Medicare Group Q.S.C.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2013

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF MEDICARE GROUP Q.S.C.

Introduction

We have reviewed the accompanying interim statement of financial position of Medicare Group Q.S.C. (the “Company”) as at 30 June 2013 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting” (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 24 July 2013
Doha
State of Qatar

INTERIM STATEMENT OF INCOME

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	*2012*
		(Unaudited)	
	Note	***QR***	*QR*
Operating income		**212,428,378**	178,492,893
Operating costs		**(119,500,724)**	(110,581,252)
GROSS PROFIT		**92,927,654**	67,911,641
Income from deposits with an Islamic bank		**278,702**	230,213
Other income		**4,107,451**	6,515,389
General and administrative expenses		**(36,685,113)**	(31,723,594)
Depreciation of property and equipment		**(15,332,992)**	(12,219,510)
PROFIT FOR THE PERIOD		**45,295,702**	30,714,139
BASIC AND DILUTED EARNINGS PER SHARE (expressed in Qatari Riyals per share)	4	**1.61**	1.09

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	*2012*
		(Unaudited)	
	Note	***QR***	*QR*
Profit for the period		**45,295,702**	30,714,139
Other comprehensive income (loss)			
Net gain (loss) on financial investments at fair value through other comprehensive income	5	**3,630,757**	(2,100,282)
Other comprehensive income (loss) for the period		**3,630,757**	(2,100,282)
Total comprehensive income for the period		**48,926,459**	28,613,857

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	Notes	***30 June 2013 (Unaudited) QR***	*31 December 2012 (Audited) QR*
ASSETS			
Non-current assets			
Property and equipment	6	**593,985,171**	604,651,161
Financial investments at fair value through other comprehensive income		**37,163,320**	47,681,891
		631,148,491	652,333,052
Current assets			
Inventories		**18,662,102**	18,094,510
Assets of a disposal group classified as held for sale	7	**685,215**	685,215
Accounts receivable and prepayments		**108,293,989**	77,458,146
Cash and bank balances		**107,878,862**	105,777,245
		235,520,168	202,015,116
TOTAL ASSETS		**866,668,659**	854,348,168
EQUITY AND LIABILITIES			
Equity			
Share capital		**281,441,000**	281,441,000
Legal reserve		**15,714,279**	15,714,279
Fair value reserve		**(1,541,909)**	1,460,898
Revaluation surplus		**416,985,443**	416,985,443
Retained earnings		**51,983,600**	54,334
Proposed cash dividends	8	**-**	50,659,380
Total equity		**764,582,413**	766,315,334
Non-current liability			
Employees' end of service benefits		**26,921,094**	23,895,008
Current liabilities			
Accounts payable and accruals		**60,401,901**	49,374,575
Retention payable		**14,763,251**	14,763,251
		75,165,152	64,137,826
Total liabilities		**102,086,246**	88,032,834
TOTAL EQUITY AND LIABILITIES		**866,668,659**	854,348,168

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Abdullah Bin Thani Al-Thani
Chairman

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Jamal Abdullah Al-Jamal
Managing Director

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Khalid Mohammad Al-Emadi
Chief Executive Officer

The attached notes 1 to 13 form part of these interim condensed financial statements.

Medicare Group Q.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital QR	*Legal reserve QR*	*Fair value reserve QR*	*Revaluation surplus QR*	*Retained earnings QR*	*Proposed cash dividends QR*	*Total QR*
Balance at 1 January 2012 (Audited)	281,441,000	11,232,936	(1,823,595)	420,638,021	7,849,386	30,958,510	750,296,258
Profit for the period	-	-	-	-	30,714,139	-	30,714,139
Other comprehensive loss for the period	-	-	(2,100,282)	-	-	-	(2,100,282)
Total comprehensive (loss) income for the period	-	-	(2,100,282)	-	30,714,139	-	28,613,857
Dividends for 2011 (Note 8)	-	-	-	-	-	(30,958,510)	(30,958,510)
Balance at 30 June 2012 (Unaudited)	281,441,000	11,232,936	(3,923,877)	420,638,021	38,563,525	-	747,951,605
Balance at 1 January 2013 (Audited)	281,441,000	15,714,279	1,460,898	416,985,443	54,334	50,659,380	766,315,334
Profit for the period	-	-	-	-	45,295,702	-	45,295,702
Other comprehensive income for the period	-	-	3,630,757	-	-	-	3,630,757
Total comprehensive income for the period	-	-	3,630,757	-	45,295,702	-	48,926,459
Transfer of disposal gain on Financial investments at fair value through other comprehensive income	-	-	(6,633,564)	-	6,633,564	-	-
Dividends for 2012 (Note 8)	-	-	-	-	-	(50,659,380)	(50,659,380)
Balance at 30 June 2013 (Unaudited)	**281,441,000**	**15,714,279**	**(1,541,909)**	**416,985,443**	**51,983,600**	**-**	**764,582,413**

