

Medicare Group Q.P.S.C.

Financial Statements

31 December 2019

Medicare Group Q.P.S.C.

**Financial Statements
As at 31 December 2019**

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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 2019, 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 2019 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)

Description of key audit matters

How the matter was addressed in our audit

Impairment of financial assets

Refer to notes 4,10 and 11 to the financial statements

We determined this to be a key audit matter because:

- As at 31 December 2019, the Company's financial assets which amounted to QAR 153,620,264 are subjected to credit risk representing 12% of the total assets of the Company as at 31 December 2019; and
- 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.

Our audit procedures in this area included, among other things:

- Evaluating management's process for selection of the "expected credit loss" methodology including selection of methods, models, assumptions and data sources.
- Identifying and testing relevant controls;
- Involving financial risk management specialist to challenge key assumptions or 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.

Description of key audit matters

How the matter was addressed in our audit

Depreciation of property, plant, equipment (PPE)

Refer to note 4 and 5 and to the financial statements

- Items of PPE on the statement of financial position which amounted to QAR 947,945,348 represents 73 % of the Company's total assets as at 31 December 2019 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;

Our audit procedures in this area included, among other things:

- Assessing the depreciation methodology used and the appropriateness of the key assumptions including the useful lives based on our industry knowledge;
- Recalculating the depreciation charge and comparing it with the depreciation charge reported in the financial statements;
- Evaluating the adequacy of the financial statements disclosures including key assumptions and judgments.



INDEPENDENT AUDITORS' REPORT (Continued)

Medicare Group Q.P.S.C.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's 2019 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.

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.

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 2019.

4 February 2020
Doha
State of Qatar

Yacoub Hobeika
KPMG
Qatar Auditors Registry Number 289
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License No. 120153

Medicare Group Q.P.S.C.

**Statement of financial position
As at 31 December 2019**

In Qatari Riyals

	Notes	2019	2018
Assets			
Non-current assets			
Property and equipment	5	947,945,348	942,705,452
Right-of-use assets	7	66,464,025	-
Investment properties	6	27,087,875	-
Financial investments at fair value through other comprehensive income	8	63,333,725	52,058,974
		<u>1,104,830,973</u>	<u>994,764,426</u>
Current assets			
Inventories	9	21,508,672	23,087,344
Accounts receivable and prepayments	10	93,163,340	93,359,187
Cash and bank balances	11	75,319,680	93,638,410
		<u>189,991,692</u>	<u>210,084,941</u>
Total assets		<u>1,294,822,665</u>	<u>1,204,849,367</u>
Equity and liabilities			
Equity			
Share capital	12	281,441,000	281,441,000
Legal reserve	13	91,637,240	83,817,363
Fair value reserve		9,044,099	(2,230,652)
Revaluation surplus		559,467,700	563,478,921
Retained earnings		79,480,102	91,477,253
Total equity		<u>1,021,070,141</u>	<u>1,017,983,885</u>
Non-current liabilities			
Bank facilities	16	19,083,163	16,031,599
Lease liabilities	7	64,372,788	-
Employees' end of service benefits	17	65,654,308	60,176,490
		<u>149,110,259</u>	<u>76,208,089</u>
Current liabilities			
Accounts payable and accruals	18	108,367,966	94,801,413
Bank facilities	16	11,448,630	14,974,430
Lease liabilities	7	3,404,108	-
Retention payable		1,421,561	881,550
		<u>124,642,265</u>	<u>110,657,393</u>
Total liabilities		<u>273,752,524</u>	<u>186,865,482</u>
Total equity and liabilities		<u>1,294,822,665</u>	<u>1,204,849,367</u>



Abdulla Bin Thani Bin Abdulla Al-Thani
Chairman



Khalid Mohammed Al-Emadi
Chief Executive Officer

The attached notes 1 to 29 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 2019**

In Qatari Riyals

	Notes	2019	2018
Operating income		490,678,494	484,211,495
Operating costs	19	<u>(294,400,793)</u>	<u>(285,152,402)</u>
Gross profit		196,277,701	199,059,093
Other income	20	8,828,779	8,891,116
Income from deposits with an Islamic Bank		1,483,120	1,432,321
General and administrative expenses	21	(96,751,835)	(91,372,305)
Provision for impairment of receivables	10	(300,000)	(1,005,781)
Provision for impairment of due from banks		10,766	(56,161)
Depreciation of property and equipment	5	(22,772,533)	(31,370,478)
Depreciation of right-of-use assets	7	(4,625,299)	-
Finance cost	22	<u>(3,951,925)</u>	<u>(1,066,484)</u>
Profit for the year		<u>78,198,774</u>	<u>84,511,321</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	8.2	<u>11,274,751</u>	<u>9,886,376</u>
Other comprehensive income for the year		<u>11,274,751</u>	<u>46,412,452</u>
Total comprehensive income for the year		<u>89,473,525</u>	<u>130,923,773</u>
Basic and diluted earnings per share (expressed in Qatari riyals per share)	23	<u>0.28</u>	<u>0.30</u>

The attached notes 1 to 29 form part of these financial statements.

