

**Medicare Group Q.S.C.**

**FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

# Medicare Group Q.S.C.

Financial Statements

For the year ended 31 December 2017

---

<b>Contents</b>	<b>Page(s)</b>
Independent auditor's report	1-4
<b>Financial statements</b>	
Statement of financial position	5
Statement of profit or loss and other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9-27



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

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MEDICARE GROUP Q.S.C.**

### **Report on the audit of the financial statements**

#### ***Opinion***

We have audited the financial statements of Medicare Group Q.S.C. Company ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other matter***

The financial statements as at and for the year ended 31 December 2016 were audited, by another auditor, whose audit report dated 8 February 2017, expressed an unmodified audit opinion thereon

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
MEDICARE GROUP Q.S.C. (CONTINUED)**

*Key audit matters (continued)*

See note 2 and 6 to the financial statements	
<u>Impairment allowance for trade receivables</u>	<u>How the matter was addressed in our audit</u>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>the Company has receivables of QR 83,815,233 (2016: QR 116,367,241) representing 7 % of the company's total assets as at 31 December 2017.</li> <li>impairment allowance is based on the Company's judgment in estimating when an impairment event has occurred and the present value of expected future cash flows being lower than carrying value, which are inherently uncertain.</li> </ul>	<p>Our audit procedures in this area included, among other things:</p> <ul style="list-style-type: none"> <li>testing key controls over the process of on boarding of customers in accordance with unified insurance agreement;</li> <li>testing the design and operating effectiveness of controls over the process of collection of receipts and identification of doubtful debts;</li> <li>testing the ageing of receivables on a sample basis;</li> <li>evaluating instances of disputes to understand the judgement taken by the management in ascertaining the impairment allowance;</li> <li>challenging the Company's assumptions of the expected future cash flows considering historical cash collection trends and available market information;</li> <li>evaluating the adequacy of the company's disclosure in relation to the impairment allowance by reference to the requirements of the relevant accounting standards.</li> </ul>
See note 2,3, and 6 to the financial statements	
<u>Depreciation and revaluation of property, plant, equipment</u>	<u>How the matter was addressed in our audit</u>
<ul style="list-style-type: none"> <li>we focused on this area because items of PPE on the statement of financial position represent 77 % of the Company's total assets and the related depreciation charge is considered significant to the financial statements;</li> <li>the determination of useful lives and depreciation charge requires management to make considerable judgments and estimations.</li> </ul>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>evaluating the key controls in property, plant and equipment process over the base data and estimation of useful life and residual values;</li> <li>evaluating the recognition criteria applied to the costs incurred and capitalised during the financial year against the requirements of the relevant accounting standards;</li> <li>assessing the depreciation methodology used and the appropriateness of the key assumptions based on our industry knowledge;</li> <li>recalculating the depreciation charge and comparing it with the depreciation charge reported in the financial statements;</li> <li>evaluating the adequacy of the Company's disclosure in relation to the depreciation on property plant equipment by reference to the requirements of the relevant accounting standards.</li> </ul>





## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MEDICARE GROUP Q.S.C. (CONTINUED)**

### ***Other information***

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report (The "Annual Report") but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance

### ***Responsibilities of the Board of Directors for the financial statements***

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
MEDICARE GROUP Q.S.C. (CONTINUED)**

*Auditor's responsibilities for the audit of the financial statements (continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


We also provide Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its financial statements are in agreement therewith. Furthermore, the physical count of the Company's inventories was carried out in accordance with established principles. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company's financial position or performance as at and for the year ended 31 December 2017.

23 January 2018  
Doha  
State of Qatar

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



# Medicare Group Q.S.C.

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	<b>2017</b> <b>QR</b>	<b>2016</b> <b>QR</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	3	909,271,180	876,492,930
Financial investments at fair value through other comprehensive income	4	<u>45,618,518</u>	<u>50,417,645</u>
		<b><u>954,889,698</u></b>	<b><u>926,910,575</u></b>
<b>Current assets</b>			
Inventories	5	27,543,018	29,648,050
Accounts receivable and prepayments	6	99,082,484	152,385,454
Cash and bank balances	7	<u>102,119,126</u>	<u>96,864,639</u>
		<b><u>228,744,628</u></b>	<b><u>278,898,143</u></b>
<b>TOTAL ASSETS</b>		<b><u>1,183,634,326</u></b>	<b><u>1,205,808,718</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	281,441,000	281,441,000
Legal reserve	9	75,366,231	67,366,036
Fair value reserve		(11,861,482)	(3,296,998)
Revaluation surplus		534,148,663	541,344,487
Retained earnings		<u>122,654,883</u>	<u>129,889,656</u>
<b>Total equity</b>		<b><u>1,001,749,295</u></b>	<b><u>1,016,744,181</u></b>
<b>Non-current liabilities</b>			
Interest bearing loans	12	19,707,755	34,132,814
Employees' end of service benefits	13	<u>52,691,648</u>	<u>48,280,051</u>
		<b><u>72,399,403</u></b>	<b><u>82,412,865</u></b>
<b>Current liabilities</b>			
Accounts payable and accruals	14	94,132,067	86,768,936
Interest bearing loans	12	14,472,011	19,055,594
Retention payable		<u>881,550</u>	<u>827,142</u>
		<b><u>109,485,628</u></b>	<b><u>106,651,672</u></b>
<b>Total liabilities</b>		<b><u>181,885,031</u></b>	<b><u>189,064,537</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,183,634,326</u></b>	<b><u>1,205,808,718</u></b>