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Notes	*For the six months ended 30 June* **2013**	*2012*
		(Unaudited)	
		QR	*QR*
OPERATING ACTIVITIES		**45,295,702**	30,714,139
Profit for the period			
Adjustment for:			
Depreciation of property and equipment		**15,332,992**	12,219,510
Provision for employees' end of service benefits		**4,123,765**	4,374,362
Impairment allowance for bad and doubtful debts		**6,952,195**	8,748,509
Provision for obsolete and slow moving inventories		**-**	1,728,082
Income from deposits with an Islamic bank		**(278,702)**	(230,213)
Dividend income		**(2,359,610)**	(2,352,822)
Operating profit before working capital changes:		**69,066,342**	55,201,567
Working capital changes:			
Inventories		**(567,592)**	222,464
Accounts receivable and prepayments		**(37,654,996)**	(23,717,523)
Accounts payable and accruals		**11,027,326**	(1,903,044)
Cash from operating activities		**41,871,080**	29,803,464
Employees' end of service benefits paid		**(1,097,679)**	(953,355)
Net cash from operating activities		**40,773,401**	28,850,109
INVESTING ACTIVITIES			
Purchase of property and equipment		**(4,667,002)**	(2,533,115)
Net movement in term deposits		**(30,100,000)**	-
Income from deposits with an Islamic bank received		**145,660**	230,213
Proceeds from disposal of financial investments at fair value through other comprehensive income		**14,149,328**	-
Dividend income		**2,359,610**	2,352,822
Net cash from investing activities		**(18,112,404)**	49,920
FINANCING ACTIVITY			
Dividends paid	8	**(50,659,380)**	(26,157,298)
Net cash used in financing activity		**(50,659,380)**	(26,157,298)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(27,998,383)**	2,742,731
Cash and cash equivalents at 1 January		**75,777,245**	51,050,700
CASH AND CASH EQUIVALENTS AT 30 JUNE	9	**47,778,862**	53,793,431

The attached notes 1 to 13 form part of these interim condensed financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Medicare Group Q.S.C, formerly known as Al Ahli Specialised Hospital Company Q.S.C., is a Qatari Public Shareholding Company incorporated on 30 December 1996 under commercial registration number 18895. The Company's registered office address is P.O. Box 6401, Doha, State of Qatar. The Company's main activity is to operate a specialised hospital and promote medical services in State of Qatar.

On 7 July 2013, the Extraordinary General Assembly Meeting of the shareholders has resolved to amend article No.3 of the Company's Articles of Association and as a result the main activities of the Company has been changed to be:

(i) Establishment of specialised hospital and outpatient clinics.

(ii) Establishment and initiation of companies and centers working in the medical and health business including, for example but limited to:

- Nursing, physiotherapy and rehabilitation services
- The area of hygiene nutrition and food
- Establishment of pharmacies and dealing in medicines, drugs, and medical supplies
- Trading in and maintenance of medical equipment and instruments

The interim condensed financial statements of the Company for the six months ended 30 June 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 24 July 2013.

2 BASIS OF PREPARATION

Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Financial Reporting Standards, IAS 34 – "Interim Financial Reporting" ("IAS 34").

The interim condensed financial statements are prepared in Qatari Riyals, which is the Company's functional and presentational currency.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2012. In addition, results for the six months ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

During the period, the Company has adopted the following standards effective for the annual period beginning on or after 1 January 2013.

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affected presentation only and had no impact on the Company's financial position or performance.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The Company provides this disclosure in Note 11.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A (j), thereby affecting the interim condensed financial statements of the period. The Company provides these disclosures in Note 12.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Company.

The following amendments to standards became effective in 2013, but did not have any impact on the accounting policies, financial position or performance of the Company.