Medicare Group Q.P.S.C.

**Statement of changes in equity
For the year ended 31 December 2019**

In Qatari Riyals

	Share Capital	Legal Reserve	Fair value Reserve	Revaluation Surplus	Retained Earnings	Total Equity
Balance at 1 January 2019	281,441,000	83,817,363	(2,230,652)	563,478,921	91,477,253	1,017,983,885
Profit for the year	-	-	-	-	78,198,774	78,198,774
Other comprehensive income	-	-	11,274,751	-	-	11,274,751
Total comprehensive income	-	-	11,274,751	-	78,198,774	89,473,525
Transfer of gain on sale of investments at fair value through other comprehensive income	-	-	-	-	-	-
Transfer to legal reserve	-	7,819,877	-	-	(7,819,877)	-
Transfer of depreciation of revalued assets	-	-	-	(4,011,221)	4,011,221	-
Contribution to social and sports fund (Note 14)	-	-	-	-	(1,954,969)	(1,954,969)
Cash dividends to shareholders (Note 15)	-	-	-	-	(84,432,300)	(84,432,300)
Balance at 31 December 2019	281,441,000	91,637,240	9,044,099	559,467,700	79,480,102	1,021,070,141
	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 loss	-	-	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 14)	-	-	-	-	(2,112,783)	(2,112,783)
Cash dividends to shareholders (Note 15)	-	-	-	-	(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

The attached notes 1 to 29 form part of these financial statements.

Medicare Group Q.P.S.C.

**Statement of cash flows
For the year ended 31 December 2019**

In Qatari Riyals

	Notes	2019	2018
Operating activities			
Profit for the year		78,198,774	84,511,321
Adjustments for:			
Depreciation of property and equipment	5	22,772,533	31,370,478
Depreciation of right-of-use assets	7	4,625,299	-
Provision for employees' end of service benefits	17	9,585,934	14,350,464
Provision for impairment of receivables	10	300,000	1,005,781
Provision for obsolete and slow-moving inventories, net	9	363,050	1,990,423
Income from deposits with an Islamic bank		(1,483,120)	(1,432,321)
Dividend income	20	(2,575,155)	(2,818,990)
Finance cost		3,951,925	1,066,484
Gain on sale of equipment		-	(31,100)
Operating profit before working capital changes		115,739,240	130,012,540
Working capital changes:			
Inventories		1,215,618	2,465,251
Accounts receivable and prepayments		(143,404)	5,211,852
Accounts payable and accruals		3,268,846	(1,967,100)
Retention payable		540,011	-
Cash from operating activities		120,620,311	135,722,543
Net movement in term deposits		5,000,000	10,065,748
Contribution paid to social and sports fund		(2,112,783)	(2,000,049)
Employees' end of service benefits paid	17	(4,108,116)	(6,865,622)
Finance cost paid		(505,413)	(1,066,484)
Income from deposits with an Islamic bank		1,522,369	937,985
Dividend income received	20	2,575,155	2,818,990
Net cash flows from operating activities		122,991,523	139,613,111
Investing activities			
Purchase of property and equipment (a)	5	(47,673,304)	(28,278,674)
Proceeds from sale of equipment		-	31,100
Proceeds from sale of financial assets at fair value through OCI	8	-	3,445,920
Net cash flows used in investing activities		(47,673,304)	(24,801,654)
Financing activities			
New bank facilities taken during the year		19,000,000	12,000,000
Repayment of bank facilities during the year		(19,474,234)	(15,173,737)
Dividends paid		(81,404,715)	(110,052,688)
Payment of lease liabilities		(6,758,000)	-
Net cash flows used in financing activities		(88,636,949)	(113,226,425)
Net (decrease) / increase in cash and cash equivalents		(13,318,730)	1,585,032
Cash and cash equivalents at 1 January		53,638,410	52,053,378
Cash and cash equivalents at 31 December	11	40,319,680	53,638,410

(a) Certain additions to capital work in-progress amounting to QR7,427,000 remain unpaid as at 31 December 2019.

The attached notes 1 to 29 form part of these financial statements.

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

The financial statements of the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 4 February, 2020.

2 Basis of Preparation and Presentation

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, investment properties and 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 29.

3 Changes in Accounting Policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

IFRS 16, Leases

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

Definition of a lease

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

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The details of the changes in accounting policies are disclosed in the following section.

