

Medicare Group (Q.P.S.C.)
Condensed interim financial statements
30 June 2019

Medicare Group (Q.P.S.C.)

**Condensed Interim Financial Statements
For the six month period ended 30 June 2019**

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KPMG
25 C Ring Road
PO Box 4473, Doha
State of Qatar
Telephone: +974 4457 6444
Fax: +974 4442 5626
Website: home.kpmg/qa

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENT

To the Board of Directors of Medicare Group Q.P.S.C.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Medicare Group (Q.P.S.C.) (the "Company"), as at 30 June 2019, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the condensed interim financial statements.

The Board of directors of the Company is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial statements 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 condensed interim financial statements as at and for the six months ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34 "*Interim Financial Reporting*".

24 July 2019
Doha
State of Qatar

Yacoub Hobeika
KPMG
Qatar Auditors Registry Number 289
Licensed by QFMA : external Auditor's
License No. 120153

Medicare Group (Q.P.S.C.)

Condensed interim statement of financial position
As at 30 June 2019

In Qatari Riyals

	Note	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Assets			
Non-current assets			
Property and equipment	5	951,735,227	942,705,452
Right-of-use assets	6	68,882,351	-
Financial investments at fair value through other comprehensive income		56,708,653	52,058,974
		1,077,326,231	994,764,426
Current assets			
Inventories		21,045,650	23,087,344
Accounts receivable and prepayments	10	99,623,477	93,359,187
Cash and bank balances	8	44,751,785	93,638,410
		165,420,912	210,084,941
Total assets		1,242,747,143	1,204,849,367
Equity and liabilities			
Equity			
Share capital		281,441,000	281,441,000
Legal reserve		83,817,363	83,817,363
Fair value reserve		2,419,027	(2,230,652)
Revaluation surplus		561,239,848	563,478,921
Retained earnings		43,121,053	91,477,253
Total equity		972,038,291	1,017,983,885
Non-current liabilities			
Interest bearing loans	9	27,979,449	16,031,599
Lease liabilities	6	66,103,164	-
Employees' end of service benefits		62,249,131	60,176,490
Retention payable		2,146,113	-
		158,477,857	76,208,089
Current liabilities			
Accounts payable and accruals		94,871,114	94,801,413
Interest bearing loans	9	12,556,487	14,974,430
Lease liabilities	6	3,401,649	-
Retention payable		1,401,745	881,550
		112,230,995	110,657,393
Total liabilities		270,708,852	186,865,482
Total equity and liabilities		1,242,747,143	1,204,849,367

These financial statements were approved and signed on behalf of the Board of Directors on 24 July 2019 by:



Abdulla Bin Thani Bin Abdulla Al-Thani
Chairman



Khalid Mohammed Al-Emadi
Chief Executive Officer

The notes from pages 6 to 18 form an integral part of these condensed interim financial statements.

Medicare Group (Q.P.S.C.)

**Condensed interim statement of profit or loss and other comprehensive income
For the six month period ended 30 June 2019**

In Qatari Riyals

	Note	30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
Operating income		246,882,153	245,820,175
Operating costs	11	<u>(150,501,252)</u>	<u>(146,092,946)</u>
Gross profit		<u>96,380,901</u>	<u>99,727,229</u>
Income from deposit with an Islamic Bank		711,547	547,740
Other income	12	5,844,429	4,846,887
General and administrative expenses	13	(49,241,907)	(46,760,795)
Depreciation of property and equipment	5	(15,227,160)	(15,683,533)
Depreciation of right-of-use assets	6	(2,289,424)	-
Provision for impairment of receivables	10	(277,538)	(8,827,830)
Finance cost		<u>(2,063,821)</u>	<u>(600,538)</u>
Net profit for the period		<u>33,837,027</u>	<u>33,249,160</u>
Net gain from investments at fair value through other comprehensive income		<u>4,649,679</u>	<u>1,126,359</u>
Other comprehensive income for the period		<u>4,649,679</u>	<u>1,126,359</u>
Total comprehensive income for the period		<u>38,486,706</u>	<u>34,375,519</u>
Basic and diluted earnings per share (expressed in Qatari Riyals per share)	14	<u>0.12</u>	<u>0.12</u>

The notes from pages 6 to 18 form an integral part of these condensed interim financial statements.

