

**QATARI GERMAN COMPANY
FOR MEDICAL DEVICES Q.P.S.C.**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2023**



MOORE

مورستيفنز وشركاه - محاسبون قانونيون

Moore Stephens and Partners
Certified Public Accountants

An Independent Member Firm of Moore Global Network Limited

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Qatari German Company for Medical Devices Q.P.S.C.
Doha, State of Qatar

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of **Qatari German Company for Medical Devices Q.P.S.C.** (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position, financial performance and its cash flows for the year ended 31 December 2023 in accordance with International Financial Reporting Standards (IFRSs).

Bases for Qualified Opinion

- With reference to Note 9 of the financial statements, as of 31 December 2023, the Company's inventories include facemasks with carrying value of QR 7,923,536 which has been outstanding for more than one year. The management has not assessed the net realizable value of these balances under IAS 2 "Inventories". Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
- Confirmations in respect of borrowings amounting to QR 127,132,816 from Qatar Development Bank have not been received by us. In consequence, we were unable to carry out audit procedures necessary to obtain adequate assurance regarding the full provision of liabilities, whether accruals or contingent at the end of the reporting year (Note 26). We were unable to quantify the adjustments that would be required, had the confirmations from the bank been received by us.

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 in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to Note 10 regarding the outstanding receivable amounting to QR 6,068,683 from third parties which is outstanding for more than three years. The management is of the position that the balance is fully recoverable.

We draw attention to Note 16 (b) regarding the borrowings. During the year, Qatar Development Bank filed a lawsuit against the Company, where the Supreme Judiciary Council - Investment and Trade court ruled to pay the plaintiff an amount of one hundred and twenty-seven million six hundred and eighty-two thousand, eight hundred and seventy riyals (QR: 127,682,870) with an annual profit return of 5% commencing from 12 June 2023 until the date of full payment.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company's accumulated losses amounted to QR 122,425,204 as at 31 December 2023 exceeding 50% of the share capital of the Company, and its current liabilities exceeded its current assets by QR 79,974,077 as of 31 December 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis which is dependent on the shareholder's continuing financial support for the Company to meet its financial obligations as they fall due. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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.

Key Audit Matters	How our audit addressed the key audit matters
<ul style="list-style-type: none"> Valuation of buildings under property, plant and equipment and investment property <p>The Company's statement of financial position as of 31 December 2023 includes property, plant and equipment of book value amounting to QR 104,615,821 (2022: QR 106,451,000) and it represents 52% (2022: 54.8%) of the Company's total assets. The carrying value of buildings under property, plant and equipment amounting to QR 34,008,900 (2022: QR 35,694,600) represents 33% (2022: 34%) and machinery and equipment amounting to QR 69,536,262 (2022: QR 69,774,630) represents 66.5% (2022: 65.5%) of the total property, plant and equipment. Investment properties in the statement of financial position amounting to QR 12,484,000 (2022: QR 12,590,000) represents 6.21% (2022: 6.49%) of the Company's total assets.</p> <p>Estimating the fair value is a complex process involving number of judgements and estimates including key assumptions. Consequently, the valuation of the building and investment property is considered as a key audit matter.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> Assessing the competence, capabilities and objectivity of the expert appointed by the management. Agreeing the property information in the valuation by tracing a sample of inputs to the underlying property records held by the Company. Assessing the consistency of the valuation basis and appropriateness of the methodology used, based on generally accepted valuation practices. Evaluating the appropriateness of the assumptions applied to key inputs such as market prices, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the Company and the industry.

Other Matter

The financial statements of Qatari German Company for Medical Devices Q.P.S.C. for the year ended 31 December 2022 were audited by another auditor who expressed qualified opinion on those statements on 16 March 2023.

Other Information

The Board of Directors are responsible for other information. The other information comprises of Annual report for 2023, which is expected to be made available to us after the date of auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association and for such internal control as management 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, management 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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:

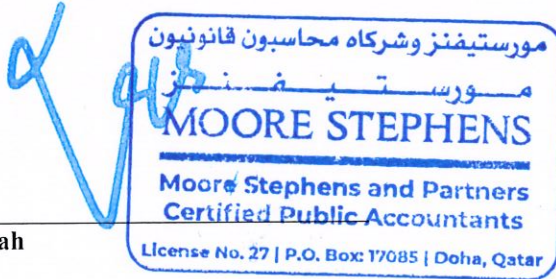
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 management.
- Conclude on the appropriateness of management's 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 those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**Report on Other Legal and Regulatory Requirements**

Further, as required by the Qatar Commercial Companies Law, we report the following:


- We are also in the opinion that proper books of account were maintained by the Company and physical inventory verification has been duly carried out.
- We obtained all the information and explanations which we considered necessary for the purpose of our audit except for the possible effects of the matters described in the Bases for Qualified Opinion section of our report.
- To the best of our knowledge and belief and according to the information given to us except as mention below, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association were committed during the year which would materially affect the Company's financial position and performance.
- The accumulated losses of the Company as at 31 December 2023 amounted to QR 122,425,204 contravening the provision of Qatar Commercial Companies Law. The said law states that should the Company's losses exceed 50% of the share capital of the Company, the shareholders should dissolve the Company or increase its capital.

**Fathi Abu Farah****Partner****Moore Stephens and Partners****License No. 294****QFMA Auditor's Registration No. 120189****08 February 2024****Doha, State of Qatar**


QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Note</i>	2023 QR	2022 QR
ASSETS			
Non-current assets			
Property, plant and equipment	5	104,615,821	106,451,000
Right-of-use assets	6	69,698	78,991
Investment properties	7	12,484,000	12,590,000
Intangible assets	8	10,329,937	10,329,937
Total non-current assets		127,499,456	129,449,928
Current assets			
Inventories	9	24,729,200	27,582,257
Trade and other receivables	10	48,583,900	30,725,556
Cash and cash equivalents	12	119,892	6,346,825
Total current assets		73,432,992	64,654,638
TOTAL ASSETS		200,932,448	194,104,566
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	115,500,000	115,500,000
Legal reserve	14	30,807,629	30,674,031
Revaluation reserve	15	12,151,865	11,910,929
Accumulated losses		(122,425,204)	(123,594,187)
TOTAL EQUITY		36,034,290	34,490,773
LIABILITIES			
Non-current liabilities			
Borrowings	16	10,568,075	92,488,710
Provision for employees' end of service benefits	17	860,526	955,097
Lease liabilities	6	62,488	71,705
Total non-current liabilities		11,491,089	93,515,512
Current liabilities			
Borrowings	16	131,718,670	52,373,230
Trade and other payables	18	21,679,182	13,716,145
Lease liabilities	6	9,217	8,906
Total current liabilities		153,407,069	66,098,281
TOTAL LIABILITIES		164,898,158	159,613,793
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		200,932,448	194,104,566

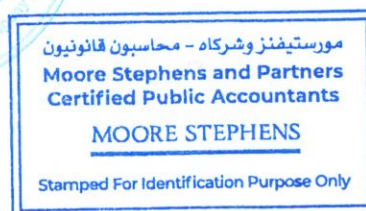
These financial statements were approved by the Board of Directors on 08 February 2024 and were signed on its behalf by:


Mr. Ali Hassan Al-Emadi
Chairman of the Board of Directors




Mr. Mohammad Ali Al Ansari
Board member and Managing Director

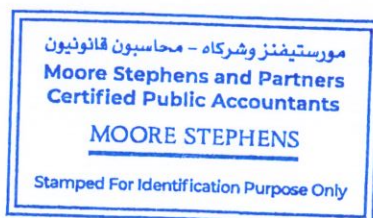
The attached notes from 1 to 32 are an integral part of these financial statements.



QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	2023 QR	2022 QR
Revenue	19	27,851,471	42,655,693
Costs of revenue	20	(18,660,448)	(28,610,420)
Gross profit		9,191,023	14,045,273
Other income	21	2,981,136	2,519,918
Reversal of impairment of property, plant and equipment	5	2,215,231	—
Depreciation on property, plant and equipment	5	(5,344,560)	(5,421,261)
Selling and distribution expenses	22	(398,560)	(616,127)
General and administrative expenses	23	(4,553,475)	(5,456,970)
Finance costs	24	(2,754,814)	(3,826,736)
Net profit before income tax		1,335,981	1,244,097
Income tax expense		—	—
Net profit for the year		1,335,981	1,244,097
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Gains on revaluation of buildings	5	240,936	616,645
Total other comprehensive income for the year		240,936	616,645
Total comprehensive income for the year		1,576,917	1,860,742

The attached notes from 1 to 32 are an integral part of these financial statements.

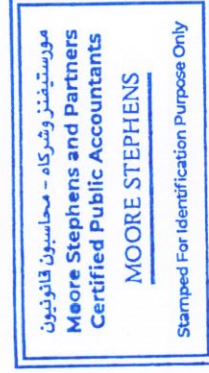


QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital QR	Legal reserve QR	Revaluation reserve QR	Accumulated losses QR	Total QR
As at 1 January 2023	115,500,000	30,674,031	11,910,929	(123,594,187)	34,490,773
Total comprehensive income for the year:					
Net profit for the year	-	-	-	1,335,981	1,335,981
Other comprehensive income	-	-	240,936	-	240,936
Total comprehensive income for the year	-	-	240,936	1,335,981	1,576,917
Transfer to legal reserve	-	133,598	-	(133,598)	-
Social and sports fund contribution	-	-	-	(33,400)	(33,400)
As at 31 December 2023	115,500,000	30,807,629	12,151,865	(122,425,204)	36,034,290
As at 1 January 2022	115,500,000	30,549,621	11,999,694	(125,388,182)	32,661,133
Total comprehensive income for the year:					
Net profit for the year	-	-	-	1,244,097	1,244,097
Other comprehensive income	-	-	616,645	-	616,645
Total comprehensive income for the year	-	-	616,645	1,244,097	1,860,742
Transfer to legal reserve	-	124,410	-	(124,410)	-
Transfer of depreciation of revalued assets	-	-	(705,410)	705,410	-
Social and sports fund contribution	-	-	-	(31,102)	(31,102)
As at 31 December 2022	115,500,000	30,674,031	11,910,929	(123,594,187)	34,490,773

The attached notes from 1 to 32 are an integral part of these financial statements.

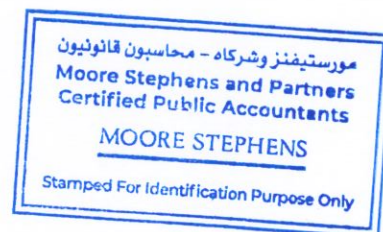


QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 QR	2022 QR
OPERATING ACTIVITIES			
Net profit for the year		1,335,981	1,244,097
Adjustments for: -			
Depreciation of property, plant and equipment	5	5,344,390	5,421,261
Impairment loss on investment property	7	106,000	-
Interest on lease liabilities	6	2,621	2,922
Depreciation for right-of-use assets	6	9,293	9,294
Reversal of impairment of property, plant and equipment	5	(2,215,231)	-
Provision for employees' end of service benefits	17	45,589	198,876
Finance cost		2,754,814	3,823,814
Operating cashflow before movement in working capital		7,383,457	10,700,264
Changes in			
Inventories		2,853,057	(517,363)
Trade and other receivables		(17,858,344)	(9,448,677)
Trade and other payables		7,963,037	2,019,430
Cash generated from operating activities		341,207	2,753,654
Employees' end of service benefits paid	17	(140,160)	(325,455)
Finance costs paid		(2,754,814)	(1,351,202)
Social and sports fund contribution paid		(33,400)	(29,521)
Net cash (used in)/generated from operating activities		(2,587,167)	1,047,476
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(1,053,044)	(251,728)
Net cash used in investing activities		(1,053,044)	(251,728)
FINANCING ACTIVITIES			
Net movement of borrowings		(2,575,195)	370,642
Repayment of lease liabilities	6	(11,527)	(11,527)
Net cash (used in)/generated from financing activities		(2,586,722)	359,115
Net (decrease)/increase in cash and cash equivalents		(6,226,933)	1,154,863
Cash and cash equivalent as at beginning of the year		6,346,825	5,191,962
Cash and cash equivalents as at the end of the year	12	119,892	6,346,825

The attached notes from 1 to 32 are an integral part of these financial statements.



QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. Legal status and principal activities

Qatari German for Medical Devices Company Q.P.S.C. (the “Company”) was established in the State of Qatar under commercial registration number 23349, as Qatari Public Shareholding Company. The Company was incorporated as a Qatari Public Shareholding Company by virtue of Emiri Decree No. 39 issued on 15 October 2000 and was publicly listed at Qatar Stock Exchange (the “QSE”) on 25 March 2002. The Company’s registered office is at P.O Box 22556, Doha, State of Qatar.

The Company is engaged in the manufacture of single use disposable syringes and trading in medical equipment, tools and supplies.

Going concern

The Company had accumulated losses as at 31 December 2023 amounting to QR 122,425,204 and its current liabilities exceeded its current assets by QR 79,974,077 as at reporting date. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. However, the management strongly believes that the Company has the capability to continue in business for at least the next twelve months from the reporting date and it has the ability to settle its financial obligations when they fall due as the Company has a history of profits and continues to be profitable. The Company confirms it has no intention to liquidate or cease the operations of the Company for at least the next twelve months from the reporting date and it has future plans of borrowing additional funds, restructuring its debt and reduce or delay its expenditures. Therefore, these financial statements continue to be prepared on a going concern basis.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 New standards and amendments effective in the period on or after 1 January 2023

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2023. The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- *Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*

This amendment requires the Company to recognise deferred tax assets and liabilities gross in relation to their leases which were previously these were recognised net. There is no impact on the amounts disclosed on the statement of financial position.

