thirty six monthly installments of SR 694,444 each. The last installment is payable on 15/3/1431H (corresponding to 1 March 2010).

Tawaruq loan from Arab National Bank is secured by corporate guarantee of the parent company. The total Tawaruq loan facility amounts to SR 40 million which can be drawn upto 1 April 2008. The term of the loan is seven years (including two years grace period) and is repayable in equal annual installments beginning 1 May 2008.

All of the above facilities are Shariah compliant.

Installments of various loans due in 2008 are shown as current liability.

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16- Segmental Information

Business segments:

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

	Inpatient	Outpatient	Pharmaceutical	Management	Total
	SAR	SAR	SAR	SAR	SAR
31 December 2007					
Revenue for the year	154,620,443	154,815,051	88,916,756	2,317,917	400,670,167
Gross profit for the year	75,658,831	75,754,056	19,662,840	2,317,917	173,393,644
Property and equipment, net book value	129,541,728	129,704,771	74,467,012	-	333,713,511
Total assets	216,353,946	216,626,253	124,417,514	-	557,397,713
Total liabilities	74,658,028	74,751,994	42,933,196	-	192,343,218
31 December 2006					
Revenue for the year	139,951,595	135,188,116	66,364,074	1,423,428	342,927,213
Gross profit for the year	55,996,287	54,303,212	23,733,710	1,423,428	135,456,637
Property and equipment, net book value	129,405,437	122,225,915	45,465,626	-	297,096,978
Total assets	250,408,797	175,024,017	72,380,920	-	497,813,734
Total liabilities	81,409,818	77,876,646	30,936,294	-	190,222,758
31 December 2005					
Revenue for the year	114,533,764	104,201,228	46,932,921	1,717,145	267,385,058
Gross profit for the year	48,363,047	41,991,758	16,424,183	1,717,145	108,496,133
Property and equipment, net book value	91,074,688	81,916,115	28,342,494	-	201,333,297
Total assets	183,802,439	125,197,082	41,665,899	-	350,665,420
Total liabilities	39,751,014	44,282,638	16,627,408	-	100,661,060

Geographical Segments

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

17- Profit sharing and operating agreement

The parent company entered into a lease agreement for dispensary building in Hofuf with profit sharing feature based on agreed upon formula. The lease agreement is for 15 years starting from 1st February 2000. The parent company has also entered into an agreement for management of operations of a hospital in Riyadh at an agreed management fee and profit sharing.

During 2006, the parent company entered into an agreement for management of operations of one of its subsidiaries, at an agreed management fee based on an agreed upon formula. Such fee has been eliminated in preparation of these consolidated financial statements.

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18- Selling and distribution expenses

	2007	2006	2005
	SAR	SAR	SAR
Employee costs	6,886,999	6,521,384	5,070,975
Advertising and promotions	3,174,301	3,751,369	2,495,667
Doubtful debts	9,400,540	7,215,598	4,222,323
Others	34,663	1,374,647	788,315
Total	19,496,506	18,862,998	12,577,280

19- General and administrative expenses

	2007	2006	2005
	SAR	SAR	SAR
Employee costs	22,309,052	21,893,469	14,908,070
Water and electricity	5,103,313	5,278,148	3,672,404
Depreciation	4,952,262	4,624,348	3,573,130
Support services	5,029,779	4,507,970	3,081,860
Repair and maintenance	3,159,936	3,510,776	2,456,484
Rental	3,884,909	3,365,912	2,363,336
Directors' salaries	2,265,000	2,265,000	2,265,000
Vehicle expenses	997,234	888,344	1,123,549
Communication expenses	665,635	932,015	1,023,489
Insurance	863,210	800,046	568,656
Travel	635,749	478,767	696,004
Postage and stationery	1,192,953	656,400	264,166
Others	4,051,746	3,393,425	2,379,469
Total	54,750,778	52,594,620	38,375,617

20- Other income

	2007	2006	2005
	SAR	SAR	SAR
Profit on sale of property and equipment	400,642	2,520,000	-
Services provided to affiliates	215,184	432,313	458,751
Investment income	1,082,270	143,623	1,676,500
Others	3,330,910	2,247,491	1,411,285
Total	5,029,006	5,343,427	3,546,536

21- Capital commitments

The directors have authorised future capital expenditure amounting to SR 86.8 million (2006: SR 72 million and 2005: SR 69 million) mainly in connection with new medical tower, and expansion in Jubail Hospital, of which approximately SR 46 million (2006: SR 12 million and 2005: SR 7 million) was spent by the end of the year.

22- Contingent liabilities

The parent company has provided guarantees on behalf of an affiliate amounting to SR 30 million (2006: SR 30 million and 2005: 1.9 million).

Mouwasat Medical Services Company

(Saudi Joint Stock Company)

and Subsidiaries

Notes to Comparative Consolidated Financial Statements

For the years December 31, 2007, 2006 and 2005

23- Risk management

Commission rate risk

The Group is subject to commission rate risk on its commission bearing liabilities, which comprise term loans.

Credit risk

The Group seeks to limit its credit risk with respect to customers by monitoring outstanding receivables. Adequate allowances are made for debts considered doubtful. At the balance sheet date, no significant credit risk was identified by the management.

Liquidity risk

The Group limits its liquidity risk by ensuring that bank facilities are available. The Group's invoicing terms require amounts to be paid within 60 to 120 days of the date of the invoice. Trade payables are normally settled within 60 to 90 days of the date of purchase.

Currency risk

The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year.

24- Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of bank balances, cash and receivables, its financial liabilities consist of term loans, payables and accrued expenses.

The fair values of financial instruments are not materially different from their carrying values.

25- Minority interests

Minority interests represent 49% (2006: 49% and 2005: Nil) interest in the Eastern Medical Services Company Limited and 5% (2006: 5% and 2005: N/A) interest in Specialized Medical Clinic Company Limited.

18 RECENT DEVELOPMENTS

18.1 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of Mouwasat financial condition and results of operations are based on and should be read in conjunction with the audited financial statements of Mouwasat Medical Services Company as at and for the years ended 31 December 2008 and 2007 (the "Audited Financial Statements"), which have been audited by Ernst & Young ("E&Y").

E&Y do not themselves, nor do any of their relatives or affiliates, have any shareholding or interest of any kind in the Company. They have furnished and not withdrawn their written consent to the reference in the Prospectus to their role as auditors of the Company for the fiscal years ended 31 December 2008 and 2007.

The Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements that involve risks and uncertainties. Actual results for the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the "Risk Factors" section.