Medicare Group (Q.P.S.C.)

**Condensed interim statement of changes in equity
For the six month period ended 30 June 2019**

In Qatari Riyals

	Share capital	Legal reserve	Fair value reserve	Revaluation Surplus	Retained earnings	Total
Balance at 1 January 2019 (Audited)	281,441,000	83,817,363	(2,230,652)	563,478,921	91,477,253	1,017,983,885
Net profit for the period	-	-	-	-	33,837,027	33,837,027
Other comprehensive income	-	-	4,649,679	-	-	4,649,679
Total comprehensive income	-	-	4,649,679	-	-	4,649,679
Dividends (note 7)	-	-	-	-	33,837,027	33,837,027
Transfer of depreciation of revalued assets	-	-	-	-	(84,432,300)	(84,432,300)
Balance at 30 June 2019 (Reviewed)	281,441,000	83,817,363	2,419,027	561,239,848	43,121,053	972,038,291
Balance at 1 January 2018 (Audited)	281,441,000	75,366,231	(11,861,482)	534,148,663	122,654,883	1,001,749,295
Net profit for the period	-	-	-	-	33,249,160	33,249,160
Other comprehensive income	-	-	1,126,359	-	-	1,126,359
Total comprehensive income	-	-	1,126,359	-	-	1,126,359
Transfer of income on sale of investments at fair value through other comprehensive income	-	-	-	-	33,249,160	34,375,519
Dividends (note 7)	-	-	(255,546)	-	255,546	-
Transfer of depreciation of revalued assets	-	-	-	-	(112,576,400)	(112,576,400)
Balance at 30 June 2018 (Reviewed)	281,441,000	75,366,231	(10,990,669)	530,550,754	47,181,098	923,548,414

The notes from pages 6 to 18 form an integral part of these condensed interim financial statements.

Medicare Group (Q.P.S.C.)

Condensed interim statement of cash flows
For the six month period ended 30 June 2019

In Qatari Riyals

	Note	30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
Operating activities			
Net profit for the period		33,837,027	33,249,160
<i>Adjustments for:</i>			
- Depreciation of property and equipment	5	15,227,160	15,683,533
- Depreciation of right-of-use assets	6	2,289,424	-
- Provision for employees' end of service benefits		4,266,715	4,904,617
- Provision for obsolete and slow moving inventory		209,500	1,557,744
- Finance cost		2,063,821	600,538
- Provision for impairment of receivables	10	277,538	8,827,830
- Trade receivables written off		-	(681,956)
- Income from deposits with Islamic banks		(711,547)	(547,740)
- Dividend income	12	(2,575,155)	(2,818,990)
Operating profit before working capital changes		<u>54,884,483</u>	<u>60,774,736</u>
<i>Changes in:</i>			
- Inventory		1,832,195	1,016,191
- Accounts receivable and prepayments		(6,541,829)	(6,553,893)
- Accounts payable and accruals		(1,228,037)	(2,066,464)
- Retention payable		2,666,308	-
Cash generated from operations		<u>51,613,120</u>	<u>53,170,570</u>
Employees' end of service benefits paid		(2,194,074)	(2,263,302)
Contribution paid to the social and sports fund		(2,112,783)	(2,000,049)
Finance cost paid		(2,063,821)	(600,538)
Net cash from operating activities		<u>45,242,442</u>	<u>48,306,681</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment	5	(24,256,935)	(7,415,682)
Net movement in deposits with maturity of more than 90 days		5,000,000	50,065,748
Proceeds on sale of investments at fair value through other comprehensive income		-	3,445,919
Income from deposits with Islamic banks		711,547	547,740
Dividend income received		2,575,155	2,818,990
Lease liability		(1,666,962)	-
Net cash (used in) / from investing activities		<u>(17,637,195)</u>	<u>49,462,715</u>
FINANCING ACTIVITIES			
Cash dividends paid		(81,021,779)	(109,039,320)
New loans taken		19,000,000	-
Repayment of loans		(9,470,093)	(7,070,841)
Net cash used in financing activities		<u>(71,491,872)</u>	<u>(116,110,161)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		<u>(43,886,625)</u>	<u>(18,340,765)</u>
Cash and cash equivalents at the beginning of the period		<u>53,638,410</u>	<u>52,053,378</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	<u>9,751,785</u>	<u>33,712,613</u>