- *Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules*

This amendment permits the Company to not recognise deferred tax assets and liabilities related to the Pillar Two tax reforms. Due to the uncertain nature of the tax reforms, the Company cannot quantify the impact that this has had on the amount of Deferred tax assets and liabilities not recognised on the statement of financial position in the current period. No amounts were recognised in the prior period in relation to the Pillar Two Model Rules, to which this amendment would apply.

- *IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

However, the Company does not have any contracts that meet the definition of an insurance contract under IFRS 17.

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements- Disclosure of Accounting Policies*

IAS 1 replaces all instances of the term ‘significant accounting policies’ with ‘material accounting policy information, and it clarifies that information is material if, when considered together with other information included in an entity’s financial statements, can reasonably influence decisions of primary users of financial statements.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

2.1. New standards and amendments effective in the period on or after 1 January 2023 (Continued)

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

2.2 New standards and amendments issued but not yet effective for year ended 31 December 2023

The Company has not applied the below new or amended standards and interpretations that have been issued by the IASB but are not yet mandatory for the financial year ended 31 December 2023. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

- *Amendments to IAS 7 & IFRS 7 Supplier Financing Arrangements*

This amendment will have no impact on the amounts recognised in the financial statements but will require additional disclosures to be provided around the Company’s use of supplier financing arrangements. This amendment will be effective for the 2024 Financial Statements.

- *Amendments to IAS 1 – Classification of Liabilities as Current or Non-current & Amendments to IAS 1 – Non-current Liabilities with Covenants*

These amendments together impact the classification of liabilities with covenants and any convertible notes that the Company issues with liability classified conversion features. It may impact the classification of some of the Company’s debts and will require additional disclosure about the effect of the covenants on the Company. The Company is still currently assessing the impact of these amendments. They are effective for the 2024 Financial Statements.

- *Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback*

IFRS 16 adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, earlier application is permitted.

3. Basis of preparation and material accounting policies

3.1 Basis of preparation

Statement of compliance

These financial statements of the Company have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB), applicable provisions of Qatar Commercial Companies Law and the Company’s Articles of Association, and the applicable provision of the Qatar Commercial Companies Law No. 11 of 2015 and subsequent amendments by Law No. 8 of 2022. The management is in the process of taking necessary actions needed to ensure full compliance with the amended law, including amending the Articles of Association of the Company where necessary and has concluded that the non-compliance at reporting date does not have material impact on the financial statements of the Company.

The Company’s accumulated losses as of 31 December 2023 exceeded 50% of the share capital. In accordance with Qatar Commercial Companies Law No. 11 of 2015 Article 295, the extraordinary general assembly meeting held on 09 May 2023 resolved to continue the operation of the Company. The Board of Directors will call the extraordinary general assembly meeting to discuss the same for the year 2024.

The financial statements have been prepared in Qatari Riyals (QR), which is the Company’s functional and presentation currency and all financial information has been rounded off to the nearest QR, unless otherwise indicated.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Basis of preparation and material accounting policies (Continued)

3.1 Basis of preparation (Continued)

Basis of measurement

These financial statements have been prepared under the historical cost convention, except for lease liabilities which are measured at the present value of the lease payments discounted using the Company's incremental borrowing rate of 3.5%, investment property and building under property, plant and equipment which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in relevant notes as summarized in note 4. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

3.2 Material accounting policies

The principal accounting policies that have been applied consistently by the Company to all periods presented in these financial statements, are set out below.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for building on leasehold land and machinery and equipment which is measured at fair value. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including the capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognized in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognized 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 is included in the income statement in the year the asset is derecognized.

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

Depreciation is recognised in income statement on a straight line basis over the estimated useful lives of each component of an item of property plant and equipment. Land is not depreciated. Estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

Buildings on leasehold land	30 years
Machinery and equipment	25 years
Motor vehicles	5 years
Furniture and fixtures	5 years
Computer and software	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Basis of preparation and material accounting policies (Continued)

3.2 Material accounting policies

Leases

The Company has leased land from the Ministry of Municipal Affairs and Agriculture for a period of thirty years. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices unless it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's investment in the relevant leases. Income from finance leases is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the relevant leases.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. Basis of preparation and material accounting policies

3.2 Material accounting policies (Continued)

Investment property

Land held under operating leases is classified and accounted for by the Company as investment property when the rest of the definition of investment property is met.

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An external independent valuer, having appropriate recognised professional qualifications and current experience of the location and type of property being valued, values the Company's investment property annually. Fair values are based on market values. Market values are the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing.

Where current prices cannot be established by reference to an active market, valuations are prepared by considering the aggregate of the estimated net cash flows to be received from renting the property. A yield that recognises the specific risks inherent in the net cash flows is then applied to the net annual rental cash flows to determine the value.

Valuations reflect the type of occupier and the general perception of their likely creditworthiness, the division of related costs between landlord and tenant, the incidence of rent reviews and anticipated revised rental levels, and the remaining economic life of the property.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period and any change in estimate is accounted for on prospective basis.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the separate statement of profit or loss and other comprehensive income when the asset is derecognised.

Amortization is charged on intangible assets so as to write off the cost or valuation of assets, over their estimated useful lives, on a straight-line basis. Estimated useful lives of intangible assets for the current and comparative years are as follows:

Patent and know-how	Indefinite useful life
Computer software	5

Borrowing costs capitalization

Borrowing costs are finance cost and other costs that the Company incurs in connection with the borrowing of funds. A qualifying asset for finance cost capitalization is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company recognizes other borrowing costs as an expense in the period in which it incurs them.

The Company begins capitalizing borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalization is the date when the Company first meets all of the following conditions:

- i) Incurs expenditures for the asset;
- ii) Incurs borrowing costs; and
- iii) Undertakes activities that are necessary to prepare the asset for its intended use or sale.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings, if any.

The borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than those specific borrowings mentioned above as made specifically for the purpose of obtaining a qualified asset, are capitalized by applying a capitalization rate to the expenditures on that asset. The amount of borrowing costs that the Company capitalizes during the period is not to exceed the amount of borrowing costs it incurred during that period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Basis of preparation and material accounting policies

3.2 Material accounting policies (Continued)

Borrowing costs capitalization (Continued)

The Company suspends capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset, and ceases capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments - initial recognition and subsequent measurement

Recognition and derecognition of financial instruments

Financial instruments, other than derivative financial instruments, are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets that are regular way purchased or sold are recognised using the trade date accounting i.e. that is when the Company commits to purchase or sell.

Financial instruments that are not trade receivables are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value.