.....  
Abdulla Bin Thani Bin Abdulla Al-Thani  
Chairman



.....  
Khalid Mohammed Al-Emadi  
Chief Executive Officer

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

Medicare Group Q.S.C.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Operating income		470,620,799	468,983,588
Operating costs	15	<u>(268,267,216)</u>	<u>(272,768,251)</u>
<b>GROSS PROFIT</b>		<b>202,353,583</b>	<b>196,215,337</b>
Income from deposits with banks		893,412	533,087
Other income	16	11,234,786	12,780,165
General and administrative expenses	17	(104,663,372)	(115,341,741)
Depreciation of property and equipment	3	(28,191,141)	(26,443,439)
Finance cost		<u>(1,625,321)</u>	<u>(2,591,711)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>80,001,947</u></b>	<b><u>65,151,698</u></b>
<b>Other comprehensive income</b>			
Items will not be reclassified subsequently to profit or loss:			
Net loss from financial investments at fair value through other comprehensive income		<u>(8,564,484)</u>	<u>(1,912,206)</u>
Other comprehensive loss for the year		<u>(8,564,484)</u>	<u>(1,912,206)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>71,437,463</u></b>	<b><u>63,239,492</u></b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b> (expressed in Qatari Riyals per share)	18	<u><b>2.84</b></u>	<u><b>2.31</b></u>

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

Medicare Group Q.S.C.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share Capital QR	Legal reserve QR	Fair value reserve QR	Revaluation surplus QR	Retained Earnings QR	Total equity QR
Balance at 1 January 2017	281,441,000	67,366,036	(3,296,998)	541,344,487	129,889,656	1,016,744,181
Profit for the year	-	-	-	-	80,001,947	80,001,947
Other comprehensive loss	-	-	(8,564,484)	-	-	(8,564,484)
Total comprehensive income	-	-	(8,564,484)	-	80,001,947	71,437,463
Transfer to legal reserve	-	8,000,195	-	-	(8,000,195)	-
Transfer of depreciation of revalued assets	-	-	-	(7,195,824)	7,195,824	-
Contribution to social and sports fund (Note 10)	-	-	-	-	(2,000,049)	(2,000,049)
Cash dividends to shareholders (Note 11)	-	-	-	-	(84,432,300)	(84,432,300)
<b>Balance at 31 December 2017</b>	<b>281,441,000</b>	<b>75,366,231</b>	<b>(11,861,482)</b>	<b>534,148,663</b>	<b>122,654,883</b>	<b>1,001,749,295</b>
Balance at 1 January 2016	281,441,000	60,850,866	(1,384,792)	548,540,300	206,406,607	1,095,853,981
Profit for the year	-	-	-	-	65,151,698	65,151,698
Other comprehensive loss	-	-	(1,912,206)	-	-	(1,912,206)
Total comprehensive (loss) / income	-	-	(1,912,206)	-	65,151,698	63,239,492
Transfer to legal reserve	-	6,515,170	-	-	(6,515,170)	-
Transfer of depreciation of revalued assets	-	-	-	(7,195,813)	7,195,813	-
Contribution to social and sports fund (Note 10)	-	-	-	-	(1,628,792)	(1,628,792)
Cash dividend paid to shareholders (Note 11)	-	-	-	-	(140,720,500)	(140,720,500)
<b>Balance at 31 December 2016</b>	<b>281,441,000</b>	<b>67,366,036</b>	<b>(3,296,998)</b>	<b>541,344,487</b>	<b>129,889,656</b>	<b>1,016,744,181</b>