3 Changes in Accounting Policies (continued)

Definition of a lease (continued)

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

On transition to IFRS 16, the Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

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

As a lessee

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

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

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

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

Right-of-use assets

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

Lease liability

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

3 Changes in Accounting Policies (continued)Lease liability (continued)

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

Short-term leases and leases of low-value assets

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

Transition

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

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

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

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

Impacts on financial statements – on transition

On transition to IFRS 16, the Company recognised QR71,171,775 of right-of-use assets and lease liabilities.

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

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

3 Changes in Accounting Policies (continued)

Impacts on financial statements – on transition (continued)

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

Impacts on financial statements – on current period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised QR 66,464,025 of right-of-use assets and QR 67,776,896 of lease liabilities as at 31 December 2019.

Also, in relation to those leases under IFRS 16, the Company has recognised depreciation and finance costs, instead of operating lease expense. During the twelve-month period ended 31 December 2019, the Company recognised QR 4,625,299 of depreciation charges and QR 3,445,572 of finance costs from these leases. For the comparative twelve-month period ended 31 December 2018, the Company recognized QR 4,496,997 of the operating lease expenses.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing the financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17, *Insurance Contracts*

4 Summary of Significant Accounting Policies

Revenue

Patient services. Revenue from patient services is recognized as the related services are provided.

Sale of medications. Revenue is recognized when the medications are delivered to the patient.

Profit from term deposits and saving accounts. Profit is accrued on a time apportioned basis, by reference to the principal outstanding and the effective profit rate applicable.

Rental income. Rental income from investment properties is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized 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 Company's right to receive payment is established.

Property and equipment

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

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity under revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case

4 Summary of Significant Accounting Policies (continued)

Property and equipment (continued)

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 property and equipment revaluation reserve relating to a previous revaluation of that asset.

All other fixed assets are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any.

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 property and equipment 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. Such costs include borrowing costs for long term projects if the recognition criteria are met. 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:

	2018	2019
Buildings	40 years	50 years
Leasehold Improvements	-	20 years
Office equipment	5 years	1-7 years
Medical equipment	7 years	1-10 years
Equipment & tools	5 years	1-7 years
Vehicles	5 years	5-7 years
Furniture and fixtures	4-5 years	1-7 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.

During the year the company conducted an assessment of the useful lives of its fixed assets which resulted in a change in the expected useful lives which have increased when compared to the previous year. The effect of these changes is a decrease in depreciation expense amounted QAR 7,760,236

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 the estimated costs necessary to make the sale.

Investment properties

Land and buildings are considered as investment properties only when they are being held to earn rentals or for capital appreciation or both.

4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

Investment properties are measured initially at cost, including transaction costs and borrowing costs that are directly attributable to construction of the asset. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss statement in the year of retirement or disposal.

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 initial 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 fair value through profit or loss (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.

Classification and subsequent measurement

i. Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt security; FVOCI – equity security; or FVTPL.

4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

i. Financial assets (continued)

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt security; FVOCI – equity security; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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 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 finance income on the principal amount outstanding.

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated 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 finance income on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Company 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 Company 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.

a) Financial assets - Business model assessment

The Company assesses 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. Whether management's strategy focuses on earning contractual finance income, 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 Company'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.

b) Financial assets - Assessment whether contractual cash flows are solely payments of principal and finance income

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Finance income' 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.

4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

i. Financial assets (continued)

b) Financial assets - Assessment whether contractual cash flows are solely payments of principal and finance income (continued)

In assessing whether the contractual cash flows are solely payments of principal and finance cost, the Company 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 Company 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 Company'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 finance cost criterion if the prepayment amount substantially represents unpaid amounts of principal and finance cost 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 amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual finance cost (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.

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.

c) 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 finance income 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 finance income method. The amortised cost is reduced by impairment losses. Finance income 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. Finance income calculated using the effective finance income 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.

4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

ii. Financial liabilities – Classification, subsequent measurement, and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities a FVTPL are measured at fair value and net gains and losses, including any finance cost, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective finance cost method. Finance cost and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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

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 Company is exposed to credit risk.

Measurement of ECLs.

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate effective finance income rate. 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 Company 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).

4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Measurement of ECLs (continued)

The Company utilises the general approach to calculate ECLs against its due from banks and the simplified approach to calculate ECLs against its other financial assets carried at amortised cost and which is dependent on the Company's historical default rates related these assets.

The key elements used to calculate ECLs 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 Company'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 finance income, whether scheduled by contract or otherwise, and accrued finance income 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.

ECLs are discounted at the effective finance income 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 (Stage 1)	The 12-month ECL is calculated as the portion of lifetime ECLs 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 12-month ECL 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.
Lifetime ECL (Stage 2)	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 (Stage 3)	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

4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Credit-impaired financial assets. At each reporting date, the Company 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 counterparty or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

Presentation of allowance for ECL in the statement of financial position (continued)

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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amounts due.