Trade receivables are recognised at transaction cost if they do not contain a significant financing element (IFRS 15).

Financial assets are derecognised when:

- The contractual rights to cash flows from the financial asset expire, or
- the asset is transferred such that contractual rights to cash flows of the assets and the risks and rewards of ownership are transferred,

On de-recognition, the Company recognised the differences between carrying amount and consideration.

In factoring arrangements and guaranteed receivables, transfer may not result in de-recognition, because the Company retains exposure to risks and rewards to some extent. The Company assesses its extended involvement and recognises a liability, such that the net of asset and liability represents the rights and obligations retained, measured based on the classification of the original asset.

Financial liabilities (or a part of) are derecognised when, and only when the obligation is extinguished — i.e. when the obligation specified in the contract is discharged or cancelled or expires. The gain or loss between the carrying value and amount paid is recognised in profit or loss.

If the terms of an existing financial liability (loans and borrowings) are substantially modified this will be considered to meet the criteria for derecognition of the original liability, and a new financial liability is recognised.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Basis of preparation and material accounting policies

3.2 Material accounting policies (Continued)

Classification and subsequent measurement of financial assets

Measurement of financial assets depends on the classification, which is determined by the business model for holding the asset and characteristics of its cash flows.

i. Amortised cost

Assets are held for the purpose of obtaining contractual cash flows, which are solely interest and principal, such as vanilla debt instruments, loans and receivables including contract assets. Interest is calculated using effective interest method and included in finance income in profit or loss. Impairment is presented in a separate line in profit or loss.

ii. Fair value through other comprehensive income (FVOCI)

If in addition to above, if the business model also includes selling the assets, then these assets are measured at fair value with changes in FVOCI. Interest income is calculated and presented as above. Impairment is included in profit or loss and reduces/ increases the fair value gain/ loss recognised in OCI reserve.

On derecognition, gains and losses are recycled to profit or loss and included in other gains/ losses.

iii. Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria above are measured as FVTPL with changes in fair value presented in other gains/ losses.

For equity investments that the Company considers to be long term strategic investments, the Company has taken the election in IFRS 9 to present the changes in FVOCI. Unlike ii) above however, on sale of investments, the cumulative OCI gain/ loss will be transferred within equity and will not be recycled through profit or loss.

Dividends are recognised as other income when there is a right to receive payment.

Classification and measurement of financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

i. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities, which are measured at amortised cost. Financial liabilities are classified at FVTPL if they are either held for trading or they are otherwise designated within this classification. Gains and losses on such financial liabilities are recognised within other gains and losses in the statement of comprehensive income.

A financial liability is classified as held for trading if (a) it has been acquired principally for the purposes of subsequent short-term repurchase; (b) on initial recognition it is part of a portfolio of identified financial instruments which have a pattern of short-term profit taking; or (c) it is a derivative financial instrument that is not designated and effective as a hedging instrument.

A financial liability may otherwise be designated at FVTPL upon initial recognition if such designation eliminates or reduces significantly a measurement or recognition inconsistency that would otherwise arise; or (b) the financial liability forms part of a Company of financial assets, financial liabilities or both, which is managed and its performance evaluated on a fair value basis as a part of the Company's documented risk management and investment strategies; and (c) it forms part of a contract containing one or more embedded derivatives and the entire contract can be so designated in accordance with applicable financial reporting standards.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, within finance costs in the statement of comprehensive income.

The Company derecognises financial liabilities when the obligations of the Company are discharged, cancelled or have expired.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Basis of preparation and material accounting policies

3.2 Material accounting policies (Continued)

Classification and measurement of financial liabilities (Continued)

ii. Embedded derivatives

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at FVTPL.

However financial liabilities which contain multiple embedded derivatives are not separated and are treated as FVTPL.

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The interest expense on the liability component is calculated by applying the effective interest method. This is obtained by calculating the present value of future cash flows at a market rate for a loan without the convertible component. The difference between the effective interest rate and the interest paid is added to the carrying amount of the convertible loan note.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised in equity, net of attributable taxation.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Currently the Company does not offset financial assets and financial liabilities.

Impairment

The following assets have specific characteristics for impairment testing:

Impairment of financial assets

The Company recognizes loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost.

Loss allowances for trade, retention and other receivables are always measured at an amount equal to lifetime ECLs.

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

- Customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 360 days past due.

Impairment of financial assets

The Company considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Basis of preparation and material accounting policies

3.2 Material accounting policies (Continued)

Impairment (Continued)

Impairment of financial assets (Continued)

12-month ECLs are the portion of ECLs that result from default events that are possible withing the 12 months after 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

ECLs are a probability-weighted estimate of credit losses, 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 discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost 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 customer or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the customer will enter bankruptcy or other financial reorganization; 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 amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to financial assets are presented under net impairment (loss) / reversal on financial assets in the income statement.

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. 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 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.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are financial assets stated initially at fair value which is taken to be their transaction cost and subsequently at their amortised cost less any loss allowance. Loss allowance is based on lifetime expected credit losses assess and determined at initial recognition and subsequently adjusted for any changes in expectation.

Loss allowance measurement and policy included in note 10. Trade receivables expected to be received in the next year are classified as current assets. If not, they are presented as non-current assets.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Cost of the inventory is determined by the weighted average cost methods and includes invoiced cost and other expenditures incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Basis of preparation and material accounting policies

3.2 Material accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less that are subject to an insignificant risk of change in their fair value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Shareholders' equity

Share capital represents the total capital per commercial registration which is treated as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Retained earnings include all accumulated profits or losses of the Company less any dividends, legal reserve and social and sports fund.

Borrowings

After initial recognition at fair value net of directly attributable transaction costs, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Employees' end of service benefits

The end of service benefits to its employees is in accordance with Qatar Labor Law. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

Provision

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Fair value measurements

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, regardless of whether that price is directly observable or estimated using another valuation technique. When measuring fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Basis of preparation and material accounting policies

3.2 Material accounting policies (Continued)

Fair value measurements (Continued)

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. The results and financial position of all Company entities that have a functional currency different from the presentation currency are translated into the presentation currency.

Revenue recognition

Revenue from contract with customers

"Revenue from contract with customer" outlines a single comprehensive model of accounting for revenue arising from contract with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRS. It establishes a new five-step model that will apply to revenue arising from contract with customers.

Step 1: Identify the contract(s) with customer.

Step 2: Identify the performance obligation in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Sale of goods

The Company is engaged to manufacture single use of disposable syringes and trading medical equipment, tools and supplies.

The Company's contracts with customers for the delivery of goods generally include one performance obligation. The company has concluded that the revenue from sale of goods should be recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

Delivery occurs when the goods have been shipped to the specific location, the risks of loss have been transferred to the customer, and either the customer has accepted the products in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any), and existence of significant financing component.