18.2 Director's Declaration for Financial Information

The Directors declare that the financial information presented in the Prospectus are extracted without material change from the Audited Financial Statements and that such statements have been prepared in accordance with SOCPA accounting standards.

The Directors further declare that there has been no material adverse change in the financial or trading position of the Company from 31 December 2008 up to and including the date of the Prospectus.

18.3 Results of Operations

The following tables summarize the audited income statements for the periods ended 31 December 2008 and 2007.

Exhibit 18-1: Income Statement (SAR '000)

	Year ended 31 December	
	2008	2007
Operating revenues	346,582	309,435
Trading sales	105,061	88,917
Management fee	2,908	2,318
Total Revenues	454,552	400,670
Cost of operations	(178,609)	(158,023)
Cost of sales	(75,043)	(69,254)
Total Costs of Revenues	(253,652)	(227,277)
Gross Profit	200,901	173,394
Selling and distribution	(24,366)	(19,497)
General and administration	(63,545)	(54,751)
Amortization of pre-operating assets	(2,748)	(2,962)
Total Expenses	(90,658)	(77,209)
Income from main operations	110,242	96,184
Other (expenses)/income	(1,078)	5,029
Financial charges	(3,655)	(5,892)
Income before Zakat and minority interests	105,499	95,321
Minority interest	(3,989)	(2,503)
Income before Zakat	101,510	92,818
Zakat	(4,438)	(4,059)
Net income for the year	97,072	88,759

Source: Audited Financial Statements

Exhibit 18-2: Income Statement (Percentage of Revenues)

	Year ended 31 December	
	2008	2007
Operating revenues	76.25%	77.23%
Trading sales	23.11%	22.19%
Management fee	0.64%	0.58%
Total Revenues	100.00%	100.00%
Cost of operations	(39.29%)	(39.44%)
Cost of sales	(16.51%)	(17.28%)
Total Costs of Revenues	(55.80%)	(56.72%)
Gross Profit	44.20%	43.28%
Selling and distribution	(5.36%)	(4.87%)
General and administration	(13.98%)	(13.66%)
Amortization of pre-operating assets	(0.60%)	(0.74%)
Total Expenses	(19.94%)	(19.27%)
Income from main operations	24.25%	24.01%
Other (expenses)/income	(0.24%)	1.26%
Financial charges	(0.80%)	(1.47%)
Income before Zakat and minority interests	23.21%	23.79%
Minority interest	(0.88)	(0.62%)
Income before Zakat	22.33%	23.17%
Zakat	(0.98%)	(1.01%)
Net income for the year	21.36%	22.15%

Source: Audited Financial Statements

Operating revenues represent income from inpatient and outpatient medical services provided by the Company. Operating revenues have provided the majority of revenues, constituting more than 77.2% and 76.2% of total revenues in 2007 and 2008. Revenues from operations grew by 12% from SAR 309.4 million in 2007 to SAR 346.6 million in 2008.

Trading sales represent income generated from pharmaceutical sales. As a percentage of total revenues, these represented 22.2% and 23.1% of total revenues on average between 2007 and 2008.

The management fees represent the income for its contract with SUDC to manage and operate the Najd Consulting Hospital in Riyadh. Management fees were SAR 2.3 million and SAR 2.9 million in 2007 and 2008 respectively.

The Company's cost of revenues has increased by 11.6% from SAR 227.3 million in 2007 to SAR 253.6 in 2008, however as a percentage of total revenues, cost of revenues decreased from 56.7% in 2007 to 55.8% in 2008. In 2008, gross profit margin grew to 44.2% against 43.3 in 2007, representing a growth of 15.9%. Net profit margin represented 21.4% of total revenues in 2008, while it had represented 22.1% in 2007. Cost of revenues is composed of cost of operations and cost of sales, with cost of operations constituting 70.4% of the total in 2008 against 69.5% in 2007.

Selling and distribution expenses and general and administrative expenses are the major expenses, with selling and distribution constituting 26.9% and general and administrative 70.1% of the total in 2008. Amortization constituted 3.0%.

Selling and distribution expense increased by 24.9%, and general and administrative expenses increased by 16.1% in 2008 as compared to 2007.

In 2008, The Company's growth in net income was 9.4%, mainly due to the increase in revenue and the maintenance of healthy margins.

18.3.1 Revenues

Operating revenues and trading sales are subdivided into three segments - inpatient, outpatient, and pharmaceutical. The following table summarizes the Company's segmental analysis of revenues:

Exhibit 18-3: Breakdown of Revenue (SAR '000)

	Year ended 31 December	
	2008	2007
Inpatient		
Revenues	173,182	154,620
Cost of revenues	89,248	78,961
Gross profit	83,934	75,659
Outpatient		
Revenues	173,400	154,815
Cost of revenues	89,360	79,061
Gross profit	84,040	75,754
Pharmaceutical		
Revenues	105,062	88,917
Cost of revenues	75,043	69,254
Gross profit	30,019	19,663
Management fees		
	2,908	2,318
Total		
Revenues	454,553	400,670
Cost of revenues	253,652	227,276
Gross profit (SAR)	200,901	173,394
Gross profit margin (%)	44.19%	43.27%

Source: Audited Financial Statements

Revenues from inpatient services increased by 12.0% from SAR 154.6 million in 2007 to SAR 173.2 million in 2008, whereas revenues from outpatient services increased by 12.0% from SAR 154.8 million in 2007 to SAR 173.4 million in 2008. These two segments jointly contributed to 76.2% of total revenues in 2008, with each contributing about 38.1%.

Pharmaceutical sales showed a higher growth rate with 18.1% from SAR 88.9 million in 2007 to SAR 105.1 million in 2008. This segment contributed to 23.1% of total revenues in 2008.

The contribution of the management fees was averaged to around 0.6% of total revenues in 2008.

18.3.2 Cost of Revenues and Gross Margins

Cost of revenues of inpatient services stood at SAR 79.0 million in 2007 and SAR 89.2 million in 2008, while outpatient services stood at SAR 79.1 million in 2007 and SAR 89.4 million in 2008. These were the largest components of cost of revenues in 2008, with both representing 35.2% each of the total.

The cost of revenues for inpatient and outpatient are mostly composed of employee costs, material consumption, and depreciation. Cost of revenues for inpatient amounted to 13.0% and amounted to 13.0% for outpatient in 2008.