Standards	*Contents*
IFRS 7	Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7
IFRS 10	Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 11	Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
IFRS 12	Disclosure of Interests in Other Entities
IAS 1	Clarification of the requirement for comparative information (Amendment)
IAS 19	Employee Benefits (Revised 2011) (IAS 19R)
IAS 32	Tax effects of distributions to holders of equity instruments (Amendment)

The Company is currently considering the implications of the new IFRS which are effective for future accounting periods and has not early adopted any of the new standards as listed below:

Standards	*Contents*	*Effective date*
IFRS 9	Financial instruments	1 January 2015
IAS 32	Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting	1 January 2014

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	For the six months ended 30 June	
	2013	*2012*
	(Unaudited)	
Profit for the period (QR)	**45,295,702**	30,714,139
Weighted average number of ordinary shares outstanding during the period	**28,144,100**	28,144,100
Basic and diluted earnings per share (QR)	**1.61**	1.09

There were no potentially dilutive shares outstanding at any time during the period and, therefore, the dilutive earnings per share is equal to the basic earnings per share.

5 COMPONENTS OF OTHER COMPREHENSIVE LOSS

	For the six months ended 30 June	
	2013	*2012*
	(Unaudited)	
	QR	*QR*
Movements of other comprehensive income (loss)		
Financial investments at fair value through other comprehensive income		
Movement in fair value reserve of investments	**10,264,321**	(2,100,282)
Realised gain on disposal of financial investments at fair value through other comprehensive income transferred to retained earnings	**(6,633,564)**	-
Other comprehensive income (loss) for the period	**3,630,757**	(2,100,282)

6 PROPERTY AND EQUIPMENT

	30 June 2013	*31 December 2012*
	(Unaudited)	*(Audited)*
	QR	*QR*
Net book value, beginning balance	**604,651,161**	627,606,600
Additions	**4,667,002**	8,472,073
Depreciation charge for the period/year	**(15,332,992)**	(31,427,512)
Net book value, ending balance	**593,985,171**	604,651,161

7 ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During 2009, the extra-ordinary general assembly of a subsidiary company, Maghrabi Specialised Center for Ophthalmology and E.N.T. resolved to liquidate the subsidiary company. As at 31 December 2009, the Company's management estimated that the proceeds from the liquidation will exceed the carrying amount of the related net assets and accordingly, no impairment losses were recognised on the reclassification of this disposal group classified as held for sale.

7 ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

During 2010, the subsidiary company appointed a liquidator to manage the liquidation process, and became legally under liquidation. During 2011, the Company received an amount of QR 1,682,324 as part of the net recoverable amount from the investment, and the remaining balance as of 30 June 2013 amounting to QR 685,215 (31 December 2012: QR 685,215) is disclosed in the interim statement of financial position under "Assets of a disposal group classified as held for sale". This is the minimum recoverable amount based on management best estimates.

8 DIVIDENDS

During the current period, the shareholders of the Company approved at the Annual General Meeting held on 16 April 2013 a cash dividend of QR 1.8 per share total amounting to QR 50,659,380 relating to the year 2012 (the shareholders of the Company approved at the Annual General Meeting held on 1 April 2012 a cash dividend of QR 1.1 per share total amounting to QR 30,958,510 relating to the year 2011).

9 CASH AND CASH EQUIVALENTS

For the purpose of the interim statement of cash flows, cash and cash equivalents comprise of the following:

	30 June 2013 (Unaudited) QR	*30 June 2012 (Unaudited) QR*
Cash on hand	**372,943**	276,385
Cash at bank	**107,505,919**	62,617,046
Total cash and bank balances	**107,878,862**	62,893,431
Less: Deposits with original maturity dates more than three months	**(60,100,000)**	(9,100,000)
Cash and cash equivalents	**47,778,862**	53,793,431

Deposits carry profit rate at 1.75% per annum (30 June 2012: 1.5% per annum), and have original maturity of one year.

10 CONTINGENT LIABILITIES

Contingent liabilities
The Company had the following contingent liabilities from which it is anticipated that no material liabilities will arise.