Interest income

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income

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

The Company has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Basis of preparation and material accounting policies (Continued)

3.2 Material accounting policies (Continued)

Revenue recognition (Continued)

Others

Other income is recognized when earned, and on the accrual basis.

Cost and expense recognition

Expenses are also recognized in the statement of profit or loss and other comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in the statement of profit or loss and other comprehensive income on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting years and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Income tax

Income tax is computed on the net profit adjusted for the tax purposes in accordance with the provisions of Law no. 24 of 2018 concerning Qatari income tax.

Tax expense

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- A business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

Where the effect of the assumed conversion of the convertible notes and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from the past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision.

Events after the reporting date

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

4. Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Certain areas of financial statements require management to make judgements and estimates in application of accounting policies and measurement of reported amounts. These are continuously monitored for any factors that would lead to a change in assumption or lead to a different decision. Any changes in estimates are accounted for prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below with reference to relevant notes containing further assessment of the nature and impact of the assumptions.

In the process of applying the Company's accounting policies, management has made the following estimates judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Satisfaction of performance obligation

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine appropriate method of recognising revenue. The Company has assessed that based on the contract, the Company does not create an asset with an alternative use to the Company, the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company perform and usually has an enforceable right to payment for performance completed to date. In these circumstances the Company recognises revenue over time and in other cases, revenue is recognised at a point in time.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how Groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or FVOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP of the country in which it sells its goods to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there has been no revision in the lease terms.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

4. Critical accounting estimates and judgements (Continued)

Going concern

The Company had accumulated losses of QR 122,425,204 and its current liabilities exceeded its current assets by QR 79,974,077 as at reporting date. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about on the Company's ability to continue as a going concern. However, the management strongly believes that the Company has the capability to continue in business for at least next twelve months from the reporting date and it has the ability settle its financial obligations when they fall due as the Company has history of profits and continues to be profitable. The Company confirms that it has no intention to liquidate or cease the operations of the Company for at least next twelve months from the reporting date and it has future plans of borrowing additional funds, restructuring its debt and reduce or delay its expenditures. Therefore, these financial statements continue to be prepared on a going concern basis.

Fair value measurement of investment properties and property, plant and equipment

The Company carries its investment properties and building, machinery and equipment under property, plant and equipment at fair value, with changes in fair value being recognised in the statement of comprehensive income. The Company engages independent external valuers to determine the fair value. The valuers used recognised valuation techniques such as market comparable approach.

Classification of investments

Management decides on acquisition of an investment whether to classify it as financial asset at FVOCI or FVTPL. The Company classifies investment as financial asset at FVTPL if the investment is classified as held for trading and upon initial recognition it is designated by the Company as at FVTPL.

Estimates and underlying assumptions are reviewed on an ongoing basis. 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 revisions affect both current and future periods.

The significant management estimates and key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

The Company exercises its judgement in assessing whether there has been a significant increase in credit risk in relation to a specific counterparty based on qualitative factors.

The Company also exercises its judgement in determining the relevant scenarios, the related weight of each scenario and the relevant macro-economic factors while calculating the ECL.

Trade receivables

The Company applies the simplified approach to measuring expected credit losses to its trade receivables, which uses a provision matrix. The provision rates are based on days past due for Groupings of various customer segments that substantially share the same risk characteristics or loss patterns. The provision rates are initially based on the Company's historical observed default rates and adjusted with current conditions and the Company's view of economic conditions over the expected lives of the receivables. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Cash and bank balances

Impairment on cash and bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and bank balances and restricted grants have low credit risk based on the external credit ratings of the counterparties. While cash and bank balances are also subject to impairment, the identified impairment loss is considered immaterial.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

4. Critical accounting estimates and judgements (Continued)

Useful lives of property, plant and equipment and right of use assets

The Company's management determines the estimated useful lives of its property, plant and equipment and right of use assets for calculating depreciation and amortisation. 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.

Use of incremental rate of borrowing

For measuring the lease liability, the Company discounted the lease payments based on its incremental rate of borrowing. The definition of incremental borrowing rate states that the rate should reflect what the Company would be charged to borrow over a similar term and under similar circumstances. To determine an appropriate rate, the Company has obtained the relevant information from its bankers.

Provision for slow moving inventories

Inventories are held at the lower of cost or 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.

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QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

5. Property, plant and equipment (Continued)

Cost:	Buildings on leasehold land QR	Machinery and equipment QR	Motor vehicles QR	Furniture and fixtures QR	Computer and software QR	Capital work in progress QR	Total QR
At 1 January 2022	57,182,447	94,868,700	205,500	3,153,733	797,632	846,377	157,054,389
Additions during the year	-	222,908	-	13,721	15,099	-	251,728
Disposal during the year	-	-	-	(9,297)	-	-	(9,297)
Fair value changes of properties carried at fair value	616,645	-	-	-	-	-	616,645
At 31 December 2022	57,799,092	95,091,608	205,500	3,158,157	812,731	846,377	157,913,465
<u>Accumulated depreciation</u>							
At 1 January 2022	20,198,411	19,773,328	205,500	2,906,429	751,602	-	43,835,270
Charge for the year	1,906,081	3,328,419	-	164,343	22,418	-	5,421,261
Disposal for the year	-	-	-	(9,297)	-	-	(9,297)
At 31 December 2022	22,104,492	23,101,747	205,500	3,061,475	774,020	-	49,247,234
<u>Accumulated impairment</u>							
At 1 January 2022	-	2,215,231	-	-	-	-	2,215,231
At 31 December 2022	-	2,215,231	-	-	-	-	2,215,231
Net carrying amount, At 31 December 2022	35,694,600	69,774,630	-	96,682	38,711	846,377	106,451,000

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

5. Property, plant and equipment (Continued)

- a) The property, plant and equipment listed above were pledged against the loans and borrowings obtained by the Company.
- b) Buildings have been constructed on a leasehold land obtained from Ministry of Municipal Affairs and Agriculture with an annual lease rental of QR 11,527 for 30 years which will be expired on 30 June 2031 subject to renewal. The right-of-use assets and lease liabilities related to this lease contract are disclosed in Note 6.

Impairment of property, plant and equipment

The accounting policy related to assessment of impairment has been applied each reporting period to estimate the recoverable value of entire class of property, plant and equipment. As a result and as per management's estimations the recoverable value of the entire class of property, plant and equipment are higher than their carrying value as of reporting date.

In general, the recoverable value of machinery and equipment is determined based on external independent valuer, having appropriate recognised professional qualifications and knowledge of the regional market and understanding to undertake the valuation of machinery and equipment.

During 2017, the independent appraiser's estimated recoverable value of machinery and equipment is lower than its carrying value by QR 6,603,312. Accordingly, the amount was recognised as impairment in the statement of profit or loss and other comprehensive income during the year 2017.

