Medicare Group Q.S.C.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2012

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 condensed financial statements of Medicare Group Q.S.C. (the "Company") as at 30 June 2012, comprising of the interim statement of financial position as at 30 June 2012 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with 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. Consequently, it 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.

Other matter

The financial statements of the Company for the year ended 31 December 2011 were audited by another auditor whose report dated 4 March 2012 expressed an unmodified opinion on those financial statements. Further, the interim condensed financial statements for the six-month period ended 30 June 2011 were reviewed by another auditor whose report dated 31 July 2011, expressed an unmodified conclusion on those interim condensed financial statements.

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

Date: 8 August 2012
Doha

INTERIM STATEMENT OF INCOME

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	*2011*
		(Unaudited)	
	Note	***QR***	*QR*
Operating income		**178,492,893**	148,562,998
Operating costs		**(110,581,252)**	(92,639,271)
GROSS PROFIT		**67,911,641**	55,923,727
Income from deposits with Islamic bank		**230,213**	261,390
Other income		**6,515,389**	4,737,898
General and administrative expenses		**(31,723,594)**	(23,914,325)
Depreciation of property, plant and equipment		**(12,219,510)**	(12,376,141)
Finance costs		**-**	(417,450)
PROFIT FOR THE PERIOD		**30,714,139**	24,215,099
BASIC AND DILUTED EARNINGS PER SHARE (in Qatari Riyals per share)	3	**1.09**	0.86

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 2012

		For the six months ended 30 June	
		2012	*2011*
		(Unaudited)	
	Note	***QR***	*QR*
Profit for the period		**30,714,139**	24,215,099
Other comprehensive (loss) income			
Net (loss) gain on financial investments at fair value through other comprehensive income	4	**(2,100,282)**	1,053,336
Other comprehensive (loss) income for the period		**(2,100,282)**	1,053,336
Total comprehensive income for the period		**28,613,857**	25,268,435

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

INTERIM STATEMENT OF FINANCIAL POSITION
At 30 June 2012

	Notes	***30 June 2012 (Unaudited) QR***	*31 December 2011 (Audited) QR*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**617,920,205**	627,606,600
Financial investments at fair value through other comprehensive income		**42,297,116**	44,397,398
		660,217,321	672,003,998
Current assets			
Inventories		**12,893,193**	14,843,739
Assets of a subsidiary classified as held for sale	6	**685,215**	685,215
Accounts receivable and prepayments		**96,289,403**	81,320,389
Bank balances and cash		**62,893,431**	60,150,700
		172,761,242	157,000,043
TOTAL ASSETS		**832,978,563**	829,004,041
EQUITY AND LIABILITIES			
Equity			
Share capital		**281,441,000**	281,441,000
Legal reserve		**11,232,936**	11,232,936
Fair value reserve		**(3,923,877)**	(1,823,595)
Revaluation surplus		**420,638,021**	420,638,021
Retained earnings		**38,563,525**	7,849,386
Proposed cash dividends	8	**-**	30,958,510
Total equity		**747,951,605**	750,296,258
Non-current liability			
Employees' end of service benefits		**21,657,516**	18,236,509
Current liabilities			
Accounts payable and accruals		**48,606,191**	45,708,023
Retention payable		**14,763,251**	14,763,251
		63,369,442	60,471,274
Total liabilities		**85,026,958**	78,707,783
TOTAL EQUITY AND LIABILITIES		**832,978,563**	829,004,041

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Thani Bin Abdullah Al-Thani
Chairman

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Abdulwahed Al Mawlawi
Managing Director

