

Medicare Group Q.P.S.C.

Financial Statements

31 December 2018

Medicare Group Q.P.S.C.

**Financial Statements
For the year ended 31 December 2018**

Contents	Page(s)
Independent auditor's report	1-6
Financial Statements	
Statement of financial position	7
Statement of profit or loss and other comprehensive income	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11-39



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.P.S.C.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Medicare Group Q.P.S.C. Company ("the Company"), which comprise the statement of financial position as at 31 December 2018, 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 2018 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.

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 (Continued)

Medicare Group Q.P.S.C.

Key Audit Matters (continued)

See note 2 and 6 to the financial statements	
<u>Impairment of financial assets</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"> As at 31 December 2018, the Company's bank balances amounted to QAR 93,603,320 and its receivables amounted to QAR 139,218,451. The total of these balances which are subjected to credit risk represented 19.3% of the total assets of the Company as at 31 December 2018; The Company has developed an expected credit loss model to determine the expected credit losses against financial assets, the inputs of which are dependent on subjective assumptions 	<p>Our audit procedures in this area included, among other things:</p> <ul style="list-style-type: none"> Evaluating management's process for selection of the "expected credit loss" methodology; Identifying and testing relevant controls. Involving financial risk management specialist to challenge key assumptions/judgements relating to forward looking adjustments included in the model. Evaluating the completeness, accuracy and relevance of data used in the calculation of expected credit loss; Evaluating the completeness, accuracy and relevance of the disclosure in line with the relevant accounting standards.

See note 2 and 3 and to the financial statements	
<u>Depreciation and revaluation of property, plant, equipment (PPE)</u>	<u>How the matter was addressed in our audit</u>
<ul style="list-style-type: none"> We focused on this area because items of PPE on the statement of financial position represents 87 % of the Company's total assets as at 31 December 2018 and the related depreciation charge is considered significant to the income statement The determination of useful lives and depreciation charge requires management to make considerable judgement and estimations; 	<p>Our audit procedures in this area included, among other things:</p> <ul style="list-style-type: none"> Evaluating the key controls in property, plant and equipment process over the base data and estimation of useful life and residual values; Evaluating the recognition criteria applied to the costs incurred and capitalized during the financial year against the requirements of the relevant accounting standards; Assessing the depreciation methodology used and the appropriateness of the key assumptions based on our industry knowledge; Recalculating the depreciation charge and comparing it with the depreciation charge reported in the financial statements;



INDEPENDENT AUDITORS' REPORT (Continued)

Medicare Group Q.P.S.C.

Key Audit Matters (continued)

See note 2 and 3 to the financial statements

<u>Depreciation and revaluation of property, plant, equipment (PPE) (continued)</u>	<u>How the matter was addressed in our audit continued</u>
---	--

- | | |
|--|--|
| <ul style="list-style-type: none">• Within its property, plant and equipment balance, the Company held properties comprising mainly of land and buildings under the revaluation model and appointed an independent real estate valuation expert to determine the value of the properties as at 31 December 2018. The valuation expert has exercised judgements particularly in determining the relevant valuation models and inputs to the models. | <ul style="list-style-type: none">• Assessing objectivity, independence and competency of the valuation expert appointed by the Company;• Involving our real estate valuation experts to evaluate the appropriateness of assumptions used by the valuation expert; and• Evaluating the adequacy of the disclosures in the financial statements in line with the relevant accounting standards. |
|--|--|

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's 2018 Board of Directors report but does not include the financial statements and our auditor's report thereon. The Board of Directors 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 Board of Directors report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



INDEPENDENT AUDITORS' REPORT (Continued)

Medicare Group Q.P.S.C.

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.



INDEPENDENT AUDITORS' REPORT (Continued)

Medicare Group Q.P.S.C.

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

- 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.



INDEPENDENT AUDITORS' REPORT (Continued)
Medicare Group Q.P.S.C.

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. We have not been provided the report of the Board of Directors to determine whether there is any financial information contained therein is in agreement with the books and records of the Company. 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 effect on the Company's financial position or performance as at and for the year ended 31 December 2018.

30 January 2019
Doha
State of Qatar

A handwritten signature in blue ink, appearing to read 'Yacoub Hobeika', with several horizontal lines drawn through it.

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

Medicare Group Q.P.S.C.