Derecognition of financial assets

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

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

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

Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Derecognition of financial liabilities (continued)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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.

Cash and cash equivalents

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

Prepayments

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are used or expire with the passage of time.

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.

Bank facilities

Bank facilities are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, bank facilities are measured at amortised cost using the effective finance cost 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 presented as a current liability.

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

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.

4 Summary of Significant Accounting Policies (continued)

Foreign currency translation (continued)

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.

Cost and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the period these are incurred.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year, less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include finance income charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to finance income costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

Leases

Policy applicable before 1 January 2019

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 a 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 a lessee

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

4 Summary of Significant Accounting Policies (continued)

Leases (continued)

Policy applicable from 1 January 2019

At the inception of the contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Company as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right-of-use assets.

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

Lease liabilities.

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

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

Short-term leases and leases of low-value assets.

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

Company as a 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.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

Notes to the financial statement
For the year ended 31 December 2019

4 Summary of Significant Accounting Policies (continued)

Leases (continued)

Policy applicable from 1 January 2019 (continued)

Company as a lessor (continued)

When the Company is an intermediate lessor, it accounts for its shares in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

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 be 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 or loss attributable to ordinary equity holders of the Company 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.

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 26 |
| • Property and equipment under revaluation model | Note 5 |
| • Financial instruments | Note 8 |

4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

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 2019

In Qatari Riyals

5 Property and equipment

	Land	Buildings	Leasehold Improvements	Office equipment	Medical equipment	Equipment and tools	Vehicles	Furniture and fixtures	Capital work in progress	Total
Cost or valuation:										
At 1 January 2019	428,633,527	473,777,412	-	36,930,768	182,141,847	37,090,658	1,917,160	10,825,651	69,581,523	1,240,898,546
Additions during the year	-	270,095	-	892,167	2,257,310	354,813	-	756,142	50,569,777	55,100,304
Reclassification from CWIP to buildings	-	-	49,048,733	-	-	-	-	-	(49,048,733)	-
Reclassification to investment properties	(17,397,375)	(14,508,306)	-	-	-	-	-	-	-	(31,905,681)
At 31 December 2019	<u>411,236,152</u>	<u>459,539,201</u>	<u>49,048,733</u>	<u>37,822,935</u>	<u>184,399,157</u>	<u>37,445,471</u>	<u>1,917,160</u>	<u>11,581,793</u>	<u>71,102,567</u>	<u>1,264,093,169</u>
Accumulated depreciation:										
At 1 January 2019	-	96,790,333	-	28,468,669	128,152,258	34,455,724	1,430,974	8,895,136	-	298,193,094
Charge for the year	-	10,262,936	2,244,842	1,909,339	7,085,445	746,231	91,060	432,680	-	22,772,533
Reclassification to investment properties	-	(4,817,806)	-	-	-	-	-	-	-	(4,817,806)
At 31 December 2019	-	<u>102,235,463</u>	<u>2,244,842</u>	<u>30,378,008</u>	<u>135,237,703</u>	<u>35,201,955</u>	<u>1,522,034</u>	<u>9,327,816</u>	-	<u>316,147,821</u>
Net book value:										
At 31 December 2019	<u>411,236,152</u>	<u>357,303,738</u>	<u>46,803,891</u>	<u>7,444,927</u>	<u>49,161,454</u>	<u>2,243,516</u>	<u>395,126</u>	<u>2,253,977</u>	<u>71,102,567</u>	<u>947,945,348</u>

5 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 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>-</u>	<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>-</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>

Revaluation of land and buildings

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. As at 31 December 2019 and 2018, land and buildings are stated at revalued amount categorized under Level 3 based on the appraisal report carried out on 31 December 2018 by an independent valuation specialist.

Management believes that there are no events or changes in circumstances indicating a significant change in fair value of the land from the last appraisal made. 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 lever 3 of the fair value hierarchy.

5 Property and equipment (continued)*Revaluation of Land and Building (continued)*

The key valuation assumptions used are as follows:

Significant unobservable valuation input:	Range
Price per square foot of land	QR 425 – QR 2,000
Depreciated replacement cost per square meter of Hospital building	QR 2,470 – QR 6,288
Depreciated replacement cost per square meter of Employee accommodation	QR 3,563 – QR 6,213

Capitalized borrowing costs

The Company commenced the construction of the Hospital's expansion in 2018. The expansion project is expected to be completed in 2021. The carrying amount capitalized within CWIP at 31 December 2019 amounted to QR53,894,325 (2018: QR11,944,289). The project is financed by bank in state of Qatar in a common arrangement. The amount of borrowing costs capitalized during the year ended 31 December 2019 amounted to QR1,050,003 (2018: QR357,714). The rate used to determine the amount of borrowing costs eligible for capitalization was 4.5% which is the EIR of the specific borrowing.