Based on the appraiser's outcome of 2020, the carrying value of machinery and equipment has been increased to QR 75,792,341 and which resulted to reverse the previously recognised impairment loss of QR 4,388,081 during the year ended 31 December 2020.

Based on the appraiser's outcome of 2022, the recoverable value of machinery and equipment amounting to QR 69,800,000 than their carrying values as of reporting date (which was not significantly deviated to reverse the previously recognised impairment losses).

Based on the appraiser's outcome of 2023, the recoverable value of machinery and equipment has been increased to QR 69,536,262, which resulted in reversal of the previously recognised impairment loss of QR 2,215,231 during the year ended 31 December 2023.

The accumulated impairment in relation to the machinery and equipment as follows:

	2023 QR	2022 QR
As at 1 January	2,215,231	2,215,231
Additions during the year	(2,215,231)	—
As 31 December	—	2,215,231

6. Leases

Lease represents the discounted value of future lease payments for the leased land obtained from Ministry of Municipal Affairs and Agriculture with an annual lease rental of QR 11,527 for 30 years which will be expired on 30 June 2031 subject to renewal. Set below are the carrying amounts of the Company's right-of-use asset and lease liabilities and the movements during the period.

The movement of lease at the end of each reporting period is as follows:

Right-of-use asset

	2023 QR	2022 QR
As at 1 January	116,164	116,164
As 31 December	116,164	116,164

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

6. Leases (Continued)

	2023 QR	2022 QR
Accumulated depreciation		
As at 1 January	37,173	27,879
Charges for the year (Note 23)	9,293	9,294
As 31 December	46,466	37,173
Net book value	69,698	78,991
Lease liabilities		
	2023 QR	2022 QR
As at 1 January	80,611	89,216
Interest expense for the year (Note 24)	2,621	2,922
Payments of lease liabilities	(11,527)	(11,527)
At 31 December	71,705	80,611
	2023 QR	2022 QR
Net lease liabilities:		
Current portion	62,488	71,705
Non-current portion	9,217	8,906
	71,705	80,611

7. Investment properties

Investment properties are measured at fair value and are presented as follows:

	Building QR	Total QR
Buildings	12,590,000	12,590,000
Less: Impairment loss	(106,000)	—
At 31 December 2023	12,484,000	12,590,000

The Company's investment properties consist of a building constructed on the portion of leasehold land (65,779 square feet) for the use of warehouse rented out to an external party based on an operating lease agreement. The rental income arising from the above investment property amounting to QR 2,520,000 for the year ended 31 December 2023 (2022: QR 2,430,000) included under other income (Note 21).

The fair value of investment property as at 31 December 2023 was determined by an external independent property valuer, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value was determined based on market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of investment property, the highest and best use of property is their current use.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. Intangible assets

2023	Patents and know-how QR	Computer software QR	Total QR
<u>Cost</u>			
At 1 January 2023	10,329,937	596,044	10,925,981
At 31 December 2023	10,329,937	596,044	10,925,981
<u>Accumulated amortisation</u>			
At 1 January 2023	—	596,044	596,044
At 31 December 2023	—	596,044	596,044
<u>Net book value</u>			
At 31 December 2023	10,329,937	—	10,329,937
2022			
<u>Cost</u>			
At 1 January 2022	10,329,937	596,044	10,925,981
At 31 December 2022	10,329,937	596,044	10,925,981
<u>Accumulated amortisation</u>			
At 1 January 2022	—	596,044	596,044
At 31 December 2022	—	596,044	596,044
<u>Net book value</u>			
At 31 December 2022	10,329,937	—	10,329,937

The Company acquired the full rights for the use of the patents and know-how without any limitations and the patents now belong to the Company with full rights. However, defects (if any) on existing patent rights are being upgraded by the management to meet overall objective of the Company.

9. Inventories

	2023 QR	2022 QR
Trading stocks	8,737,023	11,651,577
Finished goods	2,886,793	2,557,230
Work in progress	2,428,434	1,093,470
Raw materials	8,001,220	9,128,148
Spare parts	2,593,036	2,579,318
Goods in transit	24,605	491,950
Consumables	167,561	190,036
	24,838,672	27,691,729
Less: Provision for obsolete and slow-moving items	(109,472)	(109,472)
	24,729,200	27,582,257

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

10. Trade and other receivables

	2023 QR	2022 QR
Trade receivable*	49,344,995	32,173,793
Less: Impairment loss allowance on trade receivables	(3,841,166)	(3,841,166)
	45,503,829	28,332,627
Advances to suppliers	2,339,324	1,771,328
Staff receivables	281,234	55,776
Prepaid expenses	38,690	99,938
Refundable deposits	1,153	1,153
Other receivables	419,670	464,734
	48,583,900	30,725,556

*This account includes outstanding receivable from third parties amounting to QR 6,068,683 which is outstanding for more than three years. The management is of the opinion that the balance is fully recoverable.

Movement in impairment loss allowance on trade receivables is recognized in the statement of financial position as follows;

	2023 QR	2022 QR
As at 1 January	3,841,166	3,841,166
As 31 December	3,841,166	3,841,166

The following table provides information about the aging of trade receivables from customers as at 31 December.

	2023 QR	2022 QR
Neither past due not impaired	7,375,796	22,501,710
1 - 90 days	9,162,413	1,124,292
91 - 180 days	4,777,258	950,371
Over 180 days	28,029,528	7,597,420
Impaired	(3,841,166)	(3,841,166)
	45,503,829	28,332,627

11. Related parties

Related parties represent the major shareholders, directors and key management personnel of the Company and companies in which they are major owners. Pricing policies and terms of these transactions are approved by the Company's management.

a) Compensation to key management personnel

There was no compensation paid to key management personnel for the year ended 31 December 2023 (2022: QR 600,000).

12. Cash and cash equivalents

	2023 QR	2022 QR
Cash in hand	9,631	22,750
Bank accounts	110,261	6,324,075
	119,892	6,346,825

13. Share capital

As at 31 December 2023 and 2022, the authorized shares of 115,500,000 at QR 1 par value were issued and paid. The share capital amounts to QR 115,000,000.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

14. Legal reserve

In accordance with Qatar Commercial Companies Law and the Company's articles of association, the Company must transfer 10% of the annual net profit to a legal reserve account. The Company may resolve to discontinue the annual transfers when the reserve totals 50% of the share capital. The reserve is not available for distribution except in the circumstances stipulated for in the Commercial Companies Law.

15. Revaluation reserve

The revaluation reserve amounting to QR 12,151,865 as at December 2023 (2022: 11,910,929) relates to the revaluation of building in previous years as owner-occupied building recognised in property, plant and equipment.