Statement of financial position
As at 31 December 2018

In Qatari Riyals

	Notes	2018	2017
Assets			
Non-current assets			
Property and equipment	3	942,705,452	909,271,180
Financial investments at fair value through other comprehensive income	4	<u>52,058,974</u>	<u>45,618,518</u>
		<u>994,764,426</u>	<u>954,889,698</u>
Current assets			
Inventories	5	23,087,344	27,543,018
Accounts receivable and prepayments	6	93,359,187	99,082,484
Cash and bank balances	7	<u>93,638,410</u>	<u>102,119,126</u>
		<u>210,084,941</u>	<u>228,744,628</u>
Total assets		<u>1,204,849,367</u>	<u>1,183,634,326</u>
Equity and liabilities			
Equity			
Share capital	8	281,441,000	281,441,000
Legal reserve	9	83,817,363	75,366,231
Fair value reserve		(2,230,652)	(11,861,482)
Revaluation surplus		563,478,921	534,148,663
Retained earnings		<u>91,477,253</u>	<u>122,654,883</u>
Total equity		<u>1,017,983,885</u>	<u>1,001,749,295</u>
Non-current liabilities			
Interest bearing loans	12	16,031,599	19,707,755
Employees' end of service benefits	13	<u>60,176,490</u>	<u>52,691,648</u>
		<u>76,208,089</u>	<u>72,399,403</u>
Current liabilities			
Accounts payable and accruals	14	94,801,413	94,132,067
Interest bearing loans	12	14,974,430	14,472,011
Retention payable		<u>881,550</u>	<u>881,550</u>
		<u>110,657,393</u>	<u>109,485,628</u>
Total liabilities		<u>186,865,482</u>	<u>181,885,031</u>
Total equity and liabilities		<u>1,204,849,367</u>	<u>1,183,634,326</u>



Abdulla Bin Thani Bin Abdulla Al-Thani
Chairman



Khalid Mohammed Al-Emadi
Chief Executive Officer

The attached notes 1 to 24 form part of these financial statements.

Medicare Group Q.P.S.C.**Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018**

In Qatari Riyals

	Notes	2018	2017
Operating income		484,211,495	470,620,799
Operating costs	15	<u>(285,152,402)</u>	<u>(268,267,216)</u>
Gross profit		199,059,093	202,353,583
Other income	16	8,891,116	11,234,786
Income from deposits with banks		1,432,321	893,412
General and administrative expenses	17	(91,372,305)	(88,663,372)
Provision for impairment of receivables	6	(1,005,781)	(16,000,000)
Provision for impairment of due from banks	7	(56,161)	-
Depreciation of property and equipment	3	(31,370,478)	(28,191,141)
Finance cost		<u>(1,066,484)</u>	<u>(1,625,321)</u>
Profit for the year		<u>84,511,321</u>	<u>80,001,947</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Fair value changes of properties carried at fair value		36,526,076	-
Fair value changes relating to financial investments at fair value through other comprehensive income		<u>9,886,376</u>	<u>(8,564,484)</u>
Other comprehensive income \ (loss) for the year		<u>46,412,452</u>	<u>(8,564,484)</u>
Total comprehensive income for the year		<u>130,923,773</u>	<u>71,437,463</u>
Basic and diluted earnings per share (expressed in Qatari riyals per share)	18	<u>3.00</u>	<u>2.84</u>

The attached notes 1 to 24 form part of these financial statements.

Medicare Group Q.P.S.C.

Statement of changes in equity
For the year ended 31 December 2018

In Qatari Riyals

	Share Capital	Legal Reserve	Fair value Reserve	Revaluation Surplus	Retained Earnings	Total Equity
Balance at 1 January 2018	281,441,000	75,366,231	(11,861,482)	534,148,663	122,654,883	1,001,749,295
Profit for the year	-	-	-	-	84,511,321	84,511,321
Other comprehensive income	-	-	9,886,376	36,526,076	-	46,412,452
Total comprehensive income	-	-	9,886,376	36,526,076	84,511,321	130,923,773
Transfer of gain on sale of investments at fair value through other comprehensive income	-	-	(255,546)	-	255,546	-
Transfer to legal reserve	-	8,451,132	-	-	(8,451,132)	-
Transfer of depreciation of revalued assets	-	-	-	(7,195,818)	7,195,818	-
Contribution to social and sports fund (Note 10)	-	-	-	-	(2,112,783)	(2,112,783)
Cash dividends to shareholders (Note 11)	-	-	-	-	(112,576,400)	(112,576,400)
Balance at 31 December 2018	281,441,000	83,817,363	(2,230,652)	563,478,921	91,477,253	1,017,983,885
	Share Capital	Legal Reserve	Fair value Reserve	Revaluation Surplus	Retained Earnings	Total Equity
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)
Balance at 31 December 2017	281,441,000	75,366,231	(11,861,482)	534,148,663	122,654,883	1,001,749,295

The attached notes 1 to 24 form part of these financial statements.