Change in estimates

During 2019, the Company conducted a review of the useful life of property and equipment which resulted in changes in the expected life of its property and equipment. The effect of changes in the estimated useful life of property and equipment is a decrease in the depreciation expense of QR7,760,236.

6 Investment properties

	2019	2018
As at 1 January	-	-
Transfer from property and equipment	27,087,875	-
Net loss from fair value measurement	-	-
Net carrying amount	<u>27,087,875</u>	<u>-</u>

The Company's investment properties consist of land and buildings that are leased out to a third party. As at 31 December 2019, the Company carried had reclassified its these assets from fixed assets to investment properties as a result of the change of use of these properties that are now held to earn rental income. Rental income earned from these investment properties amounted to QR1,104,000 for the year ended 31 December 2019.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures, description of valuation techniques used and key inputs to valuation of investment properties are disclosed in Note 26.

7 Right-of-use assets and lease liabilities

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

As at 31 December 2018, as reported	-
Impact of initial application of IFRS 16	71,171,775
As at 1 January 2019, as adjusted	<u>71,171,775</u>
Depreciation charge for the year	(4,625,299)
Effect of lease cancellation in 2019	<u>(82,451)</u>
As at 31 December 2019	<u>66,464,025</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period

As at 31 December 2018, as reported	-
Impact of initial application of IFRS 16	71,171,775
As at 1 January 2019, as adjusted	<u>71,171,775</u>
Finance cost for the year	3,445,572
Payments of lease liabilities	(6,758,000)
Effect of lease cancellation in 2019	<u>(82,451)</u>
As at 31 December 2019	<u>67,776,896</u>
Current	3,404,108
Non-current	<u>64,372,788</u>
Lease liabilities as at 31 December 2019	<u>67,776,896</u>

This is the first year of the Company's IFRS 16 application in its financial statements. Changes to significant accounting policies are described in Note 4.

The following are the amounts recognized in profit or loss for the year ended 31 December 2019:

Depreciation expense of right-of-use assets	4,625,299
Finance cost on lease liabilities	3,445,572
Expense relating to short-term leases (included in cost of sales)	204,437
Total amount recognized in profit or loss	<u>8,275,308</u>

The lease contract relating to Al Wakra Clinic includes an extension option. Management exercised significant judgment in determining whether the extension option is reasonably certain to be exercised. Significant judgment is disclosed in Note 29.

8 Financial investments at fair value through other comprehensive income

	2019	2018
<i>Investment in equity securities*</i>		
Quoted	<u>63,333,725</u>	<u>52,058,974</u>

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

Investment cost	54,289,626	54,289,626
Fair value adjustment	9,044,099	(2,230,652)
	<u>63,333,725</u>	<u>52,058,974</u>

8 Financial investments at fair value through other comprehensive income (continued)

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

	2019	2018
At 1 January	52,058,974	45,618,518
Change in fair value	11,274,751	9,886,376
Investments sold during the year	-	(3,445,920)
At 31 December	<u>63,333,725</u>	<u>52,058,974</u>

9 Inventories

	2019	2018
Medical and other supplies	15,157,405	20,448,990
Pharmaceuticals inventory	<u>11,317,909</u>	<u>8,893,034</u>
	26,475,314	29,342,024
Less: Provision for obsolete and slow moving inventories	<u>(4,966,642)</u>	<u>(6,254,680)</u>
	<u>21,508,672</u>	<u>23,087,344</u>

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

	2019	2018
At 1 January	6,254,680	4,264,257
Provision recognised during the year (Note 19)	363,050	1,990,423
Write off	<u>(1,651,088)</u>	-
At 31 December	<u>4,966,642</u>	<u>6,254,680</u>

10 Accounts receivable and prepayments

	2019	2018
Gross trade accounts receivables	143,235,476	139,218,451
Advances to suppliers	12,470,148	15,876,527
Due from broker	3,996,665	3,996,665
Refundable deposits	1,234,647	1,261,975
Prepaid expenses	2,367,456	4,907,075
Staff receivables	4,533,214	2,206,835
Others	<u>1,552,655</u>	<u>1,285,249</u>
	169,390,261	168,752,777
Less: Allowance for impairment of trade receivables	<u>(76,226,921)</u>	<u>(75,393,590)</u>
	<u>93,163,340</u>	<u>93,359,187</u>

10 Accounts receivable and prepayments (continued)

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

	2019	2018
At 1 January	75,393,590	75,095,704
Provision during the year	300,000	1,005,781
Reversal of write off (write off)	533,331	(707,895)
At 31 December	<u>76,226,921</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 balances are unsecured.

The Company's exposure, to credit and currency risks and impairment losses relating to financial assets is disclosed in Note 28.