The notes from pages 6 to 18 form an integral part of these condensed interim financial statements.

Medicare Group (Q.P.S.C.)

Notes to the condensed interim financial statements For the six month period ended 30 June 2019

1. Reporting entity

Medicare Group Q.P.S.C. (formerly known as Al Ahli Specialized Hospital Company Q.S.C) is a Qatari Shareholding Company incorporated on 30 December 1996 under commercial registration number 18895. The Company's main activity is the operation of a specialized hospital and promote medical services in the State of Qatar. The Company's registered office address is Ahmed Bin Ali Street, Wadi Al Sail, Doha, State of Qatar, P.O. Box 6401. The Company is listed on the Qatar Stock Exchange.

The Company provides medical services through Al Ahli Hospital located in Wadi Al Sail. The Company also operates a medical clinic center in Al Wakrah which has commenced its operations during February 2019.

The interim condensed financial statements of the Company for the six months ended 30 June 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 24 July 2019.

2. Basis of accounting

(a) Statement of compliance

These interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with Company's last annual financial statements as at and for the year ending 31 December 2018 (last annual financial statements). These financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the company's financial position and performance since the last annual financial statements.

This is the first set of the Company's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 4.

3. Uses of judgements and estimates

In preparing these condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements as at and for the year ended 31 December 2018, except for new significant judgements related to lessee accounting under IFRS 16, which are described below.

4. Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2019.

The Company has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

IFRS 16 "Leases"

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

4. Changes in significant accounting policies (continued)

IFRS 16 "Leases" (continued)

The Company applied the modified retrospective approach, under which the comparative figures are not restated and the impact of adopting the new standard is reflected retrospectively. Accordingly, the comparative information presented for 2018 has not been restated. The Company recognised right of use assets and lease liabilities in the condensed interim statement of financial position, measured at the present value of the future lease payments on adoption (adjusted for any prepaid or accrued lease expenses). As a result, there were no adjustments to the Company's retained earnings on initial adoption of the new standard on 1 January 2019.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019.

The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Company determined at the contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

The Company has lease contracts for buildings for its operations and residential units for its employees.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short term contracts (less than 12 months). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company presents right-of-use assets and lease liabilities as separate line items on the face of the balance sheet.

4. Changes in significant accounting policies (continued)

IFRS 16 “Leases” (continued)

B. As a lessee (continued)

1. Summary of significant accounting policies

Right-of-use assets:

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. Assets below the value of QAR 18,200 are considered low value assets.

1. Transition

Previously, the Company classified property leases as operating leases under IAS 17. These included the leases of a building and employee accommodations. The Company's leases terms range from 1 year to 20 years. Certain leases include an option to renew the lease for additional years after the end of the non-cancellable period.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

4. Changes in significant accounting policies (continued)**IFRS 16 "Leases" (continued)****C. As a lessee (continued)****II. Transition (continued)**

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application
- The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

D. Impacts on financial statements**I. Impacts on transition**

On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 January 2019
Right-of-use assets	71,171,775
Lease liabilities	71,171,775

E. Impact on the financial statements**I. Impacts on transition**

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5% which reflects the market borrowing rate.