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



## Medicare Group Q.S.C.

### STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	<i>Notes</i>	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the year		<b>80,001,947</b>	65,151,698
Adjustments for:			
Depreciation of property and equipment	3	28,191,141	26,443,439
Provision for employees' end of service benefits	13	8,740,355	9,123,089
Impairment allowance for bad and doubtful debts, net	17	16,000,000	32,511,196
Provision for obsolete and slow moving inventories, net	15	166,450	696,705
Impairment loss on available-for-sale financial assets	17		478,154
Income from deposits with an Islamic bank		(893,412)	(533,087)
Dividend income	16	<u>(2,656,477)</u>	<u>(2,597,033)</u>
Operating profit before working capital changes		<b>129,550,004</b>	131,274,161
Working capital changes:			
Inventories		1,938,582	4,480,187
Accounts receivable and prepayments		37,739,409	47,802,100
Accounts payable and accruals		5,492,144	7,393,283
Retention payable		<u>54,408</u>	<u>409,993</u>
Cash from operating activities		174,774,547	191,359,724
contribution Paid to social and sports fund		(1,628,792)	(4,509,384)
Employees' end of service benefits paid	13	<u>(4,328,758)</u>	<u>(2,709,187)</u>
<b>Net cash flows from operating activities</b>		<b><u>168,816,997</u></b>	<b><u>184,141,153</u></b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	3	(60,969,391)	(41,697,547)
Net movement in term deposits		14,997,262	18,000,000
Income from deposits with an Islamic bank		456,971	396,623
Purchase of financial investments at fair value		(3,765,357)	(1,585,067)
Dividend income received	16	<u>2,656,477</u>	<u>2,597,033</u>
<b>Net cash flows used in investing activities</b>		<b><u>(46,624,038)</u></b>	<b><u>(22,288,958)</u></b>
<b>FINANCING ACTIVITIES</b>			
Repayment of interest bearing loans		(19,008,642)	(18,427,338)
Dividends paid		<u>(82,932,568)</u>	<u>(140,720,500)</u>
<b>Net cash flows used in financing activities</b>		<b><u>(101,941,210)</u></b>	<b><u>(159,147,838)</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>20,251,749</b>	2,704,357
Cash and cash equivalents at 1 January		<u>31,801,629</u>	<u>29,097,272</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	7	<b><u>52,053,378</u></b>	<b><u>31,801,629</u></b>

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

# Medicare Group Q.S.C.

## NOTES TO THE 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 the State of Qatar.

The Company's registered office address is P.O. Box 6401 Doha, State of Qatar. The Company is a listed entity in the Qatar Exchange.

The financial statements of the Company for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 23 January 2018.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of Qatar Commercial Companies' Law No. 11 of 2015.

The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, land and buildings which are carried at fair value.

The financial statements are presented in Qatari Riyals ("QR"), which is the Company's functional and presentational currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant to financial statements are disclosed in Note 24.

#### **Newly effective standard and amendments and improvements to standards**

During the current year, the below new and amended International Financial Reporting Standards (standards) and improvements to standards became effective for the first time for financial years ending 31 December 2017:

- *Amendments to IAS 7 "Disclosure Initiative"*
- *Amendments to IAS 12 on recognition of deferred tax assets for unrealised losses*
- *Annual Improvements to IFRSs 2012–2014 Cycle – various standards.*

The adoption of the above new and amended standards and improvements to standards had no significant impact on the Company's financial statements.

#### **New and amended standards not yet effective, but available for early adoption**

The below International Financial Reporting Standards (standards) that are available for early adoption for financial years ending 31 December 2017 are not effective until a later period, and they have not been applied in preparing these financial statements.

#### ***Adoption expected to impact the Company's financial statements:***

##### *IFRS 9 "Financial Instruments" (Effective for year ending 31 December 2018)*

IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has early adopted this standard during the year ended 31 December 2013.

## Medicare Group Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### New and amended standards not yet effective, but available for early adoption (continued)

###### *IFRS 15 "Revenue from Contracts with Customers" (Effective for year ending 31 December 2018)*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company does not expect to have a significant impact on its financial statements resulting from the application of IFRS 15.

###### *IFRS 16 "Leases" (Effective for year ending 31 December 2019)*

IFRS 16 requires most leases to present right-of-use assets and liabilities on the statement of financial position. IFRS 16 also eliminates the current dual accounting model for leases, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 introduces a single on-balance sheet accounting model that is similar to the current accounting for finance leases. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16. Early adoption is permitted only if IFRS 15 is also adopted. The lessor accounting will remain similar to the current practice, i.e. the lessors will continue to classify leases as finance and operating leases

*Adoption not expected to impact the Company's financial statements:*

<i>Effective for year ending 31 December 2018</i>	<ul style="list-style-type: none"><li><i>Amendments to IFRS 2 on classification and measurement of share based payment transactions.</i></li></ul>
<i>Effective date to be determined</i>	<ul style="list-style-type: none"><li><i>Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture.</i></li></ul>

##### Summary of significant accounting policies

###### Revenue

###### *Medical services:*

The revenue is recognized when the related medical services are performed.

###### *Sale of medications:*

The revenue is recognized when the medications are transferred to the patient.

###### *Profit from term deposits and saving accounts:*

Profit is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

###### *Rent:*

Rental income is recognised when earned based on actual occupancy for the premises.

###### *Dividend income:*

Dividend income from investments is recognised when the Company's right to receive payment is established.

###### Property and equipment

Land and buildings held for use in the Company's operations are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity under revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.



NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Summary of significant accounting policies (continued)**

**Property and equipment (continued)**

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. (In addition, part of the reserve is transferred over the period for which the asset is used by the Company). The amount of the reserve transferred is the difference between the depreciation charge based on the revalued carrying amount of the asset and the depreciation charge based on the asset's original cost. The transfer from revaluation reserve to retained earnings, whether on disposal or on a systematic basis over the life of the asset, is not made through profit or loss.

Capital work-in-progress is stated at cost. When the asset is ready for its intended use, it is transferred from capital work-in-progress to the appropriate category under property and equipment and depreciated in accordance with the Company's policies.