Medicare Group Q.P.S.C.

**Statement of cash flows
For the year ended 31 December 2018**

In Qatari Riyals

	Notes	2018	2017
Operating activities			
Profit for the year		84,511,321	80,001,947
Adjustments for:			
Depreciation of property and equipment	3	31,370,478	28,191,141
Provision for employees' end of service benefits	13	14,350,464	8,740,355
Provision for impairment of receivables	6	1,005,781	16,000,000
Provision for obsolete and slow moving inventories, net	15	1,990,423	166,450
Income from deposits with an Islamic bank		(1,432,321)	(893,412)
Dividend income	16	(2,818,990)	(2,656,477)
Finance cost		1,066,484	1,625,321
Gain on sale of equipment		(31,100)	-
Operating profit before working capital changes		130,012,540	131,175,325
Working capital changes:			
Inventories		2,465,251	1,938,582
Accounts receivable and prepayments		5,211,852	37,739,409
Accounts payable and accruals		(1,967,100)	5,492,144
Retention payable		-	54,408
Cash from operating activities		135,722,543	176,399,868
Net movement in term deposits		10,065,748	14,997,262
Contribution paid to social and sports fund		(2,000,049)	(1,628,792)
Employees' end of service benefits paid	13	(6,865,622)	(4,328,758)
Finance cost paid		(1,066,484)	(1,625,321)
Income from deposits with an Islamic bank		937,985	456,971
Dividend income received	16	2,818,990	2,656,477
Net cash flows from operating activities		139,613,111	186,927,707
Investing activities			
Purchase of property and equipment	3	(28,278,674)	(60,969,391)
Proceeds from sale of equipment		31,100	-
Purchase of financial investments at fair value		-	(3,765,357)
Proceeds from sale of financial assets at fair value through OCI	4	3,445,920	-
Net cash flows used in investing activities		(24,801,654)	(64,734,748)
Financing activities			
New interest bearing loans taken during the year		12,000,000	-
Repayment of interest bearing loans during the year		(15,173,737)	(19,008,642)
Dividends paid		(110,052,688)	(82,932,568)
Net cash flows used in financing activities		(113,226,425)	(101,941,210)
Net increase in cash and cash equivalents		1,585,032	20,251,749
Cash and cash equivalents at 1 January		52,053,378	31,801,629
Cash and cash equivalents at 31 December	7	53,638,410	52,053,378

The attached notes 1 to 24 form part of these financial statements.

Medicare Group Q.P.S.C.

Notes to the financial statement For the year ended 31 December 2018

1 Corporate information and principal activities

Medicare Group Q.P.S.C., formerly known as Al Ahli Specialised Hospital Company Q.P.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 Ahmed Bin Ali Street, Wadi El sail, Doha, State of Qatar P.O. Box 6401. The Company is a listed entity in the Qatar Exchange.

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 30 January 2019.

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.

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant to financial statements are disclosed in Note 24.

New and amended standards and interpretations effective from 1 January 2018

The Company has initially adopted IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 and IFRS 9 "Financial Instruments" from 1 January 2013 (early adoption).

The following other new and amended International Financial Reporting Standards ("IFRS") and improvements to IFRS are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements:

- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IAS 40 "Transfers of Investment Property"
- Annual improvements to IFRSs 2014-2016 Cycle "Amendments to IFRS 1 and IAS 28"
- IFRIC 22 Foreign Currency Transactions and Advances consideration.

The impact of the adoption of the new accounting standards is as disclosed below:

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgement.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

2 Basis of preparation and significant accounting policies (continued)

New and amended standards and interpretations effective from 1 January 2018 (continued)

IFRS 15 “Revenue from Contracts with Customers” (continued)

Based on an assessment performed by the Company's management, the performance obligations rendered by patients / customers are completed within a short term cycle including procedures which are bundled such as operations and in certain cases in which the patient is offered a complimentary follow-up appointment the related revenue is deferred until the performance obligation is completed. The adoption of IFRS 15 did not have a significant impact on the revenue recognition policies or the financial statements of the Company for the year ended 31 December 2018.