	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	8,414,500
Discounted using the incremental borrowing rate at 1 January 2019	71,727,025
- Recognition exemption for leases with less than 12 months of lease term at transition	(555,250)
Lease liabilities recognised at 1 January 2019	<u>71,171,775</u>

The Company while disclosing the lease commitments as at 31 December 2018 did not consider the renewal option on one contract which resulted into material difference between the lease commitment disclosed as at 31 December 2018 and the lease liability recorded upon adoption of IFRS 16.

II. Impact for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised QR 68,882,351 of right-of-use assets and QR 69,504,813 of lease liabilities as at 30 June 2019.

4. Changes in significant accounting policies (continued)**IFRS 16 "Leases" (continued)****E. Impacts on the financial statements (continued)****II Impact for the period (continued)**

Also, in relation to those leases under IFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Company recognised QR 2,289,424 of depreciation charges and QR 1,740,038 of interest costs from these leases. For the comparative six-month period ended 30 June 2018, the Company recognized QR 4,746,900 of the operating lease expenses.

The Company separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the condensed interim cash flow statement.

5. Property and equipment

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Net book value at the beginning of the period / year	942,705,452	909,271,180
Additions	24,256,935	28,278,674
Revaluation gain	-	36,526,076
Disposals	-	(134,500)
Depreciation charge for the period / year	(15,227,160)	(31,370,478)
Accumulated depreciation relating to disposals	-	134,500
Net book value at the end of the period / year	<u>951,735,227</u>	<u>942,705,452</u>

6. Right-to-use assets and lease liabilities

This is the first set of the Company's condensed interim financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 4. The details of Company's right-to-use assets is as follows:

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Balance at 1 January 2019	-	-
Impact of initial application of IFRS 16	<u>71,171,775</u>	-
Adjusted balance at 1 January 2019	71,171,775	-
Depreciation charge for the period	<u>(2,289,424)</u>	-
	<u>68,882,351</u>	-

Medicare Group (Q.P.S.C.)**Notes to the condensed interim financial statements
For the six month period ended 30 June 2019**

In Qatari Riyals

6. Right-to-use assets and lease liabilities (continued)

In relation to above right-to-use assets , the Company has recorded lease liabilities as below:

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Balance at 1 January 2019	-	-
Impact of initial application of IFRS 16	<u>71,171,775</u>	-
Adjusted balance at 1 January 2019	71,171,775	-
Finance cost for the period	1,740,038	-
Payments made during the period	<u>(3,407,000)</u>	-
	<u>69,504,813</u>	<u>-</u>

Lease liabilities are presented in condensed statement of financial position as follows:

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Non-current	66,103,164	-
Current	<u>3,401,649</u>	-
	<u>69,504,813</u>	<u>-</u>

7. Dividends

At the Annual General Meeting held on 31 March 2019, the shareholders of the Company approved a cash dividend of QR 3 per share relating to the year ended 31 December 2018. The total cash dividend amounted to QAR 84,432,300 (30 June 2018: QAR 112,576,400).

8. Cash and cash equivalents

Cash and cash equivalents comprise of the following:

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Cash in hand	310,055	91,251
Bank balances	9,497,891	23,603,320
Short term deposits *	35,000,000	70,000,000
Less provision for impairment on due from banks	<u>(56,161)</u>	<u>(56,161)</u>
Total cash and bank balances	44,751,785	93,638,410
Less: Deposits with original maturities of more than 90 days	<u>(35,000,000)</u>	<u>(40,000,000)</u>
Cash and cash equivalents	<u>9,751,785</u>	<u>53,638,410</u>

* Deposits held as at 30 June 2019 carried a profit average rate of 3.25% (30 June 2018: profit rate of 3%).