Depreciation is charged on straight line basis on all property and equipment at rates calculated to write off the cost of each asset over its estimated useful life. Land and capital work in progress are not depreciated. The rates of depreciation are based upon the following estimated useful lives:

Buildings	40 years
Office equipment	5 years
Medical equipment	7 years
Equipment & tools	5 years
Vehicles	5 years
furniture and fixtures	4-5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**Financial investments at fair value through other comprehensive income (FVOCI)**

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVOCI"). Designation at FVOCI is not permitted if the equity investment is held for trading.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is determined on a first-in/ first-out basis.

Net realisable value is based on estimated usage / selling price in the ordinary course of business less estimated costs necessary to make the sale.

**Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Summary of significant accounting policies (continued)**

**Impairment of non-financial assets (continued)**

Impairment losses of continuing operations are recognised in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**Trade and other receivables**

Accounts receivable are carried at original invoiced amounts less provision, if any for non-collectability of these receivables. An allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, balances with banks and deposits with original maturities of less than 90 days.

**Derecognition of financial assets and liabilities**

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Employees' end of service benefits and pension**

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Qatar Labor Law and the employees' contracts and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

Under Law No. 24 of 2002 on Retirement and Pension, the Company is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

**Trade payable and accruals**

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



**Summary of significant accounting policies (continued)**

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Interest bearing loans**

Interest bearing loans are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans are measured at amortised cost using the effective interest method, with any differences between the cost and final settlement values being recognised in the statement of income over the period of borrowings. Installments due within one period at amortised cost are shown as a current liability.

Gains or losses are recognized in the statement of income when the liabilities are derecognised.

**Impairment of financial assets**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Foreign currency translation**

Transactions in foreign currencies are recorded at the rate 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 end of the reporting date. All differences are taken to the statement of income.

**Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if the right is not explicitly specified in an arrangement.

*Company as lessor*

Leases where the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

*Company as lessee*

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

## Medicare Group Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Summary of significant accounting policies (continued)

###### Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

###### Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

###### Fair value measurement

The Company measures financial instruments such as financial investments at fair value through other comprehensive income and Available-for-sale financial assets, at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised as below:

- |  |         |
|--|---------|
| • Quantitative disclosures of fair value measurement hierarchy | Note 21 |
| • Property and equipment under revaluation model               | Note 3  |
| • Financial instruments  | Note 4  |

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Medicare Group Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

3 PROPERTY AND EQUIPMENT

	Land QR	Buildings QR	Office equipment QR	Medical equipment QR	Equipment And Tools QR	Vehicles QR	Furniture and fixtures QR	Capital work in progress QR	Total QR
Cost or valuation:									
At 1 January 2017	310,808,217	553,206,106	28,098,176	137,743,266	35,062,462	1,740,359	8,623,434	40,077,885	1,115,359,905
Additions during the year	-	1,426,000	6,307,244	39,285,179	1,244,762	(101,000)	578,588	12,127,618	60,969,391
Disposal during the year	-	-	-	-	-	(101,000)	-	-	(101,000)
At 31 December 2017	310,808,217	554,632,106	34,405,420	177,028,445	36,307,224	1,639,359	9,202,022	52,205,503	1,176,228,296
Accumulated depreciation:									
At 1 January 2017	-	66,822,065	23,539,165	107,403,298	31,361,443	1,418,744	8,322,260	-	238,866,975
Charge for the year	-	14,969,990	2,051,085	9,149,620	1,707,462	109,900	203,084	-	28,191,141
Disposal	-	-	-	-	-	(101,000)	-	-	(101,000)
At 31 December 2017	-	81,792,055	25,590,250	116,552,918	33,068,905	1,427,644	8,525,344	-	266,957,116
<b>Net book value:</b>									
At 31 December 2017	<b>310,808,217</b>	<b>472,840,051</b>	<b>8,815,170</b>	<b>60,475,527</b>	<b>3,238,319</b>	<b>211,715</b>	<b>676,678</b>	<b>52,205,503</b>	<b>909,271,180</b>



Medicare Group Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Land QR	Buildings QR	Office equipment QR	Medical equipment QR	Equipment and tools QR	Vehicles QR	Furniture and fixtures QR	Capital work-in progress QR	Total QR
Cost or valuation:									
At 1 January 2016	310,768,763	553,129,103	26,709,738	121,509,882	34,241,237	1,566,359	8,449,463	17,287,813	1,073,662,358
Additions during the year	39,454	77,003	1,388,438	16,233,384	821,225	174,000	173,971	22,790,072	41,697,547
At 31 December 2016	310,808,217	553,206,106	28,098,176	137,743,266	35,062,462	1,740,359	8,623,434	40,077,885	1,115,359,905
Accumulated depreciation:									
At 1 January 2016	-	51,866,192	22,001,028	99,955,587	29,161,202	1,329,147	8,110,380	-	212,423,536
Charge for the year	-	14,955,873	1,538,137	7,447,711	2,200,241	89,597	211,880	-	26,443,439
At 31 December 2016	-	66,822,065	23,539,165	107,403,298	31,361,443	1,418,744	8,322,260	-	238,866,975
Net book value:									
At 31 December 2016	310,808,217	486,384,041	4,559,011	30,339,968	3,701,019	321,615	301,174	40,077,885	876,492,930

The Company measures land and buildings at revalued amounts with gains in fair value being recognised in OCI and losses in the statement of profit or loss. An independent valuation specialist was engaged to assess the fair value as at 31 December 2015 for the revalued land and buildings. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The revalued land and buildings consist of Hospital premises and employee accommodations. Management determined that these constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property.