18.3.3 Selling and Distribution Expenses

Selling and distribution expenses of the Company increased by 24.9% from 2007 to 2008. The following exhibit presents selling and distribution expenses by major items:

Exhibit 18-4: Selling and Distribution Expenses

	Year ended 31 December	
	2008	2007
SAR '000		
Employees costs	7,763	6,886
Advertising and promotions	3,240	3,174
Doubtful debts	13,329	9,401
Others	32	35
Total	24,366	19,496
Percentage of total		
Employees costs	31.86%	35.32%
Advertising and promotions	13.30%	16.28%
Doubtful debts	54.71%	48.22%
Others	0.13%	0.18%
Total	100.00%	100.00%

Source: Audited Financial Statements

Doubtful debts and employees costs are the two major items under selling and distribution expenses, representing 54.7% and 48.2% respectively in 2008.

Doubtful debts expense increased from SAR 9.4 million in 2007 to SAR 13.3 million in 2008 due to the increase of the Company's activity which was accompanied by a larger number of possible uncollectible receivables, in line with SOCPA accounting standards and Mouwasat's accounting policy.

18.3.4 General and Administrative Expenses

The general and administrative expenses of the Company were SAR 54.8 million in 2007 and SAR 63.5 million in 2008. These figures represent a 15.9%% increase in 2008.

Exhibit 18-5: General and Administrative Expenses

	Year ended 31 December	
	2008	2007
SAR '000		
Employee costs	25,793	22,309
Water and electricity	5,316	5,103
Depreciation	4,931	4,592
Support services	5,846	5,030
Repair and maintenance	3,602	3,159
Rental	5,101	3,885
Directors' salaries	2,265	2,265
Vehicle expenses	938	997
Communication expenses	751	666
Insurance	779	863
Travel	685	636
Postage and stationery	1,713	1,193
Others	5,824	4,052
Total	63,545	54,751
Percentage of total		
Employee costs	40.59%	40.75%
Water and electricity	8.37%	9.32%
Depreciation	7.76%	8.39%
Support services	9.20%	9.19%
Repair and maintenance	5.67%	5.77%
Rental	8.03%	7.10%

	Year ended 31 December	
	2008	2007
Directors' salaries	3.56%	4.14%
Vehicle expenses	1.48%	1.82%
Communication expenses	1.18%	1.22%
Insurance	1.23%	1.58%
Travel	1.08%	1.16%
Postage and stationery	2.70%	2.18%
Others	9.17%	7.40%
Total	100.00%	100.00%

Source: Audited Financial Statements

Employee costs are the largest general expense, constituting between 40.7% and 40.6% of general and administrative expenses in 2007 and 2008. Employee costs increased by 15.6% from SAR 22.3 million to SAR 25.8 million in 2008.

18.3.5 Other (expense)/Income

Other (expense)/income decreased by 121.4% in 2008 from SAR 5.0 million in 2007 to SAR (1.1) million, mostly due to the change in the fair value of profit rate swap contracts. Other income represented (0.2)% of total revenues and (1.1)% of net income in 2008. The following exhibit provides the details of other income:

Exhibit 18-6: Other Income

	Year ended 31 December	
	2008	2007
SAR '000		
Profit on sale of property and equipment	197	401
Services provided to affiliates	231	215
Investment income	1,313	1,082
Change in fair value of profit rate swap contract	(5,173)	-
Other	2,354	3,331
Total	(1,078)	5,029
Percentage of total		
Profit on sale of property and equipment	(18.32%)	7.97%
Services provided to affiliates	(21.45%)	4.28%
Investment income	(121.81%)	21.52%
Change in fair value of profit rate swap contract	479.94%	-
Other	(218.36%)	66.23%
Total	100.00%	100.00%

Source: Audited Financial Statements

18.3.6 Net Income

Mouwasat's net income was SAR 88.8 million in 2007 and SAR 97.1 million in 2008. Net income grew by 9.3% in from 2007 to 2008.

Exhibit 18-7: Net Income

	Year ended 31 December	
	2008	2007
SAR '000		
Revenues	454,553	400,670
Gross Profit	200,901	173,394
Operating Income	110,242	96,184
Income before Zakat & Minority Interest	105,499	95,321
Net Income	97,072	88,759

	Year ended 31 December	
	2008	2007
Percentage of revenues (margin)		
Revenues	100.00%	100.00%
Gross Profit	44.20%	43.28%
Operating Income	24.25%	24.01%
Income before Zakat & Minority Interest	23.21%	23.79%
Net Income	21.36%	22.15%
Percentage change		
Revenues	13.45%	16.84%
Gross Profit	15.86%	28.01%
Operating Income	14.62%	54.23%
Income before Zakat & Minority Interest	10.68%	50.71%
Net Income	9.37%	40.37%

Source: Audited Financial Statements

The Company's gross profit margin was 43.3% and 44.2% for the years ended 2007 and 2008, respectively.

Net income grew in 2008 from SAR 88.8 million to SAR 97.1 million. The Company's net profit margin decreased from 22.1% in 2007 to 21.4% in 2008.

18.4 Financial Condition, Liquidity and Other Items

The following tables summarize the audited balance sheets for the periods ended 31 December 2008 and 2007:

Exhibit 18-8: Balance Sheets (SAR '000)

	Year ended 31 December	
	2008	2007
Current assts	220,924	194,430
Property and equipment	7,308	6,960
Investment in associates	374,535	333,714
Intangible assets	19,546	22,293
Total assets	622,313	557,398
Current liabilities	96,214	89,047
Long-term loans	83,888	88,369
Provision for end of services benefits	16,211	14,926
Total liabilities	196,312	192,343
Capital	250,000	250,000
Statutory reserve	24,906	15,199
Retained earnings	134,161	89,296
Total Equity attributable to equity holders of the parent company	409,067	354,495
Minority Interest	16,933	10,559
Total liabilities and shareholders equity	622,313	557,397

Source: Audited Financial Statements

Exhibit 18-9: Balance Sheets (Percentage of Total Assets)

	Year ended 31 December	
	2008	2007
Current assts	35.50%	34.88%
Property and equipment	1.17%	1.25%
Investment in associates	60.18%	59.87%
Intangible assets	3.14%	4.00%
Total assets	100.00%	100.00%

	Year ended 31 December	
	2008	2007
Current liabilities	15.46%	15.98%
Long-term loans	13.48%	15.85%
Provision for end of services benefits	2.60%	2.68%
Total liabilities	31.55%	34.51%
Capital	40.17%	44.85%
Statutory reserve	4.00%	2.73%
Retained earnings	21.56%	16.02%
Total Equity attributable to equity holders of the parent company	65.73%	63.60%
Minority Interest	2.72%	1.89%
Total liabilities and shareholders equity	100.00%	100.00%

Source Audited Financial Statements

Total assets increased by 11.6% in 2008, from SAR 557.4 million to SAR 622.3 million. The increase in total assets is attributable to the increase in property and equipment. Property and equipment represented 59.9% of total assets in 2007, with the increase accounting for 60.2% of the total increase in the Company's assets.