Medicare Group (Q.P.S.C.)**Notes to the condensed interim financial statements
For the six month period ended 30 June 2019**

In Qatari Riyals

9. Interest bearing loans

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Term loan (i)	12,556,491	19,903,790
Term loan (ii)	<u>27,979,445</u>	<u>11,102,239</u>
	<u>40,535,936</u>	<u>31,006,029</u>

Presented in the statement of financial position as follows:

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Current portion	12,556,487	14,974,430
Non-current portion	<u>27,979,449</u>	<u>16,031,599</u>
	<u>40,535,936</u>	<u>31,006,029</u>

Notes:

- (i) The term loan represents a facility of QR 70 million obtained from a bank in State of Qatar to finance the purchase of a building for employee accommodation in Al Mansoura area, State of Qatar. The loan is repayable in 60 monthly instalments of QR 1,278,514 and matures on 30 April 2020. The term loan is secured through the mortgage of the building purchased.
- (ii) The term loan represents a facility of QR 12 million obtained from a bank in State of Qatar to finance the extension and renovations of Al Ahli hospital buildings. The loan is repayable in 60 monthly instalments of QR 224,094 and matured on 16 July 2023.. During the period ended 30 June 2019, the Company obtained a further loan of 19 million to fund its expansion project within the main hospital premises. The loan is repayable in 52 monthly installments of QR 402,922 and matures on August 2023. The loan carries annual profit rate of 4.5%.

10. Accounts receivable and prepayments

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Gross trade receivables	141,168,634	139,218,451
Advances to suppliers	12,266,358	15,876,527
Due from investment securities broker	3,996,665	3,996,665
Refundable deposits	1,252,576	1,261,975
Prepaid expenses	11,014,635	4,907,075
Staff Receivables	3,516,346	2,206,835
Others	<u>2,066,582</u>	<u>1,285,249</u>
	<u>175,281,796</u>	<u>168,752,777</u>
Less: Allowance for impairment of trade receivables (note 10.1)	<u>(75,658,319)</u>	<u>(75,393,590)</u>
	<u>99,623,477</u>	<u>93,359,187</u>

Medicare Group (Q.P.S.C.)**Notes to the condensed interim financial statements
For the six month period ended 30 June 2019**

In Qatari Riyals

10. Accounts receivable and prepayments (continued)

10.1 The movement in the allowance for impairment of trade accounts receivables is as follows:

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
At 1 January	75,393,590	75,095,704
Provision during the period / year	277,538	1,005,781
Write off	(12,809)	(707,895)
	<u>75,658,319</u>	<u>75,393,590</u>

11. Operating costs

	30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
Staff costs	93,356,066	93,127,580
Medication and surgical costs	41,289,992	37,762,100
Community doctors expenses	10,506,481	5,921,706
Food costs	2,073,058	1,616,108
Utilities	1,907,270	1,313,586
Fuel costs	718,672	708,321
Other direct costs	440,213	485,801
Provision for slow moving inventory	209,500	1,557,744
Rent expenses (note 11.1)	-	3,600,000
	<u>150,501,252</u>	<u>146,092,946</u>

11.1 For the period ended 30 June 2019, rent expenses were reflected as depreciation expense and finance costs. Refer to note 6 for details.

12. Other income

	30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
Dividend income	2,575,155	2,818,990
Rental income	1,861,264	1,231,032
Catering income	142,825	224,267
Gain on foreign currency exchange	121,064	54,741
Miscellaneous income	1,144,121	517,857
	<u>5,844,429</u>	<u>4,846,887</u>

Medicare Group (Q.P.S.C.)**Notes to the condensed interim financial statements
For the six month period ended 30 June 2019**

In Qatari Riyals

13. General and administrative expenses

	30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
Staff costs	31,014,043	29,319,446
Maintenance and repairs	4,068,653	3,524,616
Outsourcing call center and helpers	2,995,624	2,733,248
Insurance	1,788,090	1,335,975
Telephone and fax	1,748,848	1,761,630
Advertisement and promotions	1,560,197	1,353,960
Security and cleaning	1,518,210	1,562,172
Board of Directors' remuneration	1,129,886	1,160,415
IT development	773,242	856,183
Legal and professional fees	635,461	706,714
Bank charges	525,134	462,204
Printing and stationery	508,796	563,590
Government expenses	452,112	356,160
Others	523,611	1,064,482
	<u>49,241,907</u>	<u>46,760,795</u>

14. Basic and diluted earnings per share

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

	30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
Net profit for the period	<u>33,837,027</u>	<u>33,249,160</u>
Weighted average number of ordinary shares outstanding during the Period	<u>281,441,000</u>	<u>281,441,000</u>
Basic and diluted earnings per share	<u>0.12</u>	<u>0.12</u>

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.