The key valuation assumptions used as at 31 December 2015 are:

<i>Significant unobservable valuation input:</i>	<i>Range</i>
Price per square foot of land	QR 500 – QR 550
Price per square meter of Hospital building	QR 11,115
Price per square meter of Employee accommodation	QR 6,000
Significant increases (decreases) in estimated price per square foot/meter in isolation would result in a significantly higher (lower) fair value.	

Medicare Group Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

3 PROPERTY AND EQUIPMENT (CONTINUED)

**Revaluation of land and buildings**

If the land and buildings were measured using the cost model, the carrying amounts would have been as follows:

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
<i>Land</i>		
Cost	<u>132,509,124</u>	<u>132,509,124</u>
<i>Buildings</i>		
Cost	311,566,296	310,140,296
Accumulated depreciation	<u>(58,521,230)</u>	<u>(50,753,773)</u>
<b>Net carrying amount</b>	<u><b>253,045,066</b></u>	<u><b>259,386,523</b></u>

4 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
<i>Investment in equity securities</i>		
Quoted	<u>45,618,518</u>	<u>50,417,645</u>
<i>Investments:</i>		
At cost	57,480,000	53,714,643
Fair value adjustment	<u>(11,861,482)</u>	<u>(3,296,998)</u>
	<u><b>45,618,518</b></u>	<u><b>50,417,645</b></u>

5 INVENTORIES

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Main store - medical and other supplies	20,148,825	23,106,140
Pharmaceuticals inventory	<u>11,658,450</u>	<u>12,355,911</u>
	31,807,275	35,462,051
Less: Provision for obsolete and slow moving inventories	<u>(4,264,257)</u>	<u>(5,814,001)</u>
	<u><b>27,543,018</b></u>	<u><b>29,648,050</b></u>

Movement in the provision for obsolete and slow moving inventories is as follows:

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
At 1 January	5,814,001	5,117,296
Provided during the year (Note 15)	166,450	696,705
Write off	<u>(1,716,194)</u>	<u>-</u>
At 31 December	<u><b>4,264,257</b></u>	<u><b>5,814,001</b></u>



Medicare Group Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Gross trade accounts receivables	158,910,937	182,576,225
Advances to suppliers	6,992,179	18,138,847
Due from broker	550,398	8,285,752
Refundable deposits	1,251,164	5,235,964
Prepaid expenses	3,210,871	1,796,751
Staff receivables	1,070,428	991,349
Others	2,192,211	1,569,550
	<b>174,178,188</b>	218,594,438
Less: Allowance for impairment of trade receivables	<u>(75,095,704)</u>	<u>(66,208,984)</u>
	<b><u>99,082,484</u></b>	<b><u>152,385,454</u></b>

As at 31 December 2017, trade accounts receivable at nominal value of QR 75,095,704 (2016: QR 66,208,984) were impaired. The movement in the allowance for impairment of trade accounts receivables is as follows:

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
At 1 January	66,208,984	61,814,561
Provision during the year (Note 17)	16,000,000	32,511,196
Write off	<u>(7,113,280)</u>	<u>(28,116,773)</u>
At 31 December	<b><u>75,095,704</u></b>	<b><u>66,208,984</u></b>

As at 31 December, the ageing of unimpaired financial assets is as follows:

	<i>Total</i> <i>QR</i>	<i>Neither past</i> <i>due nor</i> <i>impaired</i> <i>QR</i>	<i>Past due but not impaired</i>				<i>More than</i> <i>360 days</i> <i>QR</i>
			<i>&lt; 30 days</i> <i>QR</i>	<i>30 – 90</i> <i>Days</i> <i>QR</i>	<i>91 – 180</i> <i>days</i> <i>QR</i>	<i>181 – 360</i> <i>days</i> <i>QR</i>	
<b>2017</b>	<b>163,975,138</b>	<b>33,402,180</b>	<b>16,712,576</b>	<b>1,191,315</b>	<b>132,554</b>	<b>148,594</b>	<b>112,387,919</b>
2016	198,658,840	51,410,759	27,566,748	1,309,743	881,827	1,137,799	116,351,964

The Company's average credit period is 30 to 90 days after which trade accounts receivables are considered to be past due. Unimpaired receivables are expected on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority is, therefore, unsecured.

The Company's exposure, to credit and currency risks and impairment losses relating to financial assets is disclosed in Note 23.

## Medicare Group Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

#### 7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise the following items:

	2017 QR	2016 QR
Cash on hand	404,360	355,373
Cash at bank	21,649,018	31,446,256
Short term deposits	<u>80,065,748</u>	<u>65,063,010</u>
<b>Total cash and bank balances</b>	<b>102,119,126</b>	<b>96,864,639</b>
Less: Deposits with original maturity dates more than 90 days	<u>(50,065,748)</u>	<u>(65,063,010)</u>
	<u><b>52,053,378</b></u>	<u><b>31,801,629</b></u>

Deposits carry profit of 3% per annum (2016: average 1.5% per annum).