18.4.1 Cash Flows

The following tables summarize the audited cash flow statements for the periods ended 31 December 2008 and 2007.

Exhibit 18-10: Cash flow (SAR '000)

	Year ended 31 December	
	2008	2007
Cash generated from operating activities	132,785	89,837
Cash used in investing activities	(66,473)	(63,249)
Cash (used in) financing activities	(52,030)	(29,213)
Increase (decrease) in cash	14,282	(2,625)
Cash at beginning of period	15,197	17,823
Cash at end of period	29,479	15,197

Source: Audited Financial Statements

The Company's cash balance decreased in 2007 to SAR 15.2 million and increased in 2008 to SAR 29.5 million, mainly due to the high increase in cash from operating activities.

Cash from operations grew by 47.8% from 2007 to 2008. These large increases are due to a number of factors, including:

- Increase in revenues, which grew by 13.4% from 2007 to 2008; and
- Larger proportion of credit expenses as the Company increased its payable balance by SAR 12.6 million in 2008.

Total cash used in investing activities increased from SAR 63.2 in 2007 to SAR 66.5 million in 2008. The increase in cash used in investing activities is mainly attributable to the Company's additional investment in property, plant, and equipment, which amounted to SAR 68.4 million in 2008.

Total cash used in financing activities in 2007 was SAR 29.2 million which increased to SAR 52.0 million in 2008. The increase in cash used in financing activities is attributed to the increase in the repayment of term loans, which amounted to SAR 32.4 million in 2008, as opposed to SAR 21.1 million in 2007.

The Company has consistently been able to generate adequate amounts of cash from its operations and has been able to use this cash for working capital, expansion, investments, and dividend payments.

18.4.2 Working Capital

Working capital amounted to SAR 124.7 million and SAR 105.4 million as of 31 December 2008 and 2007, respectively, as follows:

Exhibit 18-11: Working Capital (SAR '000)

	Year ended 31 December	
	2008	2007
Current Assets		
Inventories	42,497	37,478
Accounts receivable & prepayments	148,947	141,755
Bank balances and cash	29,479	15,197
Total current assets	220,924	194,430
Current Liabilities		
Accounts payable and accruals	62,704	51,203
Zakat provision	4,049	3,335
Short term loans	-	5,029
Current portion of term loans	29,461	29,479
Total current liabilities	96,214	89,047
Working capital	124,710	105,383

Source: Audited Financial Statements

The Company's current assets are mostly composed of accounts receivable and prepayments, which constituted 67.4% of total current assets in 2008. The accounts receivable and prepayments were mainly comprised of trade receivables (85.3% of total).

Inventories, which relate to the materials and drugs used by the hospitals, constituted a further 19.2% of current assets in 2008, while the remaining 13.4% was composed of bank balances and cash.

Current liabilities are mostly composed of accounts payable and accruals which constituted 65.2% of total current liabilities in 2008. Trade payables constituted 57.8% of accounts payables and accruals.

The current portion of term loans constituted a further 30.7% of current liabilities, while Zakat provisions constituted 4.2% in 2008.

The Company's working capital increased by 18.3% from SAR 105.4 million in 2007 to SAR 124.7 million in 2008. This increase in working capital reflects a continuous growth in the Company's healthy financial position and ability to meet short term liabilities.

The Board and Management confirm that the Company has working capital sufficient for a period of 12 months following the date of this Prospectus.

18.4.3 Property, Plant, and Equipment

This account comprises land, buildings, tools, equipment, furniture, fixtures, vehicles, and construction in progress. Land is not depreciated, whereas buildings have a useful life of 33 years, and tools, equipment, furniture, fixtures, and vehicles have useful lives ranging from 4 to 10 years. The following exhibit summarizes Company's fixed assets broken down per class of assets:

Exhibit 18-12: Property, Plant and Equipment (SAR '000)

	Year ended 31 December	
	2008	2007
Gross book value		
Beginning	579,718	518,098
Additions	68,417	62,964
Transfers	-	-
Disposals	(8,324)	(1,344)
Ending	639,810	579,718
Depreciation		

	Year ended 31 December	
	2008	2007
Beginning	246,004	221,001
Charge for the year	26,814	26,027
Disposals	(7,543)	(1,024)
Ending	265,276	246,004
Net book value	374,535	333,713

Source: Audited Financial Statements

Buildings represented 46.0% of net fixed assets in 2007 and 60.5% in 2008. Tools, equipment, furniture, fixture, and vehicles constituted 28.4% of total net fixed assets in 2007 and 25.8% in 2008.

Net fixed assets increased by 12.2% in 2008, from SAR 333.7 million to SAR 374.5 million.

18.4.4 Investment in Subsidiary

The Company owns 50% of Advance Medical Projects Company, however AMPC is not being controlled by the Company. Investment in the subsidiary increased from SAR 6.9 million in 2007 to SAR 7.3 million in 2008.

18.4.5 Intangible Assets

Intangible assets include goodwill, license, and pre-operating costs. In line with SOCPA standards, Mouwasat does not amortize goodwill. However, it is reviewed for any impairment on a yearly basis. License and pre-operating costs are amortized over periods of 3 to 7 years.

Exhibit 18-13: Intangibles Assets (SAR '000)

	Year ended 31 December	
	2008	2007
Beginning		
Cost	36,867	35,862
Accumulated amortization	(14,573)	(11,612)
Net carrying amount	22,293	24,250
Ending		
Cost	31,108	36,867
Accumulated amortization	11,563	14,574
Net carrying amount	19,545	22,293

Source: Audited Financial Statements

The net book value of intangible assets decreased in 2008 from SAR 22.3 million to SAR 19.5 million.

18.4.6 Related Party Transactions

The Company has a number of related parties, including United Diagnostic Industries, United Medical Services, and Mouwasat Travel.