Movement in revaluation reserve is as follows:

	2023 QR	2022 QR
As at 1 January	11,910,929	11,999,694
Fair value changes of properties carried at fair value	240,936	616,645
Transfer of depreciation of revalued assets	—	(705,410)
As at 31 December	12,151,865	11,910,929

16. Borrowings

	2023 QR	2022 QR
Bank facilities	140,305,641	142,502,361
Document credit facilities	1,981,104	2,359,579
Total	142,286,745	144,861,940

a) Bank facilities

The Company obtained several bank loans, documentary credit, overdraft and bank guarantees facilities from Qatar National Bank and Qatar Development Bank for the purpose of warehouse construction and short-term working capital. The bank facilities had different rescheduling agreements during the previous years.

b) Details of bank facilities from Qatar Development Bank

The Company has obtained numerous facilities from Qatar Development Bank for different purposes such as to purchase machineries and equipment, settlement of outstanding supplier dues, meeting operational and working capital requirements, purchase of raw materials, to finance warehouse construction and purchase of medical supplies for resale.

Though the underlying facilities are carried at different maturity periods and supposed to settle in shorter period, the facilities have been rescheduled in previous years by Qatar Development Bank frequently. Hence, during previous years, most of the above loans have been rescheduled with revised terms and conditions. However, until 31 December 2020, from the date when the above development bank disposed their ownership from the Company, the borrowings terms and conditions are generalized and the Company shall be obligated to pay the borrowings as and when they fall due.

The Company has breached certain loan covenants which give the right to Qatar Development Bank to claim the full balance from the Company. Accordingly, the Company has reclassified all the borrowings from Qatar Development Bank under current liabilities as at 31 December 2023.

During the year, Qatar Development Bank filed a lawsuit against the Company, and on 27 December 2023, the Supreme Judiciary Council- Investment and Trade court ruled to pay the plaintiff an amount of one hundred and twenty-seven million six hundred and eighty-two thousand, eight hundred and seventy riyals (QR: 127,682,870) with an annual profit return of 5% commencing from 12 June 2023 until the date of full payment.

The Company has registered an appeal against the ruling and the proceedings are ongoing as of the year end.

The facilities are initially given on a standalone basis and some of them are rescheduled subsequently. The underlying terms and conditions attached to each of the facilities are varied in terms of purpose, interest rates and repayable terms.

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

16. Borrowings (Continued)

c) Details of collateral provided against the facilities

Based on the mortgaged contract with Qatar Development Bank (being a first beneficiary and major debt provider), the Company's trade name, license, industrial registration, machinery and equipment including production lines, intangible assets including intellectual properties owned by the Company have been pledged with Qatar Development Bank. The Company's industrial registration has been notified to provide the above pledges.

Based on the mortgaged contract with Qatar National Bank (being a second beneficiary and a lender), the Company's right-to-use buildings, factory, machinery and equipment, tools, raw materials, finished goods and other related assets including license are pledged with the above commercial bank.

In addition to the above securities mentioned in the mortgaged contract, pursuant to the Master Bank Facility Agreement, the following are also pledged against borrowings:

- Assignment of insurance policies covering 100% of credit exposure from Qatar Development Bank
- Assignment of certain customer contracts in favour of Qatar Development Bank to cover facility amount.

The outstanding borrowings are classified and presented in the statement of financial position as follows:

	2023 QR	2022 QR
Current portion	131,718,670	52,373,230
Non-current portion	10,568,075	92,488,710
	142,286,745	144,861,940

The movement of borrowings were as follows:

	2023 QR	2022 QR
As at 1 January	144,861,940	127,749,460
Additions during the year	3,210,011	4,225,718
Restructuring of bank overdraft	49,598	14,269,226
Repayments	(7,446,709)	(3,855,076)
Accrued interest	2,698,462	3,787,227
Interest paid	(1,086,557)	(1,314,615)
As at 31 December	142,286,745	144,861,940

During 2022, the bank overdraft facility with Qatar National Bank for which the interest rate was 6.25%, was converted to long term loan facility to be settled over 91 monthly instalments amounting to QR 200,000 ending on 30 April 2030 and final installment with the remaining balance to be settled on 31 May 2030.

17. Provision for employees' end of service benefits

	2023 QR	2022 QR
As at 1 January	955,097	1,081,676
Provided during the year (Note 23)	45,589	198,876
Paid during the year	(140,160)	(325,455)
As at 31 December	860,526	955,097

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

18. Trade and other payables

	2023 QR	2022 QR
Trade payables	19,961,999	9,856,165
Advances from customers	866,279	3,038,148
Accrued expenses	282,299	312,683
Dividends payable	214,841	214,841
Retention payable	99,858	99,858
Provision for leave salaries and airfare	79,130	72,644
Provision for social and sports fund contribution	33,400	31,102
Other payables	141,376	90,704
	21,679,182	13,716,145

19. Revenue

The following sets out the disaggregation of the Company's revenue from contracts with customers:

a) Type of goods and services

	2023 QR	2022 QR
Sales of IV cannula	16,256,275	2,259,811
Sales of trading products	7,702,086	1,448,401
Sales of syringes	2,622,086	38,161,665
Sales of sterilization products	1,109,892	210,780
Sales of packed needles	161,132	300,139
Sales of others	—	274,897
	27,851,471	42,655,693

b) Timing of satisfaction of performance obligation

	2023 QR	2022 QR
Goods transferred at point in time	27,851,471	42,655,693
	27,851,471	42,655,693

c) Geographical location

	2023 QR	2022 QR
Outside Qatar	17,207,181	36,820,155
Inside Qatar	10,644,290	5,835,538
	27,851,471	42,655,693

d) Customer relationship

	2023 QR	2022 QR
Corporate customers	23,665,652	38,093,739
Government customers	4,185,819	4,561,954
	27,851,471	42,655,693

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

20. Cost of revenue

	2023 QR	2022 QR
Cost of IV cannula	11,238,616	2,419,991
Cost of trading products	3,956,121	679,498
Cost of syringes	3,249,945	25,260,928
Cost of packed needles	163,685	205,116
Others	52,081	44,887
	18,660,448	28,610,420

21. Other income

	2023 QR	2022 QR
Rental income from investment properties (<i>Note 7</i>)	2,520,000	2,430,000
Write back of trade payables	172,778	—
Other income	288,358	89,918
	2,981,136	2,519,918

22. Selling and distribution expenses

	2023 QR	2022 QR
Export shipping charges	398,560	616,127

23. General and administrative expenses

	2023 QR	2022 QR
Salaries and other staff related costs*	2,663,953	2,649,849
Legal and professional fees	375,953	647,067
Repair and maintenance expenses	332,128	229,917
Insurance expenses	205,125	148,297
Rent expenses	200,442	—
Communication expenses	189,403	47,374
Advertisement and marketing expenses	184,590	266,442
Impairment loss of investment properties (<i>Note 7</i>)	106,000	—
Utilities	90,716	292,397
Travelling expenses	85,381	180,399
Office expenses	68,420	114,201
Foreign exchange losses	41,897	157,762
Depreciation of right of use asset (<i>Note 6</i>)	9,293	9,294
Others	174	713,971
	4,553,475	5,456,970

* Salaries and other staff related costs include QR 45,589 relating to provision for employees' end of service benefits (2022: QR 198,876).