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23.

#### 8 SHARE CAPITAL

	2017 No of shares	2016 No of shares
<i>Share Capital Authorised</i>		
Ordinary shares of QR 10 each	<u>28,144,100</u>	<u>28,144,100</u>
	No of shares	No of shares
<i>Ordinary shares issued and fully paid up:</i>		
At the beginning and end of the year	<u>28,144,100</u>	<u>28,144,100</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

#### 9 LEGAL RESERVE

In accordance with the requirements of the Qatar Commercial Companies' Law No. 11 of 2015 and the Company's Articles of Association, a minimum of 10% of the profit for the year should be transferred to a legal reserve each year until this reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above law and the Company's Articles of Association.

#### 10 CONTRIBUTION TO SOCIAL AND SPORTS FUND

According to Qatari Law No. 13 for the year 2008 and the related clarifications issued in January 2010, the Company is required to contribute 2.5% of its annual net profits to the state social and sports fund. The clarification relating to Law No. 13 requires the payable amount to be recognised as a distribution of income. Hence, this is recognised in the statement of changes in equity.

During the year, the Company appropriated an amount of QR 2,000,049 (2016: QR 1,628,792) representing 2.5% of the net profit generated from operations.

#### 11 DIVIDENDS

	QR
<i>Dividends paid and proposed</i>	
Declared, accrued and paid during 2017:	
Final dividend for 2016, QR 3 per share	<u>84,432,300</u>
Declared, accrued and paid during the 2016	
Final dividend for 2015, QR 5 per share	<u>140,720,500</u>

The company's board of directors has suggested the payment of dividends of QR 4 per share amounted to QR 112,576,400 and this will be submitted for approval at the general assembly meeting.

## Medicare Group Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

#### 12 INTEREST BEARING LOANS

	2017 <i>QR</i>	2016 <i>QR</i>
Term loan (i)	34,179,766	47,959,868
Term loan (ii)	-	5,228,540
	<u>34,179,766</u>	<u>53,188,408</u>

Presented in the statement of financial position as follows:

Current portion	14,472,011	19,055,594
Non-current portion	19,707,755	34,132,814
	<u>34,179,766</u>	<u>53,188,408</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 loan carries a market rate. The term loan is secured through the mortgage of the building purchased.
- (ii) The term loan represents a facility of QR 10.28 million obtained from a bank in State of Qatar to finance the purchase of two properties in Bin Omran area, State of Qatar. The loan is repayable in 24 monthly instalments of QR 443,639, and matured on 24 December 2017. The loan carries profit rate at market rates. The term loan is secured by mortgage of the properties.

#### 13 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2017 <i>QR</i>	2016 <i>QR</i>
At 1 January	48,280,051	41,866,149
Provided during the year	8,740,355	9,123,089
End of service benefits paid	<u>(4,328,758)</u>	<u>(2,709,187)</u>
At 31 December	<u>52,691,648</u>	<u>48,280,051</u>

The Company has provided for its estimated obligation for pension contributions for Qatari staff in accordance with the requirements of Qatari Retirement and Pension Law No. 24 of 2002. An amount of QR 168,141 as of 31 December 2017, (31 December 2016: QR 227,118) which is yet to be remitted to the Retirement and Pension Authority is included in accounts payable and accruals as disclosed in Note 14.

#### 14 ACCOUNTS PAYABLE AND ACCRUALS

	2017 <i>QR</i>	2016 <i>QR</i>
Trade accounts payable	28,801,308	24,835,861
Accrued expenses	42,598,920	40,571,672
Dividends payable	18,879,924	18,266,132
Payable to staff	1,683,725	1,219,309
Rent received in advance	-	20,052
Payable to Retirement and Pension Authority (Note 13)	168,141	227,118
Provision for contribution to social and sports fund (Note 10)	<u>2,000,049</u>	<u>1,628,792</u>
	<u>94,132,067</u>	<u>86,768,936</u>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

Medicare Group Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

15 OPERATING COSTS

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Staff costs	176,178,705	177,788,953
Medications and surgical costs (inventories recognised as cost of sales)	75,169,558	70,417,651
Community doctors expenses	9,630,128	16,217,141
Utilities	3,217,612	3,535,461
Food cost	2,318,594	2,356,870
Fuel expenses	736,418	819,095
Provision for obsolete and slow moving inventories (Note 5)	166,450	696,705
Other direct cost	849,751	936,375
	<u>268,267,216</u>	<u>272,768,251</u>

16 OTHER INCOME

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Rental income	2,902,161	7,918,100
Dividend income	2,656,477	2,597,033
Gain on foreign currency exchange	624,472	815,848
Write back of prior year accruals	3,217,577	699,213
Catering income	997,235	580,682
Miscellaneous income	836,864	169,289
	<u>11,234,786</u>	<u>12,780,165</u>