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	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	-	-	(2,100,282)	-	-	-	(2,100,282)
Total comprehensive (loss) income	-	-	(2,100,282)	-	30,714,139	-	28,613,857
Dividends (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 2011 (Audited)	281,441,000	7,320,210	(3,461,491)	424,290,599	918,966	28,144,100	738,653,384
Profit for the period	-	-	-	-	24,215,099	-	24,215,099
Other comprehensive income	-	-	1,053,336	-	-	-	1,053,336
Total comprehensive income	-	-	1,053,336	-	24,215,099	-	25,268,435
Dividends (Note 8)	-	-	-	-	-	(28,144,100)	(28,144,100)
Balance at 30 June 2011 (Unaudited)	281,441,000	7,320,210	(2,408,155)	424,290,599	25,134,065	-	735,777,719

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 2012

	Note	*For the six months ended 30 June* **2012**	*2011*
		(Unaudited)	
		QR	*QR*
OPERATING ACTIVITIES		**30,714,139**	24,215,099
Profit for the period			
Adjustment for:			
Depreciation of property, plant and equipment		**12,219,510**	12,376,141
Provision for employees' end of service benefits		**4,374,362**	3,692,536
Impairment allowance for bad and doubtful debts		**8,748,509**	9,153,664
Provision for obsolete and slow moving inventories		**1,728,082**	-
Income from deposits with Islamic bank		**(230,213)**	(261,390)
Dividend income		**(2,352,822)**	(2,297,361)
Finance costs		-	417,450
Bad debts written off		-	2,019,810
Operating profit before working capital changes:		**55,201,567**	49,315,949
Working capital changes:			
Inventories		**222,464**	4,806,582
Accounts receivable and prepayments		**(23,717,523)**	(14,714,642)
Accounts payable and accruals		**(1,903,044)**	4,115,838
Cash from operating activities		**29,803,464**	43,523,727
Finance costs paid		-	(417,450)
Employees' end of service benefits paid		**(953,355)**	(1,700,704)
Net cash from operating activities		**28,850,109**	41,405,573
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,533,115)**	(6,220,238)
Proceeds from disposal of assets of subsidiary classified as held for sale		-	1,682,324
Receipts from short term deposits		-	17,794,000
Income from deposits with Islamic bank		**230,213**	261,390
Dividend income		**2,352,822**	2,297,361
Net cash from investing activities		**49,920**	15,814,837
FINANCING ACTIVITIES			
Repayment of Islamic finance facility		-	(4,921,846)
Dividends paid		**(26,157,298)**	(26,098,376)
Net cash used in financing activities		**(26,157,298)**	(31,020,222)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,742,731**	26,200,188
Cash and cash equivalents at 1 January		**51,050,700**	8,937,319
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	**53,793,431**	35,137,507

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 Shareholding Company incorporated on 30 December 1996 under commercial registration number 18895. The Company's main activity is to operate a specialised hospital and promote medical services in State of Qatar.

The interim condensed financial statements of the Company for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 8 August 2012.

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 "*Interim Financial Reporting*".

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 2011. In addition, results for the six months ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

New standards, interpretations and amendments thereof:

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 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

IAS 12 - Deferred Tax: Recovery of Underlying Assets (Amendment)
This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The Company has assets under IAS 16 valued under the revaluation model. The jurisdictions in which the Company operates do not have a different tax charge for sale or consumption of the assets and the Company is exempted from taxes. While the amendment is applicable, it has no impact on the interim condensed financial statements of the Company.

The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Company:

IFRS 7 - Disclosures - Transfers of financial assets (Amendment)
The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments thereof (continued):

IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)
When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

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

Standard/ Interpretation	*Content*	*Effective date*
IFRS 9	Financial Instruments: Classification & Measurement (Part 1)	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income (Amendment)	1 January 2013
IAS 19	Employee Benefits (Revised)	1 January 2013

3 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.

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.