The following exhibit summarizes Mouwasat related party transactions for the years ended 31 December 2008 and 2007:

Exhibit 18-14: Related Party Transactions (SAR '000)

	Year ended 31 December	
	2008	2007
Dues from related parties	6,693	8,919
Dues to related parties	1,871	1,957
Net dues from/(to) related parties	4,822	6,962

Source: Audited Financial Statements

Exhibit 18-15: Nature of related Party Transactions (SAR '000)

	Year ended 31 Dec	
	2008	2007
Purchases	10,200	7,500
Directors' salaries	2,265	2,265

Source: Audited Financial Statements

During the period, the Company entered into an agreement for management of operations of one of its subsidiaries, at an agreed management fee based on an agreed upon formula. Such fee has been eliminated in preparation of these consolidated financial statements. Moreover, the Company paid SAR 2.3 million as salaries to the Board of Directors in 2007 and 2008. Related transactions include purchases of SAR 10.2 million and SAR 7.5 million from Al Mouwasat International Company Limited.

Other than what is stated above, the Board of Directors of the Company certifies that there are no commercial dealings with any member of the Board of Directors, with senior management, with any shareholder who owns more than 5% of the shares of the Company, or with any of their relatives who may directly or indirectly benefit from such dealings, and that none are allowed to vote on such dealings.

18.4.7 Borrowings

Mouwasat obtained credit facilities from commercial banks in the form of bank overdrafts, short-term loans, letters of credit, and letters of guarantee which had a book value of SAR 113.3 million in 2008 and SAR 117.8 million in 2007. The Company's borrowings are secured by the following:

- Mortgage over the land, equipment and furniture of Mouwasat Hospital-Dammam and Mouwasat Hospital-Al-Qatif , to the Ministry of Finance;
- Corporate guarantee and assignment of certain contract proceeds to SABB;
- Corporate guarantee to the National Commercial Bank;
- Corporate guarantee and assignment of certain contract proceeds to the Saudi Hollandi Bank; and
- Corporate guarantee to the Arab National Bank.

According to the Company's management, all the above facilities are Shariah-compliant.

Exhibit 18-16: Book Value of Bank Borrowings (SAR '000)

	Year ended 31 December	
	2008	2007
At the beginning of the period	117,849	105,629
Additions	27,889	33,313
Repaid during the year	(32,391)	(21,093)
At the end of the period	113,348	117,849
Current Portion	29,461	29,479
Non-current portion	83,888	88,369

Source: Audited Financial Statements

18.4.8 Capital Commitments

The Directors of the Company authorized future capital expenditure amounting to SAR 94.8 million in 2008 compared to SAR 86.8 million in 2007. This capital expenditure represents investment in a new hospital in Riyadh, accommodation for staff and clinical building in Dammam.

18.4.9 Minority Interest

Minority interests represent 49.0% interest in the Eastern Medical Services Company Limited and 5.0% interest in Specialized Medical Clinic Company Limited.

18.5 Statement of Management's Responsibility for Financial Information

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Prospectus has been drafted by the Management of the Company and approved by the Board of Directors. Except as set forth elsewhere in this Prospectus, the Management believes that there has been no material adverse change in the financial position or prospects of the Company since 1 January 2009 until the date of the Prospectus, and accepts full responsibility for the authenticity and accuracy of the information and analysis of financial results and confirms, after making all reasonable inquiries, that full and fair disclosure has been made and there is no other information or documents the omission of which make any information or statements therein misleading.

18.6 Accountants' Report

The audited financial statements as at and for each of the two years ended 31 December 2008 and 2007, and the notes thereto have been prepared by Ernst & Young, independent auditors of Mouwasat for the above stated periods.

Ernst & Young do not themselves, nor do any of their relatives or affiliates, have any shareholding or interest of any kind in the Company. In addition, Ernst & Young have given and not withdrawn their written consent to the publication in the Prospectus of their accountants' report.

AUDITORS' REPORT TO THE SHAREHOLDERS OF MOUWASAT MEDICAL SERVICES COMPANY
(A CLOSED SAUDI JOINT STOCK COMPANY)

Scope of the audit:

We have audited the accompanying consolidated balance sheet of Mouwasat Medical Services Company (the "Group"), a Closed Saudi Joint Stock Company, as at 31 December 2008 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the parent company's board of directors and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion:

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2008 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the parent company's articles of association in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young
Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

13 Rabi'i 1430H
10 March 2009
Alkhobar

Mouwasat Medical Services Company

(A Closed Saudi Joint Stock Company)

Consolidated Balance Sheet As at 31 December 2008

	Notes	2008	2007
		SAR	SAR
Assets			
Current assets			
Bank balances and cash		29,479,244	15,197,433
Accounts receivable and prepayments	4	148,947,121	141,755,254
Inventories	5	42,497,989	37,477,657
Total current assets		220,924,354	194,430,344
Non-current assets			
Investment in an associate	7	7,308,450	6,960,405
Property, plant and equipment	8	374,534,580	333,713,511
Intangible assets	9	19,545,504	22,293,453
Total non-current assets		401,388,534	362,967,369
Total Assets		622,312,888	557,397,713
Liabilities & Shareholders' Equity			
Current liabilities:			
Accounts payable and accruals	10	62,703,768	51,203,356
Zakat provision	11	4,049,490	3,334,684
Short term loan			5,029,418
Current portion of term loans	12	29,460,916	29,479,589
Total current liabilities		96,214,174	89,047,047
Non-current liabilities:			
Term loans	12	83,887,537	88,369,779
Employees' terminal benefits		16,210,730	14,926,392
Total non-current liabilities		100,098,267	103,296,171
Total liabilities		196,312,441	192,343,218
Shareholders' Equity:			
Equity attributable to equity holders of the parent company			
Share capital	13	250,000,000	250,000,000
Statutory reserve		24,906,272	15,199,050
Retained earnings		134,160,804	89,295,810
		409,067,076	354,494,860
Minority interests	23	16,933,371	10,559,635
Total shareholders' equity		426,000,447	365,054,495
Total liabilities and shareholders' equity		622,312,888	557,397,713

The attached notes 1 to 23 form part of these consolidated financial statements.

Mouwasat Medical Services Company
(A Closed Saudi Joint Stock Company)
Consolidated Statement of Income Year ended 31 December 2008

	Notes	2008	2007
		SAR	SAR
Operating revenues		346,582,517	309,435,494
Trading sales		105,061,822	88,916,756
Management fee	16	2,908,292	2,317,917
		454,552,631	400,670,167
Cost of operations		(178,608,865)	(158,022,607)
Cost of sales		(75,043,003)	(69,253,916)
		(253,651,868)	(227,276,523)
Gross Profit		200,900,763	173,393,644
Expenses			
Selling and distribution	17	(24,365,588)	(19,496,506)
General and administration	18	(63,544,848)	(54,750,778)
Amortisation of intangible assets	9	(2,747,949)	(2,962,117)
		(90,658,385)	(77,209,401)
Income from main operations		110,242,378	96,184,243
Other (expenses)/income	19	(1,077,901)	5,029,006
Financial charges		(3,665,150)	(5,892,440)
		(4,743,051)	(863,434)
Income before Zakat and minority interests		105,499,327	95,320,809
Minority interest	23	(3,988,794)	(2,502,853)
Income before Zakat		101,510,533	92,817,956
Zakat	11	(4,438,317)	(4,059,420)
Net income for the year		97,072,216	88,758,536
Earnings per share (from net income)		3.88	3.55
Earning per share (from main operations)		4.41	3.85

The attached notes 1 to 23 form part of these consolidated financial statements.