New amended standards and interpretations to standards not yet effective but available for early adoption

A number of new standards and amendments are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 16 “Leases”

The Company has assessed the estimated impact that initial application of IFRS 16 will have on its (consolidated) financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group / Company has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the (Group / Company/ Bank) presents its first (consolidated) financial statements that include the date of initial application.

Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous as described in Note 15. Instead, the Company will include the payments due under the lease in its lease liability.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Company is currently assessing the impact on its financial statements.

Leases in which the Company is a lessor

No significant impact is expected for other leases in which the Company is a lessor.

2 Basis of preparation and significant accounting policies (continued)

New amended standards and interpretations to standards not yet effective but available for early adoption (continued)

The adoption of the following standards is not expected to have a significant impact on the Company's financial statements:

Effective for year ending 31 December 2019	<ul style="list-style-type: none">• IFRIC 23 "Uncertainty over Tax Treatments"• Amendments to IFRS 9 on Prepayment Features with Negative Compensation• Amendments to IAS 28 on Long-term Interests in Associates and Joint Ventures• Amendments to IAS 19 on Plan Amendment, Curtailment or Settlement• Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
1 January 2020	<ul style="list-style-type: none">• Amendments to References to Conceptual Framework in IFRS Standards
1 January 2021	<ul style="list-style-type: none">• IFRS 17 Insurance Contracts
Available for optional adoption / effective date deferred indefinitely	<ul style="list-style-type: none">• Amendments to IFRS 10 and IAS 28 on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Summary of significant accounting policies

Revenue

Patient services

The revenue from patient services the related services are provided.

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.

Rental income:

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Dividend income:

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (Continued)

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.

All other assets are carried at cost.

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 relating to the depreciation of buildings 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.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

Inventories

Inventories consists of medical and general supplies that are used in the Company's operations. 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.

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.

Financial instruments - Initial recognition and subsequent measurement

i. Initial recognition and measurement

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt security; FVOCI – equity security; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on a security-by-security basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, realising cash flows through the sale of the assets and holding it for liquidity purposes;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

ii. Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses arising from changes in fair value including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt securities at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity securities at FVOCI	These assets are subsequently measured at fair value. Gains and losses are recognised in OCI and are never reclassified to profit or loss. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement

ii. Classification and subsequent measurement (continued)

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.

Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

Loss allowances for financial instruments at amortised cost are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Measurement of ECL

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate effective interest rate ("EIR"). Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group utilises the general approach to calculate ECL against its due from banks and for its investment in debt securities which is dependent on the rating of the Bond as determined by an External credit rating agency and the simplified approach to calculate ECL against its other financial assets carried at amortised cost and which is dependent on the Group's historical default rates related these assets.

The key elements used to calculate ECL are as follows:

- The Probability of Default ("PD") which is an estimate of the likelihood of default over a given time horizon. The PDs used for due from banks and investment in debt instruments are derived from a market assessment and is reliant on the type of exposure (i.e. corporate, bank, sovereign) and the rating of the counterparty. For other assets carried at amortised cost, this is calculated based on the Group's historical rate of default. PDs are estimated with consideration of economic scenarios and forward-looking information.
- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

The key elements used to calculate ECL are as follows (continued):

- The Loss Given Default ("LGD") is an estimate of the loss arising in the asset where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to be recovered from the counterparty taking into account the potential recovery from the realisation of any collateral. LDG is usually expressed as percentage of the EAD.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Measurement of ECL (continued)

ECLs are discounted at the effective interest rate of the financial asset.

The Company allocates its assets subject to ECL calculations into one of these categories, determined as follows:

12 Month ECL	The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR.
Life time ECL	When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the Life time ECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.
Impairment	For financial instruments considered credit-impaired, the Company recognizes the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Forward looking information

In its ECL models, the Company relies on the following forward looking information as economic inputs:

- GDP Growth rates
- Oil Price Index

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Measurement of ECL (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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 has transferred its rights 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;
- 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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuous association which takes the form of guarantee on the assets transferred is measured at the original book value of assets and the maximum amount the Company can expect to be required to pay.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

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.

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. 14 of 2014 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.

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.

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 initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss during that period except when it relates to items where gains or losses are recognized directly in equity, where the gain or loss is then recognized net of the exchange component in equity.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

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.

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 is 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.