17 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Staff costs	55,056,184	51,714,827
Impairment allowance for bad and doubtful debts (Note 6)	16,000,000	32,511,196
Maintenance and repairs	6,283,212	6,494,355
outsourced staff costs	4,525,509	4,463,523
Advertisement and promotion	1,495,494	3,501,573
Security and cleaning	2,909,391	2,687,686
Board of Directors' remuneration	2,783,250	2,146,784
Telephone and fax	2,922,067	2,265,619
Printing and stationery	1,342,510	1,874,242
Insurance	2,273,921	1,677,934
IT development	1,668,571	1,505,830
Legal and professional fees	4,000,733	1,337,296
Bank charges	1,068,937	929,295
Governmental expenses	845,006	492,787
Impairment loss on available-for-sale financial assets	-	478,154
Medical waste	516,329	447,524
Charity	216,006	291,020
Recruitment expenses	58,546	240,671
Travel expenses	68,904	76,051
Commissions	46,750	47,000
Others	582,052	158,374
	<u>104,663,372</u>	<u>115,341,741</u>



## Medicare Group Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

#### 18 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Profit attributable to ordinary shareholders of the Company for basic earnings (QR)	<u>80,001,947</u>	<u>65,151,698</u>
Weighted average number of ordinary shares outstanding during the year	<u>28,144,100</u>	<u>28,144,100</u>
Basic and diluted earnings per share (QR)	<u>2.84</u>	<u>2.31</u>

#### 19 CAPITAL COMMITMENTS AND CONTINGENCIES

##### Contingent liabilities

The Company had the following contingent liabilities as at 31 December:

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Bank guarantees	<u>320,444</u>	<u>4,161,710</u>

##### Legal claims

As at 31 December 2017, 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. 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 are of the view based on previous experience and available information that the company is unlikely to incur losses results of these claims. Moreover, the Company has Malpractice insurance coverage in place to cover claims made in relation to mal practice by any of the doctors. No provision has been made in the financial statements.

##### Commitments under lease agreements

The Company has entered into operating leases for staff accommodation. These leases have been negotiated for periods of less than 1 year.

The future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Within one year	<u>2,432,400</u>	<u>1,931,840</u>

##### Capital commitments

The management has authorised future capital expenditure amounting to QR 68,970,863 as of 31 December 2017 (2016: QR 95,697,697).

#### 20 SEGMENT INFORMATION

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

The Company operates only in the State of Qatar.



## Medicare Group Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

#### 21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of bank balances, trade accounts receivables, financial investments at fair value through other comprehensive income, available-for-sale financial assets and other receivables. Financial liabilities consist of accounts payable, other payables and retention payable. The fair values of financial instruments are not materially different from their carrying values.

#### Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements:

	<i>Carrying amounts</i>		<i>Fair values</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
<b>Financial assets</b>				
Bank balances	101,714,766	96,509,266	101,714,766	96,509,266
Trade and other receivables	160,531,762	191,576,176	160,531,763	191,576,176
Financial assets at fair value through other comprehensive income	45,618,518	50,417,645	45,618,518	50,417,645
<b>Financial liabilities</b>				
Trade and other payables	28,801,308	24,835,861	28,801,308	24,835,861
Retention payable	881,550	827,142	881,550	827,142
Interest bearing loans	34,179,766	53,188,408	34,179,766	53,188,408

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. The following methods and assumptions were used to estimate the fair values:

- The carrying amounts of bank balances, trade and other receivables, trade and other payables and retention payable approximate their fair values largely due to the short-term maturities of these instruments.
- The fair value of quoted investments is based on price quotations at the end of the reporting period.

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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<b>Financial assets</b>	<i>2017</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Financial assets at fair value through other comprehensive income	45,618,518	45,618,518	-	-
	<u>45,618,518</u>	<u>45,618,518</u>	<u>-</u>	<u>-</u>
<b>Financial assets</b>				
	<i>2016</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Financial assets at fair value through other comprehensive income	50,417,645	50,417,645	-	-
	<u>50,417,645</u>	<u>50,417,645</u>	<u>-</u>	<u>-</u>

## Medicare Group Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

#### 22 RELATED PARTY DISCLOSURES

Related parties represent major shareholders and their affiliates, directors and key management personnel of the Company, and companies of which they are the principal owners. Terms of these transactions are approved by the Company's management.

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

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Interest income	<u>525,617</u>	<u>396,622</u>
Rental income	<u>444,564</u>	<u>481,611</u>
Bank charges	<u>(245,640)</u>	<u>(108,794)</u>
Interest expenses	<u>(1,625,321)</u>	<u>(2,591,711)</u>
Insurance expenses	<u>(2,273,137)</u>	<u>(1,110,379)</u>

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

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Bank balances	<u>20,795,993</u>	<u>31,446,256</u>
Short term deposits	<u>80,000,000</u>	<u>65,063,010</u>
Interest receivables	<u>436,439</u>	<u>136,464</u>
Interest bearing loans (Note 12)	<u>34,179,766</u>	<u>53,188,408</u>

#### Compensation of directors and other key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Board of Directors' remuneration	2,146,784	7,867,632
Total key management staff benefits	<u>3,829,000</u>	<u>3,829,000</u>
	<u>5,975,784</u>	<u>11,696,632</u>

#### 23 FINANCIAL RISK MANAGEMENT

##### Objectives and policies

The Company's principal financial liabilities comprise trade and other payables, unclaimed dividends and retention payable. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade and other receivables, financial assets at fair value through other comprehensive income, available-for-sale financial assets and cash and bank balances, which arise directly from its operations.