QATARI GERMAN COMPANY FOR MEDICAL DEVICES Q.P.S.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

24. Finance costs

	2023 QR	2022 QR
Interest on loans and borrowings	2,698,462	3,135,448
Interest on bank overdraft	—	651,780
Interest expense on lease liabilities (<i>Note 6</i>)	2,621	2,922
Other finance charges	53,731	36,586
	<u>2,754,814</u>	<u>3,826,736</u>

25. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to the owners of the Company by the weighted average number of ordinary outstanding shares during the year as follows:

	2023 QR	2022 QR
Profit for the year attributable to the owners of the Company (QR)	<u>1,335,981</u>	<u>1,244,097</u>
Weighted average number of shares outstanding during the period (Note 13)	<u>115,500,000</u>	<u>115,500,000</u>
Basic earnings per share (QR.)	<u>0.012</u>	<u>0.011</u>

26. Contingent liabilities

	2023 QR	2022 QR
Guarantees (a)	1,847,027	1,339,154
Guarantee cheques	1,153	30,000
Letters of credit (b)	1,379,960	554,757
	<u>3,228,140</u>	<u>1,923,911</u>

- a) This represents the financial guarantees issued by the banks on behalf of the Company in the ordinary course of the business and will mature within twelve months from the reporting date.
- b) This represents the value of letters of credit issued by a local bank to overseas banks for the purchase of raw materials.

27. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Capital risk

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has established a finance committee which is responsible for developing and monitoring the Company's risk management strategy and policies. The committee reports regularly to the board of directors on its activities. There have been no changes to the Company's exposures to risk or the methods used to measure and manage these risks during the year.

The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in the light of the risks faced by the Company.

The Company's financial instruments consist mainly of deposits with banks, short term investments, trade receivable and payable, borrowings and lease liabilities.

Market risk

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial risk management (Continued)

Market risk (Continued)

Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies and hence exposed to risk on exchange rate fluctuations. The use of financial derivatives governed by the Company's policies, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Management does not hedge its interest rate risk and believes that the interest rate risk on its loans is minimal in the current business environment.

Equity price risk

The Company has no listed equity securities, thus, it is not susceptible to market price risk arising from uncertainties about future values of the investment securities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

Credit risk arises on trade receivables and cash and cash equivalents.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Bank balances are held with reputed banks in and outside Qatar. Given this, management do not expect these banks to fail on their obligations.

Trade receivables have adopted the same simplified approach and loss allowance is calculated based on lifetime expected credit losses. Trade receivables are determined to have the same credit risk exposures as fundamentally based on the same customers.

To measure the expected credit losses, management has used historic data % of settled sales per days overdue. This data was analysed further to create a profile by segment, region, product/ service offered and type of customer.

The Company's maximum exposure to credit risk as at the reporting date is the carrying amount of its financial assets, which are the following:

	12 month or life time ECL	Gross carrying amount QR	Loss allowance QR	Net carrying amount QR
2023				
Trade receivables	Lifetime ECL	49,344,995	(3,841,166)	45,503,829
Balance with banks	12 Month ECL	110,261	—	110,261
2022				
Trade receivables	Lifetime ECL	32,173,793	(3,841,166)	28,332,627
Balance with banks	12 Month ECL	6,324,075	—	6,324,075

Trade receivables

Loss rates are based on actual credit loss experience over the five years. These rates are multiplied by forward looking factors to reflect difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic condition over the expected lives of the receivables.

Forward looking factors are based on actual and forecast macro-economic factors (primarily GDP) and is considered to be positive.

Balances with banks

None of the bank balances are credit impaired and the expected credit losses are insignificant.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

27. Financial risk management (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarizes the contractual undiscounted maturities of the Company's financial liabilities at the reporting date. The Company's financial liabilities include any contractual interest payments.

2023	Less than 12 months QR	More than 12 months QR	Total QR
Borrowings	131,718,670	10,568,075	142,286,745
Trade and other payables	20,558,997	–	20,558,997
Lease liabilities	9,217	62,488	71,705
2022	Less than 12 months QR	More than 12 months QR	Total QR
Borrowings	52,373,230	92,488,710	144,861,940
Trade and other payables	10,483,547	–	10,483,547
Lease liabilities	8,906	71,705	80,611

Capital risk management

The Company's objective when managing capital is to ensure its ability to maintain a strong credit rating and healthy capital ratios in order to support its business to provide returns for its shareholders and to provide best returns on capital investment by pricing goods and services commensurately with the level of risk.

The Company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Company manages the shareholder's funds and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or realise assets in order to reduce debt. The Company's equity comprises share capital, legal reserve, revaluation reserve and accumulated losses and is measured at QR 36,034,290 as at 31 December 2023 (2022: QR 34,490,773).

28. Fair value measurements

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the financial assets held at FVTPL and biological assets by following 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 value that are not based on observable market data.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

28. Fair value measurements (Continued)

The following table shows the carrying amounts and fair values of non-financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value, including trade receivables, bank balances, trade payables and borrowings, where the carrying amount is a reasonable approximation of fair value.

	2023 QR	Level 1 QR	Level 2 QR	Level 3 QR
Non-financial assets				
Investment properties	12,484,000	—	12,484,000	—
Buildings on leasehold land	34,008,900	—	34,008,900	—

	2022 QR	Level 1 QR	Level 2 QR	Level 3 QR
Non-financial assets				
Investment properties	12,590,000	—	12,590,000	—
Buildings on leasehold land	35,694,00	—	35,694,600	—

During the year ended to 31 December 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. There were no movements within Level 3 fair value measurements.

29. Social and sports fund

In accordance with Law No. 13 of 2008, the Company is required to provide a provision for the support of sports, social, cultural, and charitable activities with an amount equivalent to 2.5% of the annual net profit. This social and sports contribution is considered as an appropriation of retained earnings of the Company and presented in the statement of changes in shareholders equity.

30. Legal claims

During the year, Qatar Development Bank filed a lawsuit against the Company, and on 27 December 2023, the Supreme Judiciary Council- Investment and Trade court ruled to pay the plaintiff an amount of one hundred and twenty-seven million six hundred and eighty-two thousand, eight hundred and seventy riyals (QR: 127,682,870) with an annual profit return of 5% commencing from 12 June 2023 until the date of full payment.

The Company has registered an appeal against the ruling and the proceedings are ongoing as of the year end.

31. Subsequent events

There were no significant events after the reporting date, which have a bearing on these financial statements.

32. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation in the current year's financial statements. However, such reclassification does not have any effect on the net income, net assets and equity of the previous year.