Earnings per share

Basic earnings per share is calculated by dividing profit of loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effect of any dilutive instruments.

2 Basis of preparation and significant accounting policies (continued)

Summary of significant accounting policies (continued)

Fair value measurement

The Company measures financial instruments such as financial investments at fair value through other comprehensive income, 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.P.S.C.

**Notes to the financial statement
For the year ended 31 December 2018**

In Qatari Riyals

3 Property and equipment

	Land	Buildings	Office equipment	Medical equipment	Equipment and tools	Vehicles	Furniture and fixtures	Capital work in progress	Total
Cost or valuation:									
At 1 January 2018	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
Additions during the year		444,540	2,525,348	5,113,402	783,434	412,301	1,623,629	17,376,020	28,278,674
Revaluation	117,825,310	(81,299,234)	-	-	-	-	-	-	36,526,076
Disposal during the year	-	-	-	-	-	(134,500)	-	-	(134,500)
At 31 December 2018	<u>428,633,527</u>	<u>473,777,412</u>	<u>36,930,768</u>	<u>182,141,847</u>	<u>37,090,658</u>	<u>1,917,160</u>	<u>10,825,651</u>	<u>69,581,523</u>	<u>1,240,898,546</u>
Accumulated depreciation:									
At 1 January 2018	-	81,792,055	25,590,250	116,552,918	33,068,905	1,427,644	8,525,344	-	266,957,116
Charge for the year	-	14,998,278	2,878,419	11,599,340	1,386,819	137,830	369,792	-	31,370,478
Disposal	-	-	-	-	-	(134,500)	-	-	(134,500)
At 31 December 2018	-	<u>96,790,333</u>	<u>28,468,669</u>	<u>128,152,258</u>	<u>34,455,724</u>	<u>1,430,974</u>	<u>8,895,136</u>	-	<u>298,193,094</u>
Net book value:									
At 31 December 2018	<u>428,633,527</u>	<u>376,987,079</u>	<u>8,462,099</u>	<u>53,989,589</u>	<u>2,634,934</u>	<u>486,186</u>	<u>1,930,515</u>	<u>69,581,523</u>	<u>942,705,452</u>

3 Property and equipment (continued)

	Land	Buildings	Office equipment	Medical equipment	Equipment and tools	Vehicles	Furniture and fixtures	Capital work in progress	Total
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	-	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
Net book value:									
At 31 December 2017	310,808,217	472,840,051	8,815,170	60,475,527	3,238,319	211,715	676,678	52,205,503	909,271,180

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 2018 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. The fair valuation of properties falls under level 3 of the fair value hierarchy

The key valuation assumptions used as at 31 December 2018 are:

Significant unobservable valuation input:

Range

Price per square foot of land
 Depreciated replacement cost per square meter of Hospital building
 Depreciated replacement cost per square meter of Employee accommodation

QR 425 – QR 2,000
 QR 2,470 – QR 6,288
 QR 3,563 – QR 6,213

Medicare Group Q.P.S.C.**Notes to the financial statement
For the year ended 31 December 2018**

In Qatari Riyals

4 Financial investments at fair value through other comprehensive income

	2018	2017
<i>Investment in equity securities*</i>		
Quoted	<u>52,058,974</u>	<u>45,618,518</u>

4.1 The break-up of the cost and fair value of investments in equity securities is as follows:

At cost	54,289,626	57,480,000
Fair value adjustment	<u>(2,230,652)</u>	<u>(11,861,482)</u>
	<u>52,058,974</u>	<u>45,618,518</u>

4.2 The movement of financial investments at fair value through other comprehensive income during the year was as follow:

	2018	2017
At 1 January	45,618,518	50,417,645
Change in fair value	9,886,376	(8,564,484)
Investment acquired during the year	-	3,765,357
Investment sold during the year	<u>(3,445,920)</u>	<u>-</u>
At 31 December	<u>52,058,974</u>	<u>45,618,518</u>

5 Inventories

	2018	2017
Main store - medical and other supplies	20,448,990	20,148,825
Pharmaceuticals inventory	<u>8,893,034</u>	<u>11,658,450</u>
	29,342,024	31,807,275
Less: Provision for obsolete and slow moving inventories	<u>(6,254,680)</u>	<u>(4,264,257)</u>
	<u>23,087,344</u>	<u>27,543,018</u>

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

	2018	2017
At 1 January	4,264,257	5,814,001
Provision provided during the year (Note 15)	1,990,423	166,450
Write off	-	(1,716,194)
At 31 December	<u>6,254,680</u>	<u>4,264,257</u>

Medicare Group Q.P.S.C.