11 Cash and cash equivalents

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

	2019	2018
Cash in hand	70,547	91,251
Cash at bank	40,294,528	23,603,320
Short term deposits	35,000,000	70,000,000
Less: Provision for impairment on due from banks	(45,395)	(56,161)
Total cash and bank balances	<u>75,319,680</u>	93,638,410
Less: Deposits with original maturity dates of more than 90 days	(35,000,000)	(40,000,000)
	<u>40,319,680</u>	<u>53,638,410</u>

Deposits carry a profit of 3.75% per annum (2018: 3% per annum).

The Company's exposure to finance cost rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 28.

The movement in the allowance for impairment on due from banks is as follows:

	2019	2018
At 1 January	56,161	-
Provision during the year	-	56,161
Reversal of provision	(10,766)	-
At 31 December	<u>45,395</u>	<u>56,161</u>

12 Share capital

	2019	2018
	No of	No of
	shares	shares
Authorised Share Capital		
Ordinary shares of QR 1 each	<u>281,441,000</u>	<u>281,441,000</u>
	No of	No of
	shares	shares
Ordinary shares issued and fully paid up:		
At the beginning and end of the year	<u>281,441,000</u>	<u>28,144,100</u>

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

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

13 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.

14 Contribution to social and sports fund

According to Qatari Law No. 13 for the year 2009 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 QR1,954,969 (2018: QR 2,112,783) representing 2.5% of the net profit generated from operations.

15 Dividends

Dividends paid and proposed	QR
Declared and accrued during 2019:	
Final dividend for 2018, QR 3 per share	<u>84,432,300</u>
Declared and accrued during the 2018	
Final dividend for 2017, QR 4 per share	<u>112,576,400</u>

The company's board of directors has suggested the payment of dividends of QR 0.28 per share amounted to QR 78,803,480 and this will be submitted for approval at the general assembly meeting.

16 Bank facilities

	2019	2018
Bank facility (i)	5,067,972	19,903,790
Bank facility (ii)	25,463,821	11,102,239
	<u>30,531,793</u>	<u>31,006,029</u>
Presented in the statement of financial position as follows:		
Current portion	11,448,630	14,974,430
Non-current portion	19,083,163	16,031,599
	<u>30,531,793</u>	<u>31,006,029</u>

Notes:

- (i) The bank facility 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 facility is repayable in 60 monthly instalments of QR 1,278,514 and matures on 30 April 2020.
- (ii) The bank facility 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 bank facility is repayable in 60 monthly instalments of QR 224,094 and matures on 15 August 2023. In 2019, the Company obtained a further facility of QR 19 million to fund its expansion project within the main hospital premises. The facility is repayable in 52 monthly instalments of QR 402,922 and matures on 15 August 2023. The facility carries an annual profit rate of 4.5%.

17 Employees' end of service benefits

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

	2019	2018
At 1 January	60,176,490	52,691,648
Provided during the year	9,585,934	14,350,464
End of service benefits paid	(4,108,116)	(6,865,622)
At 31 December	<u>65,654,308</u>	<u>60,176,490</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 187,911 as of 31 December 2019 (2018: QR 174,774) is yet to be remitted to the Retirement and Pension Authority is included in accounts payable and accruals as disclosed in Note 18.

18 Accounts payable and accruals

	2019	2018
Trade accounts payable	33,242,378	31,836,647
Accrued expenses	48,408,676	37,574,255
Dividends payable	24,431,221	21,403,636
Payable to staff	115,410	1,699,318
Payable to Retirement and Pension Authority (Note 17)	187,911	174,774
Unearned revenue	27,401	-
Provision for contribution to social and sports fund (Note 14)	1,954,969	2,112,783
	<u>108,367,966</u>	<u>94,801,413</u>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

19 Operating costs

	2019	2018
Staff costs	181,427,110	182,155,589
Medications and surgical costs (inventories recognised as cost)	80,431,596	76,216,519
Community doctors' expenses	22,158,927	11,568,231
Utilities	4,327,605	3,288,137
Food cost	3,678,666	3,205,496
Fuel expenses	1,178,384	1,220,955
Other direct cost	835,455	1,010,055
Provision for obsolete and slow-moving inventories (Note 9)	363,050	1,990,423
Rent	-	4,496,997
	<u>294,400,793</u>	<u>285,152,402</u>

20 Other income

	2019	2018
Rental income	3,740,045	2,698,174
Dividend income	2,575,155	2,818,990
Catering income	531,192	492,334
Write back of prior year accruals	400,365	959,075
Gain on foreign currency exchange	250,867	187,350
Miscellaneous income	1,331,155	1,735,193
	<u>8,828,779</u>	<u>8,891,116</u>