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Management reviews and agrees policies for managing each of these risks which are summarised below:

## NOTES TO THE FINANCIAL STATEMENTS

## 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the Company's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimising return.

**Interest rate risk**

The Company's exposure to the risk of changes in market interest rates primarily relates to the Company's financial assets and liabilities with floating interest rates. The Company is exposed to interest rate risk on its interest bearing loans.

The following table demonstrates the sensitivity of the separate statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of profit or loss and comprehensive income is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial liabilities held at 31 December 2017.

The effect of decreases in interest rates is expected to be equal and opposite of the effect of the increases shown:

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year QR</i>
<i>2017</i>		
<i>QR</i>	+25	8,545
<i>2016</i>		
<i>QR</i>	+25	13,927

**Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in currency exchange rates. Management is of the opinion that the Company's exposure to currency risk is minimal as there are no significant assets and liabilities that are denominated in foreign currencies as of the reporting date.

**Equity price risk**

The following table demonstrates the sensitivity of the fair value reserve to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	<i>Changes in equity indices</i>	<i>Effect on Equity QR</i>
<i>2017</i>		
Qatar Exchange (QE)	+10%	4,561,852
<i>2016</i>		
Qatar Exchange (QE)	+10%	5,041,765

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of bank balances and trade and other receivables.

With respect to credit risk arising from the other financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments are as follows:



## Medicare Group Q.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

#### 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Credit risk (CONTINUED)

	<i>2017</i> <i>QR</i>	<i>2016</i> <i>QR</i>
Bank balances	101,714,766	96,509,266
Gross trade and other receivables	<u>163,975,138</u>	<u>198,658,843</u>
	<u><b>265,689,904</b></u>	<u><b>295,168,109</b></u>

The Company monitors its exposure to credit risk on an ongoing basis and based on management's assessment and historic default rates, the Company believes that an impairment allowance of QR 75,095,704 (2016: QR 66,208,984) is sufficient against financial assets as at 31 December 2017.

##### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of the Company's own reserves and bank facilities. The Company's terms of revenue require amounts to be paid within 30 to 90 days from the invoiced date.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

<i>31 December 2017</i>	<i>On demand QR</i>	<i>Less than 3 months QR</i>	<i>3 to 12 months QR</i>	<i>1 to 5 years QR</i>	<i>Total QR</i>
Trade and other payables	-	28,969,449	-	-	28,969,449
Interest bearing loans	-	3,419,564	10,360,538	20,399,664	34,179,766
Unclaimed dividends	18,879,924	-	-	-	18,879,924
Provision for contributing to social and sports fund	-	2,000,049	-	-	2,000,049
<b>Total</b>	<u><b>18,879,924</b></u>	<u><b>34,389,062</b></u>	<u><b>10,360,538</b></u>	<u><b>20,399,664</b></u>	<u><b>84,029,188</b></u>
<i>31 December 2016</i>	<i>On demand QR</i>	<i>Less than 3 months QR</i>	<i>3 to 12 months QR</i>	<i>1 to 5 years QR</i>	<i>Total QR</i>
Trade and other payables	-	25,062,979	-	-	25,062,979
Interest bearing loans	-	4,706,695	14,348,898	34,132,815	53,188,408
Unclaimed dividends	18,266,132	-	-	-	18,266,132
Provision for contributing to social and sports fund	-	1,628,792	-	-	1,628,792
<b>Total</b>	<u><b>18,266,132</b></u>	<u><b>31,398,466</b></u>	<u><b>14,348,898</b></u>	<u><b>34,132,815</b></u>	<u><b>98,146,311</b></u>

##### Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2017. Capital comprises share capital and retained earnings, and is measured at QR 404,095,883 as at 31 December 2017 (2016: QR 411,330,656).

---

NOTES TO THE FINANCIAL STATEMENTS

**24 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY**

**Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to make 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. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Impairment of accounts receivable**

An estimate of the collectible amount of accounts receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

As at 31 December 2017, National Health Insurance Scheme has been suspended and the Company is currently negotiating with National Health Insurance Company to collect the outstanding amounts.

At the reporting date, gross trade accounts receivable amounted to QR 158,910,937 (2016: QR 182,576,225) and the allowance for impairment was QR 75,095,704 (2016: QR 66,208,984). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

**Impairment of inventories**

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventories were QR 31,807,275 (2016: QR 35,462,051) with provision for obsolete and slow moving inventories of QR 4,264,257 (2016: QR 5,814,001). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of income.

**Useful lives of property and equipment**

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

**Going concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

**25 COMPARATIVE INFORMATION**

Certain comparative figures have been reclassified to conform to the presentation in the current year's financial statements.