Notes to the financial statement
For the year ended 31 December 2018

In Qatari Riyals

6 Accounts receivable and prepayments

	2018	2017
Gross trade accounts receivables	139,218,451	158,910,937
Advances to suppliers	15,876,527	6,992,179
Due from broker	3,996,665	550,398
Refundable deposits	1,261,975	1,251,164
Prepaid expenses	4,907,075	3,210,871
Staff receivables	2,206,835	1,070,428
Others	1,285,249	2,192,211
	<u>168,752,777</u>	<u>174,178,188</u>
Less: Allowance for impairment of trade receivables	<u>(75,393,590)</u>	<u>(75,095,704)</u>
	<u>93,359,187</u>	<u>99,082,484</u>

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

	2018	2017
At 1 January	75,095,704	66,208,984
Provision during the year (Note 17)	1,005,781	16,000,000
Write off	<u>(707,895)</u>	<u>(7,113,280)</u>
At 31 December	<u>75,393,590</u>	<u>75,095,704</u>

	Exposure	Weighted average loss rate	Loss Allowance	Credit Impaired
0-90 days	24,165,421	0.03%	8,277	No
91- 180 days	847,360	0.18%	1,557	No
180 days - 270 days	8,692	30.03%	2,610	No
270 days - 365 days	6,412	75.85%	4,864	No
above 365 days	114,190,566	66.01%	75,376,282	Yes
	<u>139,218,451</u>		<u>75,393,590</u>	

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.P.S.C.

Notes to the financial statement For the year ended 31 December 2018

In Qatari Riyals

7 Cash and cash equivalents

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

	2018	2017
Cash in hand	91,251	404,360
Cash at bank	23,603,320	21,649,018
Short term deposits	70,000,000	80,065,748
Less: Provision for impairment on due from banks	(56,161)	-
Total cash and bank balances	93,638,410	102,119,126
Less: Deposits with original maturity dates of more than 90 days	(40,000,000)	(50,065,748)
	53,638,410	52,053,378

Deposits carry profit of 3% per annum (2017: average 3% 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

	2018 No of shares	2017 No of shares
Authorised Share Capital		
Ordinary shares of QR 10 each	28,144,100	28,144,100
	No of shares	No of shares
Ordinary shares issued and fully paid up:		
At the beginning and end of the year	28,144,100	28,144,100

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 2,112,783 (2017: QR 2,000,049) representing 2.5% of the net profit generated from operations.

Medicare Group Q.P.S.C.**Notes to the financial statement
For the year ended 31 December 2018**

In Qatari Riyals

11 Dividends

Dividends paid and proposed	QR
Declared and accrued during 2018:	
Final dividend for 2017, QR 4 per share	112,576,400
Declared and accrued during the 2017	
Final dividend for 2016, QR 3 per share	84,432,300

The company's board of directors has suggested the payment of dividends of QR 3 per share amounted to QR 84,432,300 and this will be submitted for approval at the general assembly meeting.

12 Interest bearing loans

	2018	2017
Term loan (i)	19,903,790	34,179,766
Term loan (ii)	11,102,239	-
	<u>31,006,029</u>	<u>34,179,766</u>

Presented in the statement of financial position as follows:

Current portion	14,974,430	14,472,011
Non-current portion	16,031,599	19,707,755
	<u>31,006,029</u>	<u>34,179,766</u>

Notes:

- (i) The term loan represents a facility of QR 70 million obtained from a bank in State of Qatar to finance the purchase of a building for employee accommodation in Al Mansoura area, State of Qatar. The loan is repayable in 60 monthly instalments of QR 1,278,514 and matures on 30 April 2020. The term loan is secured through the mortgage of the building purchased.
- (ii) The term loan represents a facility of QR 12 million obtained from a bank in State of Qatar to finance the renovations of Al Ahli hospital buildings. The loan is repayable in 60 monthly instalments of QR 224,094 and matured on 16 July 2023. 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:

	2018	2017
At 1 January	52,691,648	48,280,051
Provided during the year	14,350,464	8,740,355
End of service benefits paid	(6,865,622)	(4,328,758)
At 31 December	<u>60,176,490</u>	<u>52,691,648</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 174,774 as of 31 December 2018, (31 December 2017: QR 168,141) is yet to be remitted to the Retirement and Pension Authority is included in accounts payable and accruals as disclosed in Note 14.