	30 June 2013 (Unaudited) QR	*31 December 2012 (Audited) QR*
Bank guarantees	**65,710**	65,710

10 CONTINGENT LIABILITIES (continued)

Legal claims

(i) During 2008, the contractor of the Company's hospital building has filed a legal case against the Company in order to recover the retentions payable from the Company. The Company delayed the retention payments to the contractor due to the delay in completion of the construction of the hospital building. The claim made by the contractor amounted to QR 17,620,913 and an additional claim of QR 10,000,000. The court appointed an expert to evaluate the claim made by the contractor. As of the reporting date, the legal proceedings are under progress and the court has ordered the parties to serve next hearing on 29 October 2013. The Company's lawyer confirmed that it would be difficult to reliably estimate the compensation payable to the contractor. However, as at 30 June 2013 the Company has recognized QR 14,763,251 (31 December 2012: QR 14,763,251) as retention payable to the contractor in the Company's interim condensed financial statements and no additional provision has been made in the interim condensed financial statements.

(ii) As at 30 June 2013, various legal claims were initiated by patients against the Company in the form of malpractice compensation claims and other miscellaneous claims. In the opinion of the Company's lawyers it would be difficult to reliably estimate the compensation that may be awarded. However, the Company's lawyers believe, based on previous experience and available information, that the Company is unlikely to incur losses as a result of these claims. Moreover, the Company has adequate Malpractice insurance coverage in place to protect itself and its Doctors in the event of any judgment against them. No provision has been made in the interim condensed financial statements for these legal claims.

11 SEGMENT INFORMATION

The Company's primary business segment is the provision of health care services and therefore has no another business segments.

The Company operates only in the State of Qatar.

12 FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison of the carrying amounts and fair value of the Company's financial instruments as at 30 June 2013 and 31 December 2012:

	Carrying amounts		*Fair values*	
	30 June 2013 (Unaudited) QR	*31 December 2012 (Audited) QR*	***30 June 2013 (Unaudited) QR***	*31 December 2012 (Audited) QR*
Financial assets				
Financial investments at fair value through other comprehensive income	**37,163,320**	47,681,891	**37,163,320**	47,681,891
Assets of a disposal group classified as held for sale	**685,215**	685,215	**685,215**	685,215
Receivables	**100,757,800**	73,607,734	**100,757,800**	73,607,734
Bank balances (excluding cash)	**107,505,919**	105,580,265	**107,505,919**	105,580,265
	246,112,254	227,555,105	**246,112,254**	227,555,105
Financial liabilities				
Payables and other liabilities	**(56,362,774)**	(48,681,423)	**(56,362,774)**	(48,681,423)
Retention payable	**(14,763,251)**	(14,763,251)	**(14,763,251)**	(14,763,251)
	(71,126,025)	(63,444,674)	**(71,126,025)**	(63,444,674)

12 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: Techniques which use inputs which have a significant effect on the recorded fair values are not based on observable market data.

As at 30 June 2013 and 31 December 2012, the Company held the following classes of financial instruments measured at fair value:

	30 June 2013 (Unaudited) QR	***Level 1 QR***	***Level 2 QR***	***Level 3 QR***
Financial investments at fair value through other comprehensive income	**37,163,320**	**37,163,320**	-	-

	31 December 2012 (Audited) *QR*	***Level 1*** *QR*	***Level 2*** *QR*	***Level 3*** *QR*
Financial investments at fair value through other comprehensive income	47,681,891	47,681,891	-	-

The Company does not hold credit enhancement or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

During the period/year ended 30 June 2013 and 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

13 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the interim statement of income are as follows:

	For the six months ended 30 June	
	2013	*2012*
	(Unaudited)	
	QR	*QR*
Interest income received	**278,702**	230,213
Rental income	**63,000**	63,000
Bank charges	**(3,516)**	(15,418)
Insurance premium	**472,155**	583,262

13 RELATED PARTY DISCLOSURES (continued)

Transactions with related parties included in the interim statement of financial position are as follows:

	30 June 2013 (Unaudited) QR	*31 December 2012 (Audited) QR*
Bank balances	**34,792,362**	**23,564,172**
Short term deposits	**60,100,000**	**79,100,000**
Interest receivables	**145,660**	**307,135**
Prepaid insurance premium	**1,062,349**	**340,411**

Compensation of directors and other key management personnel
The remuneration of directors and other members of key management during the period was as follows:

	For the six months ended 30 June	
	2013	*2012*
	(Unaudited)	
	QR	*QR*
Salaries and allowances	**2,284,750**	2,646,000
Employees' end of service benefits	**75,625**	122,950
	2,360,375	2,768,950