Mouwasat Medical Services Company

(A Closed Saudi Joint Stock Company)

Consolidated Statement of Cash Flows Year ended 31 December 2008

	2008 SAR	2007 SAR
Operating Activities:		
Income before zakat and minority interests	105,499,327	95,320,809
Adjustments for:		
Depreciation	26,814,030	26,027,279
Amortisation of intangible assets	2,747,949	2,962,117
Employees' terminal benefits, net	1,284,338	885,501
Income from investments	(1,312,945)	(1,082,270)
Financial charges	3,665,150	5,892,440
Gain on disposal of property and equipment	(197,501)	(400,642)
Change in fair value of profit rate swap contracts	5,173,276	-
	143,673,624	129,605,234
Changes in operating assets and liabilities:		
Receivables	(4,806,925)	(26,552,684)
Inventories	(5,020,332)	(1,941,532)
Payables	6,327,136	(2,467,896)
	140,173,503	98,643,122
Cash from operations		
Financial charges paid	(3,665,150)	(5,892,440)
Zakat paid	(3,723,511)	(2,913,940)
Net cash from operating activities	132,784,842	89,836,742
Investing Activities:		
Purchase of property and equipment	(68,417,292)	(62,964,274)
Proceeds from disposal of property and equipment	979,694	721,104
Income from investments	964,900	-
License related costs	-	(1,005,413)
Net cash used in investing activities	(66,472,698)	(63,248,583)
Financing Activities:		
Bank overdraft	-	(7,930,275)
Term loan proceeds	27,889,984	33,313,328
Repayment of Term loans	(32,390,899)	(21,093,008)
Short term loans	(5,029,418)	(1,003,372)
Dividends paid	(42,500,000)	(32,500,000)
Net cash used in financing activities	(52,030,333)	(29,213,327)
Increase (decrease) in bank balances and cash	14,281,811	(2,625,168)
Bank balances and cash at the beginning of the year	15,197,433	17,822,601
Bank balances and cash at the end of the year	29,479,244	15,197,433

The attached notes 1 to 23 form part of these consolidated financial statements.

Mouwasat Medical Services Company

(A Closed Saudi Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity Year ended 31 December 2008

Equity attributable to equity holders of the parent company

	Share capital	Statutory reserve	Retained earnings	Total
	SR	SR	SR	SR
Balance at 31 December 2006	250,000,000	6,323,197	41,913,127	298,236,324
Net income for the year	-	-	88,758,536	88,758,536
Transfer to statutory reserve	-	8,875,853	(8,875,853)	-
Dividends (note 14)	-	-	(32,500,000)	(32,500,000)
Balance at 31 December 2007	250,000,000	15,199,050	89,295,810	354,494,860
Net income for the year	-	-	97,072,216	97,072,216
Transfer to statutory reserve	-	9,707,222	(9,707,222)	-
Dividends (note 14)	-	-	(42,500,000)	(42,500,000)
Balance at 31 December 2008	250,000,000	24,906,272	134,160,804	409,067,076

The attached notes 1 to 23 form part of these consolidated financial statements.

Mouwasat Medical Services Company
(A Closed Saudi Joint Stock Company)
Notes to Comparative Consolidated Financial Statements 31 December 2008

1- Activities:

The parent company is registered in Saudi Arabia under Commercial Registration number 2050032029 dated 12 Ramadan 1417H corresponding to 22 January 1997. The parent company was converted into a closed Saudi Joint Stock Company in accordance with Ministerial Resolution No 1880 dated 4 Dhu al Hijja 1426 (corresponding to 4 January 2006).

The parent 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 parent company is owned 90% (2006 and 2005: 90%) by Saudi nationals and institutions, and 10% (2006 and 2005: 10%) by a Bahraini company.

The consolidated financial statements include the financial statements of the parent company and its following subsidiaries whose financing and operating policies are controlled by the parent company:

Name of the entity	Percentage of ownership
Eastern Medical Services Company Limited	51%
Specialized Medical Clinic Company Limited	95%

2- Basis of Preparation

The consolidated financial statements of Mouwasat Medical Services Company and its subsidiaries (the “Group”) have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter company balances and transactions that are recognised in the respective financial statements are eleminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the parent obtains control, and continue to be consolidated until the date that such control ceases.

3- Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting standards generally accept in the Kingdom of Saudi Arabia. The significant accounting policies are as follows.

Accounting convention

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

Use of estimate

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable

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

Inventories

Inventories are stated at the lower of cost and market value after making due allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

Investment in an associate

Investment in a company wherein the Group does not have control over the financial and operating policies is accounted in accordance with the relevant standards.

Mouwasat Medical Services Company

(A Closed Saudi Joint Stock Company)

Notes to Comparative Consolidated Financial Statements 31 December 2008

Property and equipments

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. The cost of property and equipment other than freehold land and construction in progress is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment 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 assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

Intangible assets

These represent goodwill on acquisition of subsidiary, and license and pre operating costs of certain hospitals and dispensaries.

Goodwill is not amortised, but reviewed for any impairment in value on an annual basis. The cost of other intangible assets are amortised over the estimated period of benefit.

Accounts payable and accruals

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

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income. Additional amounts, if any, that may become due on finalisation of the assessment are accounted for in the year in which the assessment is finalised.

Employees' terminal benefits

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

Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year has been transferred to the statutory reserve. The parent company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

Foreign currencies

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

Revenue recognition

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

Derivative financial instruments

The company uses derivative financial instruments such as profit rate swaps to hedge its risks associated with commission rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are remeasured at fair value at subsequent reporting dates. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to consolidated statement of income.

Mouwasat Medical Services Company
(A Closed Saudi Joint Stock Company)
Notes to Comparative Consolidated Financial Statements 31 December 2008

Expenses

Selling and distribution expenses are those that specifically relate to marketing personnel, advertisements, promotions as well as bad debts expense. All other expenses, other than cost of operations, cost of sales, amortisation of intangible assets and financial charges, are classified as general and administration expenses, and other expenses as appropriate.