Medicare Group Q.P.S.C.**Notes to the financial statement
For the year ended 31 December 2018**

In Qatari Riyals

14 Accounts payable and accruals

	2018	2017
Trade accounts payable	31,836,647	28,801,308
Accrued expenses	37,574,255	42,598,920
Dividends payable	21,403,636	18,879,924
Payable to staff	1,699,318	1,683,725
Payable to Retirement and Pension Authority (Note 13)	174,774	168,141
Provision for contribution to social and sports fund (Note 10)	2,112,783	2,000,049
	<u>94,801,413</u>	<u>94,132,067</u>

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

15 Operating costs

	2018	2017
Staff costs	182,155,589	176,178,705
Medications and surgical costs (inventories recognised as cost)	76,216,519	75,169,558
Community doctors expenses	11,568,231	9,630,128
Rent	4,496,997	-
Utilities	3,288,137	3,217,612
Food cost	3,205,496	2,318,594
Provision for obsolete and slow moving inventories (Note 5)	1,990,423	166,450
Fuel expenses	1,220,955	736,418
Other direct cost	1,010,055	849,751
	<u>285,152,402</u>	<u>268,267,216</u>

16 Other income

	2018	2017
Rental income	2,698,174	2,902,161
Dividend income	2,818,990	2,656,477
Gain on foreign currency exchange	187,350	624,472
Write back of prior year accruals	959,075	3,217,577
Catering income	492,334	997,235
Miscellaneous income	1,735,193	836,864
	<u>8,891,116</u>	<u>11,234,786</u>

Medicare Group Q.P.S.C.**Notes to the financial statement
For the year ended 31 December 2018**

In Qatari Riyals

17 General and administrative expenses

	2018	2017
Staff costs	56,372,723	55,056,184
Maintenance and repairs	6,932,535	6,283,212
Outsourced staff costs	5,085,645	4,525,509
Telephone and fax	3,518,082	2,922,067
Security and cleaning	3,075,411	2,909,391
Insurance	3,014,311	2,273,921
Board of Directors' remuneration	2,975,054	2,783,250
Advertisement and promotion	2,533,786	1,495,494
IT development	1,571,323	1,668,571
Legal and professional fees	1,271,950	4,000,733
Printing and stationery	1,064,084	1,342,510
Bank charges	1,002,461	1,068,937
Governmental expenses	931,669	845,006
Medical waste	620,358	516,329
Charity	558,936	216,006
Recruitment expenses	200,920	58,546
Others	643,057	697,706
	<u>91,372,305</u>	<u>88,663,372</u>

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:

	2018	2017
Profit attributable to ordinary shareholders of the Company for basic earnings (QR)	<u>84,511,321</u>	<u>80,001,947</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>3.00</u>	<u>2.84</u>

19 Capital commitments and contingencies

Contingent liabilities

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

	2018	2017
Bank guarantees	<u>277,000</u>	<u>320,444</u>

Legal claims

As at 31 December 2018, various legal claims were initiated by patients and other third parties against the Company in the form of malpractice compensation claims and other miscellaneous claims. The Company's management exercises its judgement in assessing whether it would be made liable to settle any malpractice cases based on its understanding of the specifics of the case. Moreover, the Company has a malpractice insurance policy in place to cover all malpractice claims made as part of which the Company would be liable to settle the deductible amount (as per the insurance policy) whereas the remaining claim is covered by the insurance Company.

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:

	2018	2017
Within one year	<u>8,414,500</u>	<u>2,432,400</u>

Capital commitments

The management has authorised future capital expenditure amounting to QR 58,753,974 as of 31 December 2018 (2017: QR 68,970,863).

20 Segment information

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

The Company operates only in the State of Qatar.

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.

21 Fair values of financial instruments (continued)**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:

	Carrying amounts		Fair values	
	2018	2017	2018	2017
Financial assets				
Bank balances	93,603,320	101,714,766	93,603,320	101,714,766
Trade and other receivables	145,421,951	160,531,763	145,421,951	160,531,763
Financial assets at fair value through other comprehensive income	52,058,974	45,618,518	52,058,974	45,618,518
Financial liabilities				
Trade and other payables	31,836,647	28,801,308	31,836,647	28,801,308
Retention payable	881,550	881,550	881,550	881,550
Interest bearing loans	31,006,029	34,179,766	31,006,029	34,179,766

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:

Financial assets	2018	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income	52,058,974	52,058,974	-	-
	<u>52,058,974</u>	<u>52,058,974</u>	<u>-</u>	<u>-</u>
Financial assets	2017	Level 1	Level 2	Level 3
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>

Medicare Group Q.P.S.C.