21 General and administrative expenses

	2019	2018
Staff costs	60,354,127	55,352,723
Maintenance and repairs	7,524,995	6,932,535
Outsourced staff costs	5,818,922	5,085,645
Insurance	3,550,871	3,014,311
Telephone and fax	3,169,974	3,518,082
Security and cleaning	2,935,336	3,075,411
Board of Directors' remuneration	2,860,623	2,975,054
Advertisement and promotion	2,159,918	2,533,786
IT development	1,849,787	1,571,323
Legal and professional fees	1,588,463	1,271,950
Bank charges	1,055,047	1,002,461
Committee remuneration	1,020,000	1,020,000
Printing and stationery	952,164	1,064,084
Governmental expenses	719,566	931,669
Medical waste	616,685	620,358
Charity	271,887	558,936
Others	303,470	843,977
	<u>96,751,835</u>	<u>91,372,305</u>

22 Finance cost

	2019	2018
Finance cost on lease liabilities	3,445,572	-
Finance cost on Islamic facilities	506,353	1,066,484
	<u>3,951,925</u>	<u>1,066,484</u>

23 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:

	2019	2018
Profit attributable to ordinary shareholders of the Company for basic earnings (QR)	<u>78,198,774</u>	<u>84,511,321</u>
Weighted average number of ordinary shares outstanding during the year	<u>281,441,000</u>	<u>281,441,000*</u>
Basic and diluted earnings per share (QR)	<u>0.28</u>	<u>0.30</u>

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

24 Capital commitments and contingenciesContingent liabilities

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

	2019	2018
Bank guarantees	<u>277,000</u>	<u>277,000</u>

Legal claims

As at 31 December 2019, various legal claims were initiated by patients and other third parties against the Company in the form of malpractice compensation claims and other miscellaneous claims. The Company's management exercises its judgement in assessing whether it would be made liable to settle any malpractice cases based on its understanding of the specifics of the case. Moreover, the Company has a malpractice insurance policy in place to cover all malpractice claims made as part of which the Company would be liable to settle the deductible amount (as per the insurance policy) whereas the remaining claim is covered by the insurance Company. The liability to settle the deductible amounts of the claim is expected to be immaterial

Capital commitments

The management has authorised future capital expenditure amounting to QR 58,232,910 as of 31 December 2019 (2018: QR 58,753,974).

25 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.

26 Fair values measurement

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	
	2019	2018	2019	2018
Financial assets				
Bank balances	75,294,529	93,603,320	75,294,529	93,603,320
Trade and other receivables	154,552,657	147,969,175	154,552,657	147,969,175
Financial assets at fair value through other comprehensive income	63,333,725	52,058,974	63,333,725	52,058,974
Financial liabilities				
Trade and other payables	108,367,966	94,801,413	108,367,966	94,801,413
Retention payable	1,421,561	881,550	1,421,561	881,550
Bank facilities	30,531,793	31,006,029	30,531,793	31,006,029

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

Fair value hierarchy

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

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

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

Financial assets	2019	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income	<u>63,333,725</u>	<u>63,333,725</u>	-	-
	<u>63,333,725</u>	<u>63,333,725</u>	-	-
Non-financial assets				
Revalued land and building	768,539,890	-	-	768,539,890
Investment properties	<u>27,087,875</u>	-	-	<u>27,087,875</u>
	<u>795,627,765</u>	-	-	<u>795,627,765</u>

26 Fair values measurement (continued)Fair value hierarchy (continued)

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>
Non-financial assets				
Revalued land and building	805,620,606	-	-	805,620,606
	<u>805,620,606</u>	<u>-</u>	<u>-</u>	<u>805,620,606</u>

There were no transfers between Level 1 and Level 2 measurements during the period, and no transfers into or out of Level 3 fair value measurements during the year.

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to closing balances for Level 3 fair values:

	2019	2018
Balance as at 1 January	805,620,606	783,648,268
Additions	270,095	444,540
Depreciation	(10,262,936)	(14,998,278)
Revaluation gain	-	36,526,076
Balance as at 31 December	<u>795,627,765</u>	<u>805,620,606</u>

Valuation techniques and significant unobservable inputs

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

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

Market Comparison approach

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

Depreciable replacement cost:

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

26 Fair values measurement (continued)Fair value hierarchy (continued)**Valuation techniques and significant unobservable inputs (continued)**

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

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

27 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:

	2019	2018
Income from deposits with an Islamic Bank	<u>1,483,120</u>	<u>1,432,321</u>
Rental income	<u>547,181</u>	<u>444,564</u>
Bank charges	<u>(39,430)</u>	<u>(61,978)</u>
Finance cost (including capitalized borrowing cost)	<u>(1,552,412)</u>	<u>(1,424,198)</u>
Insurance expenses	<u>(13,044,928)</u>	<u>(10,548,532)</u>

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

	2019	2018
Bank balances	<u>40,197,458</u>	<u>23,559,297</u>
Short term deposits	<u>35,000,000</u>	<u>70,000,000</u>
Receivable income from deposits with an Islamic Bank	<u>455,087</u>	<u>494,336</u>
Bank facilities (Note 16)	<u>30,531,793</u>	<u>31,006,029</u>
Trade payable	<u>250,167</u>	<u>4,614,145</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:

	2019	2018
Board of Directors' remuneration	2,860,623	2,975,054
Committee remuneration	1,020,000	1,020,000
Total key management staff benefits	<u>4,281,150</u>	<u>4,258,350</u>
	<u>8,161,773</u>	<u>8,253,404</u>

28 Financial risk managementObjectives 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 finance cost 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.

financing cost rate risk

The Company's exposure to the risk of changes in market finance cost rates primarily relates to the Company's financial assets and liabilities with floating finance cost rates. The Company is exposed to financing cost rate risk on its bank facilities.

The following table demonstrates the sensitivity of the separate statement of comprehensive income to reasonably possible changes in finance cost 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 finance cost rates on the Company's profit for one year, based on the floating rate financial liabilities held at 31 December.

The effect of decreases in finance income 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
2019		
QR	+25	(76,329)
2018		
QR	+25	(77,515)

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
2019		
Qatar Exchange (QE)	+10%	6,333,373
2018		
Qatar Exchange (QE)	+10%	5,205,897

28 Financial risk management (continued)Credit risk

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

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

	2019	2018
Bank balances	75,294,528	93,603,320
Trade and other receivables	78,325,736	72,575,585
	153,620,264	166,178,905

The table below shows the credit quality of the Company's financial assets based on their historical experience with the corresponding third parties:

	2019			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Grade A	104,954,788	-	-	104,954,788
Grade B	10,783,200	-	114,154,592	124,937,792
Gross carrying amount	115,737,988	-	114,154,592	229,892,580
Loss allowance	(1,192,491)	-	(75,079,825)	(76,272,316)
Carrying amount	114,545,497	-	39,074,767	153,620,264

	2018			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Grade A	115,502,122	-	-	115,502,122
Grade B	11,971,942	-	114,154,592	126,126,534
Gross carrying amount	127,474,064	-	114,154,592	241,628,656
Loss allowance	(957,537)	-	(74,492,214)	(75,449,751)
Carrying amount	126,516,527	-	39,662,378	166,178,905

The Company monitors its exposure to credit risk on an ongoing basis and based on management's assessment and historical default rates.

Grade A receivables pertains to those receivables from members that consistently pay before the maturity date. Grade B includes receivables that are collected on their due dates even without an effort from the Club. Past due but not impaired receivables include those that are past due but are still collectible. Cash are deposited among the reputable banks in the country, hence, considered Grade A.

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 owns reserves and bank facilities. The Company's terms of revenue require amounts to be paid within 30 to 90 days from the invoiced date.

28 Financial risk management (continued)Liquidity risk (continued)

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

31 December 2019	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade payables	-	28,848,014	4,134,279	260,085	33,242,378
Bank facilities	-	5,716,591	6,916,569	20,148,030	32,781,190
Unclaimed dividends	24,431,221	-	-	-	24,431,221
Provision for contributing to social and sports fund	-	1,954,969	-	-	1,954,969
Lease liabilities	-	1,728,000	4,638,000	97,298,000	103,664,000
Total	<u>24,431,221</u>	<u>38,247,574</u>	<u>15,688,848</u>	<u>117,706,115</u>	<u>196,073,758</u>
31 December 2018	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade payables	-	31,836,647	-	-	31,836,647
Bank facilities	-	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>

The Company's cash and trade and other receivables which are available to settle the maturing financial liabilities amounted to QR 153,620,264 and QR 166,178,905 as at 31 December 2019 and 2018, respectively.

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 2018 and 2019. Capital comprises share capital and retained earnings and is measured at QR 360,921,102 as at 31 December 2019 (2018: QR 372,918,253).

	2019	2018
Long term borrowings	<u>19,083,163</u>	<u>16,031,599</u>
Net debt	19,083,163	16,031,599
Total equity	360,921,102	372,918,253
Total capital	<u><u>380,004,265</u></u>	<u><u>388,949,852</u></u>
Gearing ratio	<u>5%</u>	<u>4%</u>

29 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 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. Management assessment of the change in fair value in the current year is disclosed in Note 5

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.

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. During the year management has conducted review of its property and equipment useful lives which impact is disclosed in Note 4

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

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.

Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the Company to make judgments and estimates that affect the valuation of the lease liabilities and right-of-use assets. These include determining the contracts in scope of IFRS 16, determining the contract term and the finance cost rate used for discounting of future cash flows.

The lease term determined by the Company comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Company is certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. For lease contracts with indefinite term, the Company estimates the length of the contract to be equal to the estimated useful life of non-current assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the discount rate representing the rate of finance cost rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Company's rating, observed in the period when the lease contract commences or is modified.