Borrowing costs

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 consolidated statement of income.

Fair values

The fair values of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Earning per share

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

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

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.

4- Accounts Receivable and Prepayments

	2008	2007
	SAR	SAR
Trade receivables	127,085,076	114,050,139
Due from affiliates(notes 6 and 16)	6,692,880,	8,918,731
Advances to suppliers	1,651,422	5,134,413
Prepaid expenses	6,190,728	5,185,789
Accrued income	373,202	1,772,246
Staff loans and advances	1,203,159	1,003,392
Other receivables	5,750,654	5,690,544
	148,947,121	141,755,254

5- Inventories

	2008	2007
	SAR	SAR
Surgical instruments and consumables	19,350,703	18,618,349
Pharmaceuticals, cosmetics and others	22,475,010	18,232,159
Spare parts	672,276	627,149
	42,497,989	37,477,657

6- Related Party Transactions

The Group's purchases include SR 10.2 million (2007: SR 7.5 million) from Al Mouwasat International Company Limited.

The Company's executive directors' salaries are disclosed in note 18.

Mouwasat Medical Services Company

(A Closed Saudi Joint Stock Company)

Notes to Comparative Consolidated Financial Statements 31 December 2008

The parent company entered into an agreement for management of operations of one of its subsidiaries, at an agreed management fee based on an agreed upon formula. Such fee has been eliminated in preparation of these consolidated financial statements.

The Company's profit sharing agreement have been disclosed in note 16.

Pricing policies and terms of payment for these transactions are approved by the Group's management.

Amounts due from and due to affiliates are shown in notes 4 and 10 respectively.

7- Investment in an Associate

The Group has 50% ownership interest in Advance Medical Project Company (AMPC), a limited liability company registered in the Kingdom of Saudi Arabia. The investment in associate balance at 31 December 2008 amounted to SR 7,308,450 (31 December 2007: SR 6,960,405).

8- Property and Equipment

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	33 years
Tools and equipment	4 to 10 years
Furniture & fixtures	4 to 10 years
Motor vehicles	4 to 5 years

	Freehold Land	Buildings	Tools, equipment, furniture, fixtures, and vehicles	Construction in progress	Total 2008	Total 2007
	SR	SR	SR	SR	SR	SR
Cost:						
At the beginning of the year	39,715,504	242,863,785	251,485,175	45,653,571	579,718,035	518,097,882
Additions	-	3,465,874	12,253,629	52,697,789	68,417,292	62,964,274
Transfer	-	78,681,749	7,597,679	(86,279,428)	-	-
Disposals	(600,000)	(384,080)	(7,340,741)	-	(8,324,821)	(1,344,121)
At the end of the year	39,115,504	324,627,328	263,995,742	12,071,932	639,810,506	579,718,035
Depreciation:						
At the beginning of the year	-	89,200,796	156,803,728	-	246,004,524	221,000,904
Charge for the year	-	9,123,996	17,690,034	-	26,814,030	26,027,279
Disposals	-	(384,080)	(7,158,548)	-	(7,542,628)	(1,023,659)
At the end of the year	-	97,940,712	167,335,214	-	265,275,926	246,004,524
Net book amounts:						
At 31 December 2008	39,115,504	226,686,616	96,660,528	12,071,932	374,534,580	
At 31 December 2007	39,715,504	153,662,989	94,681,447	45,653,571		333,713,511

Construction in progress mainly represents the cost incurred for construction of extention of hospital building and administration office for Jubail hospital.

Financial charges amounting to SR 3.4 million (2007: SR 1.5 million) have been capitalised, related to assets constructed during the year.

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Notes to Comparative Consolidated Financial Statements 31 December 2008

9- Intangible Assets

	Goodwill	License	Pre operating costs	Total 2008	Total 2007
	SR	SR	SR	SR	SR
Cost					
At the beginning of the year	16,371,000	3,696,650	16,799,496	36,867,146	35,861,733
Additions	-	-	-	-	1,005,413
Write – off	-	-	(5,759,084)	(5,759,084)	-
At the end of the year	16,371,000	3,696,650	11,040,412	31,108,062	36,867,146
Amortisation					
At the beginning of the year	-	1,232,221	13,341,472	14,573,693	11,611,576
Charge for the year	-	1,232,211	1,515,738	2,747,949	2,962,117
Write – off	-	-	(5,759,084)	(5,759,084)	-
At the end of the year	-	2,464,432	9,098,126	11,562,558	14,573,693
Net book amount					
At 31 December 2008	16,371,000	1,232,218	1,942,286	19,545,504	
At 31 December 2007	16,371,000	2,464,429	3,458,024		22,293,453

Goodwill is not amortised. License cost is amortised over 3 years and pre operating costs are amortised over periods of 5 to 7 years.

10- Accounts Payable and Accruals

	2007	2006
	SAR	SAR
Trade accounts payable	36,257,534	35,452,289
Accruals	12,606,480	10,912,203
Due to affiliates (note 6)	1,871,216	1,957,398
Other payables	11,968,538	2,881,466
	62,703,768	51,203,356

11- Zakat

Zakat charge for the year represents provision made by the parent company as well as one of the subsidiaries for the year.

Status of assessments

Zakat assessments for the parent company and Specialized Medical Clinic Company Limited have been agreed upto 2007. The zakat assesments for Eastern Medical Services Company Limited have been agreed with the Department of Zakat and Income Tax up to 2006.

Mouwasat Medical Services Company

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Notes to Comparative Consolidated Financial Statements 31 December 2008

12- Term Loans

	Ministry of finance (note a)	Saudi British Bank (note b)	National Commercial Bank (note c)	Arab National Bank (note d)	Saudi Hollandi Bank (note e)	Banque Saudi Fransi (note f)	Total 2008	Total 2007
	SR	SR	SR	SR	R	SR	SR	SR
At 1 January	34,000,767	21,666,665	5,853,887	38,272,493	18,055,556	-	117,849,368	105,629,048
Obtained during the year	4,954,849	209,433	-	17,122,462	-	5,603,240	27,889,984	33,313,328
Repaid during the year	(4,411,644)	(5,777,776)	(5,853,887)	(8,014,259)	(8,333,333)	-	(32,390,899)	(21,093,008)
At 31 December	34,543,972	16,098,322	-	47,380,696	9,722,223	5,603,240	113,348,453	117,849,368
Less: current portion	1,929,933	5,861,560	-	10,767,942	8,333,333	2,568,148	29,460,916	29,479,589
Non-current portion	32,614,039	10,236,762	-	36,612,754	1,388,890	3,035,092	83,887,537	88,369,779

a) The term loans from Ministry of Finance comprise of following:

i) A term loan of SR 39.7 million. The loan was repayable in sixteen equal annual installments. The last installment was repaid during the year.

ii) During 2007, the Group has entered into a new loan agreement with the Ministry of Finance for a total facility of SR 10.2 million. The Company utilised SR 9.5 million (2007: SR 4.5 million) at the balance sheet date. The loan is repayable in 16 annual installments commencing after completing four years from 7 July 2007 (corresponding to 22/06/1428H).

iii) A term loan obtained of SR 30.8 million by the Group. The loan is repayable by 16 equal annual installments each of SR 1,929,933 and last being payable on 15 May 2021 (corresponding to 3/10/1442H).