As per the instructions from the Qatar Financial Markets Authority, the Extraordinary General Assembly on 31 March 2019 approved a 10 for 1 share split i.e. 10 new shares with a par value of QAR 1 each were exchanged for 1 old share with a par value of QAR 10 each. This has led to an increase in the number of authorised and outstanding shares from 28,144,100 to 281,441,000. The listing of the new shares on Qatar Exchange was effective from 15 April 2019. Consequently, the weighted average number of shares outstanding has been retrospectively adjusted.

Medicare Group (Q.P.S.C.)**Notes to the condensed interim financial statements
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In Qatari Riyals

15. Contingencies and commitments**a) Contingent liabilities**

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

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Bank guarantees	<u>277,000</u>	<u>277,000</u>

b) Legal claims

As at 30 June 2019, various legal claims were initiated by patients and other third parties against the Company in the form of malpractice compensation claims and other miscellaneous claims. The Company's management exercises its judgement in assessing whether it would be made liable to settle any malpractice cases based on its understanding of the specifics of the case. Moreover, the Company has a malpractice insurance policy in place to cover all malpractice claims made as part of which the Company would be liable to settle the deductible amount (as per the insurance policy) whereas the remaining claim is covered by the insurance Company.

c) Capital commitments

The capital commitments of the company as at 30 June 2019 amounted to QR 49,835,180 (31 December 2018: 58,753,974). This relates primarily to contracts entered for the development of buildings

16. Related party transactions

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 unaudited interim statement of income are as follows:

	30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
Interest income	<u>711,547</u>	<u>547,738</u>
Rental income	<u>222,282</u>	<u>222,282</u>
Bank charges	<u>(19,741)</u>	<u>(41,468)</u>
Interest expenses	<u>(714,864)</u>	<u>(600,538)</u>
Insurance expenses	<u>(6,530,042)</u>	<u>(4,068,960)</u>

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

	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Bank balances	<u>8,283,017</u>	<u>23,559,297</u>
Short term deposits	<u>35,000,000</u>	<u>70,000,000</u>
Interest receivable	<u>303,957</u>	<u>494,336</u>
Interest bearing loans	<u>40,535,936</u>	<u>31,006,027</u>
Trade payable	<u>6,753,348</u>	<u>4,614,145</u>

Medicare Group (Q.P.S.C.)**Notes to the condensed interim financial statements
For the six month period ended 30 June 2019**

In Qatari Riyals

16. Related party transactions (continued)**Compensation of key management personnel and the Board of Directors' remuneration**

The remuneration of the Board of Directors and members of key management during the period was as follows:

	30 June 2019 (Reviewed)	30 June 2018 (Reviewed)
Board of Directors' remuneration	1,129,886	1,160,415
Total key management personnel benefits	<u>2,140,575</u>	<u>2,115,875</u>
	<u>3,270,461</u>	<u>3,276,290</u>

17. Fair value of 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 2019 and 31 December 2018:

	Carrying amounts		Fair values	
	30 June 2019 (Reviewed)	31 December 2018 (Audited)	30 June 2019 (Reviewed)	31 December 2018 (Audited)
Financial assets				
Bank balances	44,441,730	93,547,159	44,441,730	93,547,159
Trade and other receivables	76,342,484	72,575,585	76,342,484	72,575,585
Investments at fair value through other comprehensive	56,708,653	52,058,974	56,708,653	52,058,974
Financial Liabilities				
Trade and other payables	94,871,114	94,801,413	94,871,114	94,801,413
Lease liabilities	69,504,813	-	69,504,813	-
Retention payable	3,547,858	881,550	3,547,858	881,550
Interest bearing loans	40,535,936	31,006,029	40,535,936	31,006,029

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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 that use inputs that have a significant effect on the recorded fair values are not based on observable market data.