	For the six months ended 30 June	
	2012	*2011*
	(Unaudited)	
Profit for the period (QR)	**30,714,139**	24,215,099
Weighted average number of ordinary shares outstanding during the period	**28,144,100**	28,144,100
Basic and diluted earnings per share (QR)	**1.09**	0.86

4 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012	*2011*
	(Unaudited)	
	QR	*QR*
Movements of other comprehensive (loss) income		
Financial investments at fair value through other comprehensive income		
Net movement in fair value reserve of investments	**(2,100,282)**	1,053,336
Total effect on other comprehensive (loss) income resulting from financial investments at fair value through other comprehensive income	**(2,100,282)**	1,053,336

5 PROPERTY, PLANT AND EQUIPMENT

	30 June 2012 (Unaudited) QR	*31 December 2011 (Audited) QR*
Net book value, beginning balance	**627,606,600**	642,506,685
Additions	**2,533,115**	10,476,004
Disposals	**-**	(90,124)
Depreciation charge for the period/year	**(12,219,510)**	(25,285,965)
Net book value, ending balance	**617,920,205**	627,606,600

6 ASSETS OF A SUBSIDIARY CLASSIFIED AS HELD FOR SALE

In 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 these operations as held for sale.

In 2010, the subsidiary company appointed a liquidator to manage the liquidation process, and became legally under liquidation. As such, the Company reflected the net recoverable amount from the investment (net of payment received during liquidation) amounting to QR 685,215 as assets of a subsidiary classified as held for sale as at 30 June 2012 (31 December 2011: QR 685,215). This is the minimum recoverable amount based on management best estimates.

7 CASH AND CASH EQUIVALENTS

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

	30 June 2012 (Unaudited) QR	*30 June 2011 (Unaudited) QR*
Cash on hand	**276,385**	231,653
Cash at bank	**62,617,046**	44,005,854
	62,893,431	44,237,507
Short term deposits	**(9,100,000)**	(9,100,000)
	53,793,431	35,137,507

Short term deposits carry profit rate at 1.5% per annum, and have original maturity of one year.

8 DIVIDENDS

During the current period, at the Annual General Assembly meeting held on 1 April 2012, the shareholders approved a cash dividend of QR 1.1 per share totaling QR 30,958,510 relating to the year 2011 (2011: QR 1 per share, totaling QR 28,144,100 relating to the year 2010).

9 CONTINGENT LIABILITIES

	30 June 2012 (Unaudited) QR	*31 December 2011 (Audited) QR*
Letters of guarantees	**65,710**	65,710

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 (US$ 4,838,916) 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 date of the statement of financial position, the legal proceedings are under progress and the court has ordered the parties to serve next hearing on 8 October 2012. The Company’s lawyer confirmed that it would be difficult to reliably estimate the compensation payable to the contractor. However, as at 30 June 2012 the Company has recognised QR 14,763,251 (31 December 2011: QR 14,763,251) as retention payable to the contractor in the Company’s financial statements and no additional provision has been made in the interim condensed financial statements.

(ii) As at 30 June 2012, various legal cases were initiated by patients against the Company in the form of malpractice compensation claims and other miscellaneous claims with a total value of QR 13,000,000. In the opinion of the Company’s lawyers, it would be difficult to reliably estimate the compensation payable. However, the Company’s lawyers believe, based on previous experience and available informations, that the Company is unlikely to incur losses as a result of these claims. No provision has been made in the interim condensed financial statements.

10 SEGMENT ANALYSIS

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.

11 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value hierarchy
All financial instruments are carried at fair value and are categorised in three levels, defined as follows:

Level 1 – Quoted market prices
Level 2 – Valuation techniques (market observable)
Level 3 – Valuation techniques (non-market observable)

As at 30 June 2012, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	30 June 2012 QR	***Level 1 QR***	***Level 2 QR***	***Level 3 QR***
Financial investments at fair value through other comprehensive income	**42,297,116**	**42,297,116**	-	-

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 six month period ended 30 June 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.

12 RELATED PARTY DISCLOSURES

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	
	2012	*2011*
	(Unaudited)	
	QR	*QR*
Salaries and allowances	**1,896,000**	1,584,500
Employees' end of service benefits	**122,950**	108,650
	2,018,950	1,693,150

13 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the presentation in the current period's interim condensed financial statements. However, such reclassifications did not have any effect on the net profit, total assets and equity of the comparative period/year.