Notes to the financial statement For the year ended 31 December 2018

In Qatari Riyals

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:

	2018	2017
Interest income	<u>937,728</u>	<u>525,617</u>
Rental income	<u>444,564</u>	<u>444,564</u>
Bank charges	<u>(61,978)</u>	<u>(245,640)</u>
Interest expenses	<u>(1,066,484)</u>	<u>(1,625,321)</u>
Insurance expenses	<u>(10,548,532)</u>	<u>(2,273,137)</u>

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

	2018	2017
Bank balances	<u>23,559,297</u>	<u>20,795,993</u>
Short term deposits	<u>70,000,000</u>	<u>80,000,000</u>
Interest receivables	<u>494,336</u>	<u>436,439</u>
Interest bearing loans (Note 12)	<u>31,006,027</u>	<u>34,179,766</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:

	2018	2017
Board of Directors' remuneration	2,783,250	2,146,784
Total key management staff benefits	<u>4,258,350</u>	<u>3,829,000</u>
	<u>7,041,600</u>	<u>5,975,784</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:

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.

23 Financial risk management (continued)**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 2018.

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

	Increase/ decrease in basis points	Effect on profit for the year QR
2018		
QR	+25	77,515
2017		
QR	+25	85,449

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.

	Changes in equity indices	Effect on Equity QR
2018		
Qatar Exchange (QE)	+10%	5,205,897
2017		
Qatar Exchange (QE)	+10%	4,561,852

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.

23 Financial risk management (continued)**Credit risk (continued)**

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:

	2018	2017
Bank balances	93,603,320	101,714,766
Gross trade and other receivables	147,969,175	163,975,138
	<u>241,572,495</u>	<u>265,689,904</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 75,393,590 (2017: QR 75,095,704) is sufficient against financial assets as at 31 December 2018.

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.

31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables	-	31,836,647	-	-	31,836,647
Interest bearing loans	-	4,507,822	13,523,467	14,750,096	32,781,385
Unclaimed dividends	21,403,636	-	-	-	21,403,636
Provision for contributing to social and sports fund	-	2,112,783	-	-	2,112,783
Total	<u>21,403,636</u>	<u>38,457,252</u>	<u>13,523,467</u>	<u>14,750,096</u>	<u>88,134,451</u>
31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables	-	28,801,308	-	-	28,801,308
Interest bearing loans	-	3,835,540	11,506,621	20,890,220	36,232,381
Unclaimed dividends	18,879,924	-	-	-	18,879,924
Provision for contributing to social and sports fund	-	2,000,049	-	-	2,000,049
Total	<u>18,879,924</u>	<u>34,636,897</u>	<u>11,506,621</u>	<u>20,890,220</u>	<u>85,913,662</u>

23 Financial risk management (continued)

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 maximize 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 2017 and 2018. Capital comprises share capital and retained earnings, and is measured at QR 372,918,253 as at 31 December 2018 (2017: QR 404,095,883).

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

The 'expected credit loss' (ECL) impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. It is expected that under the new impairment model credit losses will be recognised earlier.

Fair value of properties carried under the revaluation model

Fair value is the price that would be received upon the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company carries its properties (that are used for its business operations) under the revaluation model of IAS 16. These assets are revalued on periodic basis by engaging a real estate valuation expert to value the properties at the date of statement of financial position. The third party valuers utilise methods and techniques generally recognised as standard within the industry. These techniques include the sales comparison, discounted cash flows or the capitalization of future cash streams of the underlying asset using the prevailing

24 Critical accounting judgments and key sources of estimation uncertainty (continued)

Fair value of properties carried under the revaluation model (continued)

capitalization rate for similar properties or similar geographies. The valuation experts use their judgement in identifying the appropriate valuation technique for valuing the asset, identifying comparable assets, and determining the unobservable valuation inputs used in the valuation models including the depreciated replacement cost per square meter of built up area and the market price per square foot of land.

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 29,342,024 (2017: QR 31,807,275) with provision for obsolete and slow moving inventories of QR 6,254,680 (2017: QR 4,264,257). Any difference between the amounts actually realised in future periods and the amounts expected are 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.