17. Fair value of financial instruments (continued)**Fair value hierarchy (continued)**

As at 30 June 2019 and 31 December 2018, the Company held the following classes of financial instruments measured at fair value:

	30 June 2019 (Reviewed)	Level 1	Level 2	Level 3
Financial assets				
Investments at fair value through other comprehensive income	56,708,653	56,708,653	-	-
	<u>56,708,653</u>	<u>56,708,653</u>	<u>-</u>	<u>-</u>
Non-financial assets				
Revalued land and building*	799,763,375	-	-	799,763,375
	<u>799,763,375</u>	<u>-</u>	<u>-</u>	<u>799,763,375</u>
	31 December 2018 (Audited)	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through other comprehensive income	52,058,974	52,058,974	-	-
	<u>52,058,974</u>	<u>52,058,974</u>	<u>-</u>	<u>-</u>
Non-financial assets				
Revalued land and building*	805,620,606	-	-	805,620,606
	<u>805,620,606</u>	<u>-</u>	<u>-</u>	<u>805,620,606</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2019.

Valuation techniques and significant unobservable inputs

The Company engaged a third party qualified valuation expert to perform the valuation of its fixed assets that are carried at fair value as at 31 December 2018. The third party valuation expert utilized methods and techniques generally recognised as standard within the industry for valuing similar assets. The methods applied include the market comparison approach for the purpose of valuing the land plots held by the Company while buildings were valued using the depreciable replacement cost approach "DRC". The independent valuation experts exercised their judgement in determining the appropriate valuation model and the consideration of unobservable inputs used in the valuation model which include the identification of assets similar in characteristics to the subject property valued and the range for the depreciable replacement costs and their assessment of obsolescence of the property.

The techniques used by the independent valuation experts to determine fair values are as follows:

Market Comparison approach

The Company's land plots were valued using the market comparable approach. Under the market comparable approach, a property's fair value is estimated based on comparable transactions of similar properties that were sold within a reasonable period from the valuation date. The comparable transactions are adjusted for difference in size, location and other property specific characteristics.

17. Fair value of financial instruments (continued)**Fair value hierarchy (continued)****Depreciable replacement cost:**

The Company's buildings were valued using the depreciable replacement cost method. The depreciable replacement cost represents the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The value of the property is adjusted to reflect obsolescence factors such as the physical condition, the remaining economic life, the comparative running costs and the comparative efficiency and functionality of the actual asset.

The following table shows the valuation techniques used in measuring level 3 fair values as at 31 December 2018 for the non-financial assets measured at fair value as well as significant unobservable inputs used. The Company had not carried out a valuation of its non-financial assets as at 30 June 2019 and the values are assumed to be consistent with those as at 31 December 2018, as there has been no change in the real estate market during the period.

Type	Valuation technique	Significant unobservable inputs	Range used	The estimated value of the property would increase (decrease) if
Land	Market Comparison approach	Price per square foot in QAR	QAR 425 - QAR 2,000 per SQFT	If the price per SQFT increased (decreased)
Building	Depreciable replacement cost approach	Depreciable replacement cost per square meter	QAR 2,470 – QAR 6,988 per SQM	If the price per SQM increased (decreased)

18. Segment information

The Company is engaged in providing health care services and operates only in the State of Qatar, hence segmental disclosures based on business and geographical segments are not applicable.

19. Comparative figures

Certain comparative figures have been reclassified where necessary in order to conform to the current period presentation in the condensed interim financial statements. Such reclassification do not affect previously reported net profit or net assets of the Company.