The term loans from the Ministry of Finance are commission free and are secured by a mortgage over the land, equipment and furniture of hospitals in Dammam and Qateef.

b) Term loans from Saudi British Bank (Murabaha Liquidity Finance) comprise of the following:

(i) A term loan of SR 26 million obtained in 2006. The loan is repayable in fifty four monthly installments of SR 481,481 each and the last being payable on 31 July 2011. The loan is secured by a corporate guarantee of the Group and assignment of certain contract proceeds.

(ii) Term loan of SR 0.2 million obtained during the year. The loan is repayable in thirty monthly installments of SR 6,982 each and last being payable in 2 June 2011.

c) Loan from National Commercial Bank was fully repaid during the year.

d) The balance represents the Tawaruq loan from Arab National Bank and the loan is secured by corporate guarantee of the parent company. The total Tawaruq loan facility amounted SR 50 million which was fully drawn during the year. The term of the loan is seven years (including two years grace period) and is repayable in monthly installments commenced on 1 May 2008.

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Notes to Comparative Consolidated Financial Statements 31 December 2008

e) The term loan from Saudi Hollandi Bank is secured by corporate guarantee of the parent company and the assignment of certain contract proceeds. The loan is repayable in thirty six monthly installments of SR 694,444 each. The last installment is payable on 1 March 2010.

f) During the year, the Company obtained a Tawaruq loan facility amounted SR 50 million from Banque audi Fransi and SR 5.6 million have been drawn at the balance sheet date. The loan is secured by corporate guarantee of the parent company. The term loan is repayable in 36 monthly installments commencing from 1 February 2009.

All of the above facilities are substantially Shariah compliant.

Installments of various loans due in 2009 are shown as current liability.

13- Share Capital

Share capital is divided into 25,000,000 shares of SR 10 each (2007: 25,000,000 shares of SR 10 each).

14- Dividends

The directors of the parent company have proposed and paid interim dividends of SR 20 million (SR 0.8 per share) (2007: SR 12.5 million (SR 0.5 per share)) during the year and have further proposed a final dividend of SR 15 million (SR 0.6 per share) (2007: SR 22.5 million (SR 0.9 per share)) for approval at the Annual General Meeting.

15- Segmental Information

Business segments:

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

	In – patient	Out – patient	Pharmaceutical	Management fees	Total
	SAR	SAR	SAR	SAR	SAR
31 December 2008					
Revenue for the year	173,182,273	173,400,244	105,061,822	2,908,292	454,552,631
Gross profit for the year	83,934,006	84,039,646	30,018,819	2,908,292	200,900,763
Property and equipment, net book value	143,614,664	143,795,420	87,124,496	-	374,534,580
Total assets	238,624,846	238,925,183	144,762,859	-	622,312,888
Total liabilities	75,275,680	75,370,423	45,666,338	-	196,312,441
31 December 2007					
Revenue for the year	154,620,443	154,815,051	88,916,756	2,317,917	400,670,167
Gross profit for the year	75,658,831	75,754,056	19,662,840	2,317,917	173,393,644
Property and equipment, net book value	129,541,728	129,704,771	74,467,012	-	333,713,511
Total assets	216,353,946	216,626,253	124,417,514	-	557,397,713
Total liabilities	74,658,028	74,751,994	42,933,196	-	192,343,218

Geographical segments:

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

16- Profit Sharing Agreement

The parent company has entered into an agreement for management of operations of a hospital in Riyadh at an agreed management fee and profit sharing.

Mouwasat Medical Services Company

(A Closed Saudi Joint Stock Company)

Notes to Comparative Consolidated Financial Statements 31 December 2008

17- Selling and Distribution Expenses

	2008	2007
	SAR	SAR
Employee costs	7,763,277	6,886,999
Advertising and promotions	3,240,050	3,174,304
Doubtful debts	13,329,937	9,400,540
Other	32,324	34,663
	24,365,588	19,496,506

18- General and Administrative Expenses

	2008	2007
	SAR	SAR
Employee costs	25,792,767	22,309,052
Water and electricity	5,315,622	5,103,313
Depreciation	4,930,911	4,592,262
Support services	5,846,039	5,029,779
Repair and maintenance	3,602,468	3,159,936
Rental	5,100,715	3,884,909
Executive directors' salaries	2,265,000	2,265,000
Vehicle expenses	937,773	997,234
Communication expenses	751,477	665,635
Insurance	779,641	863,210
Travel	685,154	635,749
Postage and stationery	1,713,245	1,192,953
Others	5,824,036	4,051,746
	63,544,848	54,750,778

19- Other (Expense)/Income

	2008	2007
	SAR	SAR
Gain on disposal of property and equipment	197,501	400,642
Services provided to an affiliate	231,246	215,184
Income from investment	1,312,945	1,082,270
Change in fair value of profit rate swap contract	(5,173,276)	-
Other	2,353,683	3,330,910
	(1,077,901)	5,029,006

20- Capital Commitments

The directors have authorised future capital expenditure amounting to SR 94.8 million (2007: SR 86.8 million) mainly in connection with new hospital in Riyadh, dispensary and accommodation buildings in Dammam.

21- Risk Management

Commission rate risk

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

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Credit risk

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

Liquidity risk

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

Currency risk

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

22- Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of bank balances and cash, and receivables, its financial liabilities consist of term loans, payables and accrued expenses.

The fair values of financial instruments are not materially different from their carrying values at the balance sheet date.

23- Minority Interests

Minority interests represent 49% (2007: 49%) interest in the Eastern Medical Services Company Limited and 5% (2007: 5%) interest in Specialized Medical Clinic Company Limited.

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المواساة

شركة المواساة للخدمات الطبية